

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 30, 2000

REGISTRATION NO. 333-88939

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

HEALTHSTREAM, INC.
(Exact name of registrant as specified in its charter)

TENNESSEE
(State or other jurisdiction of
incorporation or organization)

8299
(Primary Standard Industrial
Classification Code Number)

62-1443555
(I.R.S. Employer
Identification Number)

HEALTHSTREAM, INC.
209 10th Avenue South, Suite 450
Nashville, Tennessee 37203
(615) 301-3100
(Address, including zip code,
and
telephone number, including area
code, of
registrant's principal executive
offices)

ROBERT A. FRIST, JR.
209 10th Avenue South, Suite 450
Nashville, Tennessee 37203
(615) 301-3100
(Name, address, including zip
code, and
telephone number, including area
code,
of agent for service)

Copies to:

J. PAGE DAVIDSON, ESQ.
Bass, Berry & Sims PLC
2700 First American Center
Nashville, Tennessee 37238
(615) 742-6200

KRIS F. HEINZELMAN, ESQ.
Cravath, Swaine & Moore
Worldwide Plaza
825 Eighth Avenue
New York, New York 10019
(212) 474-1000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. []

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME

EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A),
MAY DETERMINE.

EXPLANATORY NOTE

This Registration Statement contains two forms of prospectus: one to be used in connection with an underwritten public offering in the United States and Canada of common stock (the "U.S. Prospectus"), and one to be used in a concurrent underwritten public offering outside the United States and Canada of common stock (the "International Prospectus"). The two prospectuses are identical except for the front cover page and the section entitled "Underwriting". Those sections or pages that will appear only in the U.S. Prospectus are labeled "[U.S.]," and those that will appear only in the International Prospectus are labeled "[I]." Unless so indicated with a [U.S.] or [I], the language herein will appear in both Prospectuses. Final forms of each Prospectus will be filed with the Securities and Exchange Commission under Rule 424(b) under the Securities Act of 1933.

An electronic version U.S. Prospectus will also be made available on E*OFFERING CORP's Web site, located at www.eoffering.com. E*OFFERING is acting as an underwriter in connection with the offering of securities registered under this Registration Statement.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED MARCH 30, 2000

(HEALTHSTREAM LOGO)

5,000,000 SHARES

COMMON STOCK

We are offering 5,000,000 shares of our common stock. This is our initial public offering and no public market currently exists for our shares. Our common stock has been approved for listing on the Nasdaq National Market under the symbol "HSTM." We anticipate that the initial public offering price will be between \$11.00 and \$13.00 per share.

INVESTING IN OUR COMMON STOCK INVOLVES RISKS.
SEE "RISK FACTORS" BEGINNING ON PAGE 5.

	PER SHARE	TOTAL
	-----	-----
Public offering price.....	\$	\$
Underwriting discounts and commissions.....	\$	\$
Proceeds to HealthStream, Inc.....	\$	\$

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

We have granted the underwriters a 30-day option to purchase up to an additional 750,000 shares of common stock to cover over-allotments.

ROBERTSON STEPHENS

CIBC WORLD MARKETS

J.C. BRADFORD & CO.

E*OFFERING

THE DATE OF THIS PROSPECTUS IS , 2000.

[On the top left corner appears the "HealthStream" logo. Below the logo in the center of the page appears the text "Becoming a leader in online healthcare training and education by". About one inch below the above text appears the number "1" with text to its right which reads "amassing one of the largest libraries of online training and education courses,." About one inch below this text appears the number "2" with text to its right which reads "managing them in a Web-based administration system, and" About one inch below this text appears the number "3" with text to its right which reads "distributing them through healthcare organizations and our Web-based network of strategic partners."]

[Inside Front Cover]

[On the left side of the page from the top of the page to the bottom are the following: "Amass.," "Content partners.," a computer screen shot of an interactive continuing education course with the caption along the bottom of "This is one of many internal medicine courses from The Cleveland Clinic Foundation offered exclusively through our distribution network.," "The Cleveland Clinic Foundation," "Vanderbilt University Medical Center," "Duke University Medical Center," "Scripps Clinic," "American Health Consultants," "GE Medical Systems," "Content Statistics." and under that "3,000 Course hours owned and under license," "1,300 Course hours currently online," and "2,500 Live seminars listed on our online catalog, cmesearch.com"]

[On the middle of the page from the top of the page to the bottom are the following: "Manage.," "HealthStream's Web-based systems:," and under that "enables healthcare organizations to administer training," "attracts recurring customers with mandated courses," "distributes high quality content to a world wide audience," "collects and aggregates performance data", screen shot of online CME programs offered by CMecourses.com, logo for HealthStream.]

[On the right hand of the page from the top of the page to the bottom: "Distribute.," "Through Healthcare Organizations.," Under that "800 hospitals are implementing our products to manage education for their employees.," copy of the m3 logo to the left of "450 hospitals currently use m3 electronic learning systems. Through our merger, these hospitals are primary candidates for our online learning services.," copy of the de'MEDICI logo to the left of "150 hospitals utilize the de'MEDICI learning system, a Lippincott Williams and Wilkins product based on our technology.," copy of the Columbia/HCA logo to the left of "200 hospital provider network agrees to use our online learning services."

In the middle of the page "Through Our Web Distribution Network.," screen shot of Healtheon/WebMD Practice Web page and caption under the graphic of "HealthStream is the exclusive provider of online education and training services for all Web sites owned and operated by WebMD." At the bottom of a page is a list in 3 columns, from top to bottom, left to right "ChannelHealth (IDX)", "GE Medical Systems," "MedicalLogic," "Medsite," "PointShare," "and over 30 others..."]

[Color Foldout]

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION DIFFERENT FROM THAT CONTAINED IN THIS PROSPECTUS. WE ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, SHARES OF COMMON STOCK ONLY IN JURISDICTIONS WHERE OFFERS AND SALES ARE PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS ACCURATE ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF DELIVERY OF THIS PROSPECTUS OR OF ANY SALE OF OUR COMMON STOCK.

UNTIL _____, 2000, ALL DEALERS THAT BUY, SELL OR TRADE OUR COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS OFFERING, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS REQUIREMENT IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENT OR SUBSCRIPTIONS.

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 "HEALTHSTREAM," "TRAINING NAVIGATOR" AND "T.NAV" ARE OUR REGISTERED TRADEMARKS. ALL OTHER TRADEMARKS AND SERVICE MARKS USED IN THIS PROSPECTUS ARE THE PROPERTY OF THEIR RESPECTIVE OWNERS.

SUMMARY

You should read the following summary together with the more detailed information in this prospectus, including risk factors, regarding our company and the common stock being sold in this offering. The terms "we," "us," "our" and "our company" refer to HealthStream, Inc. and its subsidiaries as a combined entity, except where the context requires otherwise.

OUR BUSINESS

We are pioneering a Web-based solution to meet the training and education needs of the healthcare industry utilizing our proprietary system. Through strategic relationships with medical institutions and commercial organizations, including Vanderbilt University Medical Center, Duke University Medical Center, The Cleveland Clinic Foundation, Scripps Clinic and American Health Consultants, we have amassed over 3,000 hours of training and education courses. We currently distribute over 1,300 hours of these courses online to allied healthcare professionals, nurses, doctors and other healthcare workers. We will expand distribution of our courses and services to include two methods. The first method provides access to our courses and education management software on a transactional basis over the Internet on an application service provider, or ASP, basis. We have entered into a four-year agreement with Columbia/HCA Healthcare Corporation, a provider network with over 200 hospitals, to provide our courses and education management software using this ASP method. Under the second method, we deliver our courses through strategic distribution partners, which we refer to as our Web distribution network. This network currently consists of over 30 distribution partners including Healtheon/WebMD, MedicalLogic, GE Medical Systems, Pointshare, Medsite.com, HealthGate and ChannelHealth (an IDX company). We have entered into a five-year agreement with Healtheon/WebMD to be the exclusive provider of education and training for healthcare organizations, healthcare professionals and healthcare workers on Web sites owned and operated by Healtheon/WebMD.

THE MARKET OPPORTUNITY

We estimate that the healthcare industry spends approximately \$6.0 billion annually on training and education for over an estimated 10 million healthcare workers and professionals. According to a recent study, a greater percentage of healthcare workers receive training than workers in any other industry. Approximately 88% of all healthcare workers receive some kind of formal work-related training, safety training or continuing education every year. Training includes safety training mandated by both the Occupational Safety and Health Administration, or OSHA, and the Joint Commission on Accreditation of Healthcare Organizations, or JCAHO, for all healthcare workers. Continuing education includes continuing education units, or CEU, for nurses and continuing medical education, or CME, for doctors.

The training and education market in the healthcare industry is highly fragmented, with over 1,000 providers offering a limited selection of programs on specific topics. Historically healthcare workers and professionals have received training and education through offline publications such as medical journals and CD-ROMs and by attending conferences and seminars. Although these existing approaches satisfy ongoing training and continuing education requirements, they may be limited in their breadth of offerings, inconvenient and costly to purchase or attend and result in lost productivity. In addition, healthcare organization administrators find it difficult to review and assess results, track employee compliance with certification requirements and respond to the effectiveness of education and training programs. We believe that these inefficiencies, combined with the time constraints and increased cost pressures in the healthcare industry, have prompted healthcare organizations and professionals to seek alternative training methodologies. The emergence of the Internet enables the delivery of a greater breadth and depth of training and continuing education programs to healthcare professionals and other healthcare workers more cost effectively and conveniently than by historical methods.

OUR SERVICES

We believe that the combination of our high quality training and education content, coupled with the reach through our ASP method and our distribution partners, positions us to be a leading provider of Web-based solutions to meet the needs of healthcare organizations and professionals. Healthcare organizations must provide both government mandated and internally required training to their employees. Most healthcare professionals are individually responsible for meeting their ongoing training and continuing education requirements. We believe our Web-based training and education solution allows us to meet these needs by offering:

- healthcare organizations the ability to administer, assess and track government and institution-mandated training and education for their potentially large and geographically dispersed employee populations on a cost-effective basis;
- healthcare professionals and other healthcare workers a cost-effective, convenient, efficient and easy to use one-stop shop for meeting their training and continuing education needs;
- our distribution partners one of the largest online libraries of training and education courses from premier healthcare organizations and a predictable source of online traffic due to the recurring nature of regulated training and continuing education requirements in the healthcare industry; and
- our content partners one of the largest online distribution channels targeted to the healthcare industry as well as our experience in producing interactive educational materials for the healthcare industry.

OUR GROWTH STRATEGY

Our objective is to be the leading provider of Web-based training and education solutions for the healthcare industry. The following are the key elements of our growth strategy:

- provide healthcare organizations with Web-based access to our courses and education management software on an ASP basis;
- expand and enhance our online training and education library;
- increase the number of partners in our Web distribution network;
- expand our sales and marketing efforts that target healthcare organizations, healthcare professionals and potential content and distribution partners; and
- generate additional revenue opportunities by aggregating the performance data collected by our system and offering sponsorship products based on the attractive demographics of our end users.

We intend to implement our strategy through internal growth, expansion of strategic relationships with content and distribution partners and the acquisition of businesses that have complementary content, technology and/or end users.

OUR HISTORY

We launched our online training and continuing education services in March 1999. We were incorporated in 1990 and in 1996 we began deploying our education management system as a network and stand-alone product. Our revenues in 1999 increased 49.6% to \$2.6 million from \$1.7 million in 1998. In 1999, we had a pro forma as adjusted net loss of \$9.8 million on pro forma as adjusted revenues of \$7.2 million and an accumulated deficit on a pro forma as adjusted basis through December 31, 1999 of \$8.9 million. We expect to continue to incur net losses and negative cash flow for the foreseeable future as we continue to implement our Web-based solutions.

Our principal executive office is located at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203, our telephone number is (615) 301-3100, and our Web address is www.healthstream.com. The contents of our Web site are not part of this prospectus.

THE OFFERING

Common stock offered.....	5,000,000 shares
Common stock to be outstanding after this offering.....	18,999,052 shares, including an estimated 833,334 shares which Healtheon/WebMD has agreed to purchase directly from us in a separate private sale that will close concurrently with this offering, or 19,749,052 shares if the underwriters exercise their over-allotment option in full. This amount does not include 5,722,568 shares subject to warrants and outstanding options issued under our stock option plans or 6,325,130 shares reserved for issuance pursuant to options we may issue under our stock option and stock purchase plans.
Use of proceeds.....	The net proceeds from this offering (without exercise of the over-allotment option) and the concurrent private sale are estimated to be approximately \$65.3 million and will be used for general corporate purposes, including working capital, sales and marketing expenses, payments to content and distribution partners and possible acquisitions. See "Use of Proceeds."
Risk factors.....	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
Nasdaq National Market symbol.....	HSTM

The number of shares of common stock to be outstanding after the offering is estimated based on the number of shares outstanding as of March 7, 2000.

Except as otherwise indicated, all information in this prospectus:

- reflects the conversion of a \$1,293,000 promissory note payable to Robert A. Frist, Jr., our chief executive officer and chairman, into 553,712 shares of our common stock upon completion of this offering;
- reflects the conversion of our outstanding shares of series A, B and C preferred stock into 7,131,153 shares of our common stock upon completion of this offering;
- assumes no exercise of the underwriters' over-allotment option;
- reflects a 1.85 for 1 common stock split to be effected immediately prior to the effective date of the registration statement of which this prospectus is a part; and
- assumes the issuance of an estimated 833,334 shares of our common stock to Healtheon/WebMD in a private sale that will close concurrently with this offering based on an assumed initial public offering price of \$12.00 per share (the midpoint of the range set forth on the cover of this prospectus). This number will be subject to adjustment based on the actual initial public offering price.

SUMMARY FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

The following table is a summary of the financial data for our company. We derived the historical statement of operations data for the three years ended December 31, 1999 and the historical balance sheet data as of December 31, 1999 from our audited financial statements and related notes, which are included elsewhere in this prospectus. You should read this information together with the financial statements and the related notes appearing at the end of this prospectus, the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information contained elsewhere in this prospectus.

The pro forma as adjusted condensed statement of operations data assumes:

- the acquisition of SilverPlatter Education, Inc., Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company, Emergency Medicine Internetwork, Inc., or EMInet, Quick Study, Inc. and KnowledgeReview, LLC;
- the conversion of our series A, B and C preferred stock into our common stock;
- the conversion of notes payable-related party into our common stock;
- the issuance of our common stock in this offering as described in "Use of Proceeds;" and
- the sale by us of an estimated 833,334 shares of our common stock to Healtheon/WebMD in a private sale that will close concurrently with this offering.

as if each of such transactions had occurred as of January 1, 1999.

The pro forma as adjusted balance sheet data assumes:

- the acquisition of m3 the Healthcare Learning Company, EMInet, Quick Study and KnowledgeReview;
- the conversion of our series A, B and C preferred stock into our common stock;
- the issuance of our common stock in this offering as described in "Use of Proceeds;" and
- the sale by us of an estimated 833,334 shares of our common stock to Healtheon/WebMD in a private sale that will close concurrently with this offering.

as if each of such transactions had occurred as of December 31, 1999.

	YEAR ENDED DECEMBER 31,			PRO FORMA AS ADJUSTED 1999
	1997	1998	1999	
STATEMENT OF OPERATIONS DATA:				
Revenues.....	\$1,268	\$ 1,716	\$ 2,568	\$ 7,235
Loss from operations.....	(771)	(1,261)	(4,560)	(9,839)
Net loss.....	(960)	(1,590)	(4,456)	(9,781)
Basic and diluted loss per share.....	(0.29)	(0.49)	(1.19)	(0.54)
Weighted average shares used in the calculation of basic and diluted net loss per share.....	3,256	3,256	3,757	18,234

	AS OF DECEMBER 31, 1999	
	ACTUAL	PRO FORMA AS ADJUSTED
BALANCE SHEET DATA:		
Cash and cash equivalents.....	\$13,632	\$ 76,480
Working capital.....	11,465	74,484
Total assets.....	17,455	94,644
Long-term debt and capital leases, net of current portion...	186	186
Shareholders' equity.....	14,190	90,573

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus before you decide to invest in shares of our common stock. The risks described below are intended to highlight risks that are specific to us, but are not the only ones we face. Additional risks and uncertainties, including those generally affecting the industry in which we operate, risks that we currently deem immaterial or risks to companies that have recently undertaken initial public offerings, may also impair our business or the value of your investment.

RISKS RELATED TO OUR BUSINESS MODEL

OUR LIMITED OPERATING HISTORY MAKES EVALUATING OUR BUSINESS DIFFICULT.

Although we were incorporated in 1990, we did not initiate our online operations until March 1999. As a result, we have only a limited operating history on which you can base an evaluation of our business and prospects. Our prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets like ours. Our failure to successfully address these risks and uncertainties could have a material adverse effect on our financial condition. Some of these risks and uncertainties relate to our ability to:

- attract and maintain a large base of end users;
- develop our infrastructure, including additional hardware and software, customer support, personnel and facilities, to support our business;
- develop and introduce desirable services and compelling content;
- establish and maintain strategic relationships with content and distribution partners;
- establish and maintain relationships with sponsors and advertisers; and
- respond effectively to competitive and technological developments.

WE ARE COMPETING IN A NEW MARKET WHICH MAY NOT DEVELOP OR IN WHICH WE MAY FAIL TO GAIN MARKET ACCEPTANCE.

The market for online training and continuing education in the healthcare industry is new and rapidly evolving. As a result, uncertainty as to the level of demand and market acceptance exposes us to a high degree of risk. For example, our agreement with Healtheon/WebMD requires us to pay Healtheon/WebMD \$6.0 million per year for five years to be the exclusive provider of education and training for healthcare organizations, healthcare professionals and healthcare workers on Web sites owned and operated by Healtheon/WebMD, regardless of the level of demand for online training and continuing education by subscribers on their Web sites. We expect these payments to total \$4.5 million in 2000, \$6.0 million in each of 2001 through 2004 and \$1.5 million in 2005. We cannot assure you that the healthcare community will accept online training and continuing education as a replacement for, or alternative to, traditional sources of training and continuing education. Market acceptance of online training and continuing education depends upon continued growth in the use of the Internet generally and, in particular, as a source of continuing education services. If the market for online training and continuing education fails to develop, develops more slowly than expected or becomes saturated with competitors, or if our services do not achieve or sustain market acceptance, our business will suffer.

FAILURE TO EFFECTIVELY MANAGE GROWTH OF OUR OPERATIONS AND INFRASTRUCTURE COULD DISRUPT OUR OPERATIONS AND PREVENT US FROM GENERATING THE REVENUES WE EXPECT.

We currently are experiencing a period of expansion in our end user traffic, personnel, facilities and infrastructure. Our number of employees more than doubled between December 31, 1998 and December 31, 1999. In addition, we anticipate a rapid expansion in end user traffic on our Web site and the co-branded Web sites we operate with our distribution partners. To manage our growth, we must successfully implement, constantly improve and effectively utilize our operational and financial systems

while aggressively expanding our workforce. We must also maintain and strengthen the breadth and depth of our current strategic relationships while rapidly developing new relationships. Our existing or planned operational and financial systems may not be sufficient to support our growth, and our management may not be able to effectively identify, manage and exploit existing and emerging market opportunities. If we do not adequately manage our potential growth, our business will suffer.

WE MAY BE UNABLE TO MAINTAIN OUR EXISTING RELATIONSHIPS WITH OUR CONTENT PROVIDERS OR TO BUILD NEW RELATIONSHIPS WITH OTHER CONTENT PROVIDERS.

Our success depends significantly on our ability to maintain our existing relationships with the third parties who provide training and continuing education content for our library and our ability to build new relationships with other content partners. Most of our agreements with content providers are for initial terms of one to three years. The content partners may choose not to renew their agreements with us or may terminate the agreements early if we do not fulfill our contractual obligations. We have received notice from Challenger Corporation, from whom we acquired approximately 500 hours of the training and education courses we distribute, that it does not intend to renew our agreement on its present terms upon its expiration in December 2000. If a significant number of our content providers terminate or fail to renew their agreements with us on acceptable terms, it could result in a reduction in the number of courses we are able to distribute and decreased revenues. Most of our agreements with our content partners are also non-exclusive, and our competitors offer, or could offer, training and continuing education content that is similar to or the same as ours. If publishers and authors, including our current content partners, offer information to users or our competitors on more favorable terms than those offered to us or increase our license fees, our competitive position and our profit margins and prospects could be harmed. In addition, the failure by our content partners to deliver high-quality content and to continuously upgrade their content in response to user demand and evolving healthcare advances and trends could result in user dissatisfaction and inhibit our ability to attract users.

WE MAY BE UNABLE TO MAINTAIN OUR EXISTING RELATIONSHIPS WITH OUR DISTRIBUTION PARTNERS OR TO BUILD NEW RELATIONSHIPS WITH OTHER DISTRIBUTION PARTNERS.

If we are not successful in developing and enhancing our relationships with distribution partners, we could become less competitive and our revenues could decline. We formed our existing relationships recently, and our distribution partners may not view their relationships with us as significant to the success of their business. As a result, they may reassess their commitment to us or decide to compete directly with us in the future. We generally do not have agreements that prohibit our distribution partners from competing against us directly or from contracting with our competitors. Arrangements with our distribution partners generally do not establish minimum performance requirements, but instead rely on the voluntary efforts of our distribution partners. As a result, these relationships may not be successful.

Certain agreements with distribution partners may require guaranteed royalty payments. Under our agreement with Healtheon/WebMD, we have agreed to pay Healtheon/WebMD minimum royalties of \$6.0 million per year for five years. Healtheon/WebMD has not guaranteed a minimum amount of revenues we will receive from the sale of our courses and services on Web sites owned or operated by Healtheon/WebMD. We cannot assure you that we will be able to generate sufficient revenues to recoup the minimum payments that we are obligated to pay to Healtheon/WebMD or to other distribution partners. The failure to do so would have a material adverse effect on our results of operations.

WE MAY BE UNABLE TO IMPLEMENT OUR ACQUISITION GROWTH STRATEGY, WHICH COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS AND COMPETITIVE POSITION IN THE INDUSTRY.

Our business strategy includes increasing our market share and presence through strategic acquisitions that complement or enhance our business and we have recently consummated a number of acquisitions involving multiple remote offices. We do not have substantial experience in completing and integrating large acquisitions or multiple simultaneous acquisitions. In addition, we do not have experience operating multiple remote offices. We may have difficulty integrating the operations and realizing the results of these

recently completed acquisitions. We may not be able to identify, complete, integrate the operations or realize the anticipated results of future acquisitions. Some of the risks that we may encounter in implementing our acquisition growth strategy include:

- expenses associated with and difficulties in identifying potential targets and the costs associated with acquisitions that are not completed;
- expenses, delays and difficulties of integrating the acquired company into our existing organization;
- diversion of management's attention from other business matters;
- expenses of amortizing the acquired company's intangible assets;
- adverse impact on our financial condition due to the timing of the acquisition; and
- expenses of any undisclosed or potential liabilities of the acquired company.

If any of these risks are realized, our business could suffer.

OUR FUTURE SUCCESS DEPENDS, IN PART, ON REVENUES FROM SPONSORSHIPS AND, TO A LESSER EXTENT, ADVERTISING, AND THE ACCEPTANCE AND EFFECTIVENESS OF INTERNET SPONSORSHIP AND ADVERTISING IS UNCERTAIN.

We plan to derive significant revenues from sponsorships and, to a lesser extent, the sale of advertisements, in conjunction with our online training and continuing education services. The market for corporate sponsorship and advertising on the Internet is new and rapidly evolving. Many sponsors and advertisers have limited experience with Internet sponsorship and advertising, and may ultimately conclude that Internet sponsorship and advertising are not effective relative to traditional sponsorship and advertising opportunities. As a result, the market for sponsorship or advertising on the Internet may not continue to emerge or become sustainable. This makes it difficult to project our future sponsorship and advertising revenues and rates. If the market for Internet sponsorship or advertising fails to develop or develops more slowly than we expect, our business will suffer.

WITHOUT THE CONTINUED DEVELOPMENT AND MAINTENANCE OF THE INTERNET AND THE AVAILABILITY OF INCREASED BANDWIDTH TO CONSUMERS, OUR BUSINESS MAY NOT SUCCEED.

Given the online nature of our business, without the continued development and maintenance of the Internet infrastructure, we could fail to meet our overall strategic objectives and ultimately fail to generate the user traffic and revenues we expect. This continued development of the Internet includes maintenance of a reliable network with the necessary speed, data capacity and security, as well as timely development of complementary products for providing reliable Internet access and services. Because commerce on the Internet and the online exchange of information is new and evolving, we cannot predict whether the Internet will prove to be a viable commercial marketplace in the long term.

The success of our business will rely on the continued improvement of the Internet as a convenient and efficient means of information and content distribution. Our business will depend on the ability of our end users to access and use our courseware, as well as to conduct commercial transactions with us, without significant delays or aggravation that may be associated with decreased availability of Internet bandwidth and access to our Web sites. Our penetration of a broader consumer market will depend, in part, on continued proliferation of high speed Internet access.

The Internet has experienced, and is likely to continue to experience, significant growth in the numbers of users and amount of traffic. As the Internet continues to experience increased numbers of users, increased frequency of use and increased bandwidth requirements, the Internet infrastructure may be unable to support the demands placed on it. In addition, increased users or bandwidth requirements may impair the performance of the Internet. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage as well as the level of traffic, and could result in the Internet becoming an inconvenient or uneconomical source of continuing education and training. The infrastructure and complementary products or services necessary to make the Internet a

viable educational media and commercial marketplace for the long term may not be developed successfully or in a timely manner. Even if these products or services are developed, the Internet may not become a viable educational medium and commercial marketplace for the services that we offer.

FINANCIAL RISKS

WE MAY NOT BE ABLE TO FORECAST OUR REVENUES ACCURATELY BECAUSE WE HAVE A LIMITED OPERATING HISTORY.

As a result of our limited operating history, we do not have historical financial data for a significant number of periods upon which to forecast quarterly revenues and results of operations. We believe that period-to-period comparisons of our operating results are not meaningful and should not be relied upon as indicators of future performance. In addition, our operating results may vary substantially. The actual effect of these factors on the price of our stock, however, will be difficult to assess due to our limited operating history. In one or more future quarters, our results of operations may fall below the expectations of securities analysts and investors, and the trading price of our common stock may decline.

WE EXPECT NET LOSSES IN THE FUTURE AND MAY NEVER ACHIEVE PROFITABILITY, WHICH MAY CAUSE OUR STOCK PRICE TO FALL.

In 1999, we had a pro forma as adjusted net loss of approximately \$9.8 million. At December 31, 1999, our accumulated deficit on a pro forma as adjusted basis was \$8.9 million. We expect substantial net losses and negative cash flow for the foreseeable future and significant increases in our operating expenses over the next several years. With increased expenses, we will need to generate significant additional revenues in order to achieve profitability. As a result, we may never achieve or sustain profitability and, if we do achieve profitability in any period, we may not be able to sustain or increase profitability on a quarterly or annual basis.

WE MAY NOT BE ABLE TO MEET OUR STRATEGIC BUSINESS OBJECTIVES UNLESS WE OBTAIN ADDITIONAL FINANCING, WHICH MAY NOT BE AVAILABLE TO US ON FAVORABLE TERMS OR AT ALL.

The net proceeds of this offering and the concurrent private sale of our common stock to Healtheon/WebMD, together with our current cash reserves, are expected to be sufficient to meet our cash requirements for at least 12 months. However, we may need to raise additional funds in order to:

- acquire complementary businesses, technologies, content or products;
- finance working capital requirements;
- develop or enhance existing services or products;
- respond to competitive pressures;
- sustain content, distribution and development partner relationships; or
- maintain required infrastructure to support our business.

At December 31, 1999, we had approximately \$13.6 million in cash and cash equivalents, or \$76.5 million on a pro forma as adjusted basis. In addition, we have fixed commitments of \$475,000 in 2000 and \$187,500 in 2001 and other variable payments will be due based on revenues and certain milestones related to agreements with content, distribution and development partners. These commitments may increase over time as a result of competitive pressures. We expect to incur approximately \$3.0 to \$5.0 million of capital expenditures during 2000 to support our business. In addition, in February 2000 we entered into a five-year agreement with Healtheon/WebMD. Under the terms of this agreement, we are required to make minimum royalty payments to Healtheon/WebMD in the amount of \$4.5 million in 2000, \$6.0 million in each of the years 2001 through 2004 and \$1.5 million in 2005. We expect operating losses and negative cash flows to continue for the foreseeable future as we plan to significantly increase our operating expenses to help expand our business.

We cannot assure you that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, our ability to fund our

expansion, take advantage of available opportunities, develop or enhance services or products or otherwise respond to competitive pressures would be significantly limited. If we raise additional funds by issuing equity or convertible debt securities, the percentage ownership of our shareholders will be reduced, and these securities may have rights, preferences or privileges senior to those of our shareholders.

RISKS RELATED TO SALES, MARKETING AND COMPETITION

WE EXPECT COMPETITION TO INCREASE SIGNIFICANTLY IN THE FUTURE WHICH COULD REDUCE OUR REVENUES, POTENTIAL PROFITS AND OVERALL MARKET SHARE.

The market for traditional and online training and continuing education services is competitive. Barriers to entry on the Internet are relatively low, and we expect competition to increase significantly in the future. We face competitive pressures from numerous actual and potential competitors, both online and offline, many of which have longer operating histories, greater brand name recognition, larger consumer bases and significantly greater financial, technical and marketing resources than we do. We cannot assure you that online training and continuing education services maintained by our existing and potential competitors will not be perceived by the healthcare community as being superior to ours.

IF WE FAIL TO COLLECT ACCURATE AND USEFUL DATA ABOUT OUR END USERS, POTENTIAL SPONSORS AND ADVERTISERS MAY NOT SUPPORT OUR SERVICES, WHICH MAY RESULT IN REDUCED SPONSORSHIP AND ADVERTISING REVENUES.

We plan to use data about our end users to expand, refine and target our marketing and sales efforts. We collect most of our data from end users who report information to us as they register for courses on our Web site, or our distribution partners' Web sites. If a large proportion of users impedes our ability to collect data or if they falsify data, our marketing and sales efforts would be less effective since sponsors and advertisers generally require detailed demographic data on their target audiences. In addition, laws relating to privacy and the use of the Internet to collect personal information could limit our ability to collect data and utilize our database. Failure to collect accurate and useful data could result in a substantial reduction in sponsorship and advertising revenues.

RISKS RELATED TO OPERATIONS

WE MAY BE UNABLE TO ADEQUATELY DEVELOP OUR SYSTEMS, PROCESSES AND SUPPORT IN A MANNER THAT WILL ENABLE US TO MEET THE DEMAND FOR OUR SERVICES.

We have just recently initiated our online operations and are developing our ability to provide our courses and education management systems on a transactional basis over the Internet on an ASP basis. Our future success will depend on our ability to develop effectively the infrastructure, including additional hardware and software, and implement the services, including customer support, necessary to meet the demand for our services. In the event we are not successful in developing the necessary systems and implementing the necessary services on a timely basis, our revenues could be adversely affected, which would have a material adverse effect on our financial condition. In addition, we have entered into a four-year agreement with Columbia/HCA Healthcare Corporation to provide our ASP services. Columbia/HCA currently represents the majority of our ASP business. Columbia/HCA has the right to terminate this agreement if we fail to deliver the required services under this agreement on a timely basis. A termination of our agreement with Columbia/HCA would have a material adverse effect on our business as well as our ability to secure other large customers for these services.

OUR BUSINESS OPERATIONS COULD BE SIGNIFICANTLY DISRUPTED IF WE LOSE MEMBERS OF, OR FAIL TO INTEGRATE, OUR MANAGEMENT TEAM.

Our future performance will be substantially dependent on the continued services of our management team and our ability to retain and motivate them. The loss of the services of any of our officers or senior managers could harm our business, as we may not be able to find suitable replacements. We do not have employment agreements with any of our key personnel, other than our chief executive officer, and we do not maintain any "key person" life insurance policies, except on our chief executive officer.

WE MAY NOT BE ABLE TO HIRE AND RETAIN A SUFFICIENT NUMBER OF QUALIFIED EMPLOYEES AND, AS A RESULT, WE MAY NOT BE ABLE TO GROW AS WE EXPECT OR MAINTAIN THE QUALITY OF OUR SERVICES.

Our future success will depend on our ability to attract, train, retain and motivate other highly skilled technical, managerial, marketing and customer support personnel. Competition for these personnel is intense, especially for engineers, Web designers and advertising sales personnel, and we may be unable to successfully attract sufficiently qualified personnel. We have experienced difficulty in the past hiring qualified personnel in a timely manner for these positions. The pool of qualified technical personnel, in particular, is limited in Nashville, Tennessee, which is where our headquarters are located. We will need to increase the size of our staff to support our anticipated growth, without compromising the quality of our offerings or customer service. Our inability to locate, hire, integrate and retain qualified personnel in sufficient numbers may reduce the quality of our services.

WE MUST CONTINUE TO UPGRADE OUR TECHNOLOGY INFRASTRUCTURE, OR WE WILL BE UNABLE TO EFFECTIVELY MEET DEMAND FOR OUR SERVICES.

We must continue to add hardware and enhance software to accommodate the increased content in our library and increased use of our and our distribution partners' Web sites. In order to make timely decisions about hardware and software enhancements, we must be able to accurately forecast the growth in demand for our services. This growth in demand for our services could be difficult to forecast and the potential audience for our services is large. If we are unable to increase the data storage and processing capacity of our systems at least as fast as the growth in demand, our systems may become unstable and may fail to operate for unknown periods of time. Unscheduled downtime could harm our business and also could discourage current and potential end users and reduce future revenues.

OUR DATA AND WEB SERVER SYSTEMS MAY STOP WORKING OR WORK IMPROPERLY DUE TO NATURAL DISASTERS, FAILURE OF THIRD-PARTY SERVICES AND OTHER UNEXPECTED PROBLEMS.

An unexpected event like a power or telecommunications failure, fire, flood or earthquake at our on-site data facility or at our Internet service providers' facilities could cause the loss of critical data and prevent us from offering our services. Our business interruption insurance may not adequately compensate us for losses that may occur. In addition, we rely on third parties to securely store our archived data, house our Web server and network systems and connect us to the Internet. The failure by any of these third parties to provide these services satisfactorily and our inability to find suitable replacements would impair our ability to access archives and operate our systems.

WE MAY LOSE USERS AND LOSE REVENUES IF OUR ONLINE SECURITY MEASURES FAIL.

If the security measures that we use to protect personal information are ineffective, we may lose users of our services, which could reduce our revenues. We rely on security and authentication technology licensed from third parties. With this technology, we perform real-time credit card authorization and verification. We cannot predict whether these security measures could be circumvented by new technological developments. In addition, our software, databases and servers may be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. We may need to spend significant resources to protect against security breaches or to alleviate problems caused by any breaches. We cannot assure you that we can prevent all security breaches.

THE YEAR 2000 PROBLEM MAY ADVERSELY AFFECT OUR BUSINESS.

The risks posed by the Year 2000 problem could adversely affect our business in a number of significant ways. We rely on third parties to provide much of our software, hardware and Internet access. We have limited or no control over the actions of these third-party suppliers. While we did not experience significant disruptions to our business on or following the changeover to the Year 2000 and while we obtained assurances from our suppliers that the products and services they supply to us and their internal systems are Year 2000 compliant, we cannot assure you that our third-party suppliers will resolve all Year 2000 problems with their products, services and systems before the occurrence of a material disruption to our business. As a result of our Year 2000 review, we discovered that the customer data acquired in the acquisition of SilverPlatter Education and used by our Boston office to manage subscriptions, billing and

order fulfillment is not Year 2000 compliant. While we have put our contingency plan into effect with respect to this data and have implemented a short-term solution, we cannot guarantee that we will successfully implement a long-term solution or that this implementation will not divert resources and management attention.

In addition, many of our distribution partners maintain their operations on systems that could be impacted by Year 2000 problems, which could harm our business particularly if demand for our products and services declines while our distribution partners redirect their resources to upgrade their computer systems. Disruptions in the Internet infrastructure arising from Year 2000 problems could also harm our business, financial condition and results of operations. We cannot guarantee that we will not experience disruptions in our service or other disruptions due to Year 2000 problems. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Year 2000" for a further discussion of the potential effects of the Year 2000 problem on our business.

RISKS RELATED TO GOVERNMENT REGULATION, CONTENT AND INTELLECTUAL PROPERTY

GOVERNMENT REGULATION MAY REQUIRE US TO CHANGE THE WAY WE DO BUSINESS.

The laws and regulations that govern our business change rapidly. The United States government and the governments of states and foreign countries have attempted to regulate activities on the Internet. Evolving areas of law that are relevant to our business include privacy law, proposed encryption laws, content regulation and sales and use tax laws and regulations. Because of this rapidly evolving and uncertain regulatory environment, we cannot predict how these laws and regulations might affect our business. In addition, these uncertainties make it difficult to ensure compliance with the laws and regulations governing the Internet. These laws and regulations could harm us by subjecting us to liability or forcing us to change how we do business. See "Business -- Government Regulation of the Internet and the Healthcare Industry" for a more complete discussion of these laws and regulations.

WE MAY BE LIABLE TO THIRD PARTIES FOR CONTENT THAT IS AVAILABLE FROM OUR ONLINE LIBRARY.

We may be liable to third parties for the content in our online library if the text, graphics, software or other content in our library violates copyright, trademark, or other intellectual property rights, our content partners violate their contractual obligations to others by providing content to our library or the content does not conform to accepted standards of care in the healthcare profession. We may also be liable for anything that is accessible from our Web site or our distribution partners' Web sites through links to other Web sites. We attempt to minimize these types of liabilities by requiring representations and warranties relating to our content partners' ownership of, the rights to distribute as well as the accuracy of their content. We also take necessary measures to review this content ourselves. Although our agreements with our content partners contain provisions providing for indemnification by the content providers in the event of inaccurate content, we cannot assure you that our content partners will have the financial resources to meet this obligation. Alleged liability could harm our business by damaging our reputation, requiring us to incur legal costs in defense, exposing us to awards of damages and costs and diverting management's attention away from our business. See "Business -- Intellectual Property and Other Proprietary Rights" for a more complete discussion of the potential effects of this liability on our business.

WE MAY BE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY, AND WE MAY BE LIABLE FOR INFRINGING THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS.

Our business could be harmed if unauthorized parties infringe upon or misappropriate our proprietary systems, content, services or other information. Our efforts to protect our intellectual property through copyright, trademarks and other controls may not be adequate. In the future, litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others, which could be time consuming and costly. Intellectual property infringement claims could be made against us as the number of our competitors grows. These claims, even if not meritorious, could be expensive and divert our attention from operating our company. In addition, if we become liable to third

parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and develop comparable non-infringing intellectual property, to obtain a license or to cease providing the content or services that contain the infringing intellectual property. We may be unable to develop non-infringing intellectual property or obtain a license on commercially reasonable terms, or at all.

ANY REDUCTION IN THE REGULATION OF CONTINUING EDUCATION AND TRAINING IN THE HEALTHCARE INDUSTRY MAY ADVERSELY AFFECT OUR BUSINESS.

Our business model is dependent in part on required training and continuing education for healthcare professionals and other healthcare workers resulting from regulations of state and Federal agencies, state licensing boards and professional organizations. Any change in these regulations which reduce the requirements for continuing education and training for the healthcare industry could harm our business.

RISKS RELATED TO THIS OFFERING

OUR STOCK PRICE MAY BE PARTICULARLY VOLATILE BECAUSE OF OUR INDUSTRY.

Prior to this offering, our common stock has not been sold in a public market. After this offering, an active trading market in our common stock may not develop. If an active trading market develops, it may not continue. Moreover, if an active market develops, the trading price of our common stock may fluctuate widely as a result of a number of factors, many of which are outside our control. In addition, the stock market has recently experienced extreme price and volume fluctuations that have affected the market prices of securities of technology companies, particularly Internet-related companies, and which have often been unrelated to or disproportionate to the operating performance of these companies. Regardless of our performance, this volatility could adversely affect the market price of our common stock.

WE HAVE BROAD DISCRETION TO USE THE OFFERING PROCEEDS, AND HOW WE INVEST THESE PROCEEDS MAY NOT YIELD A FAVORABLE RETURN.

We have not allocated most of the net proceeds of this offering for specific uses. Our management has broad discretion to spend the proceeds from this offering in ways with which our shareholders may not agree. The failure of our management to apply these funds effectively could result in unfavorable returns, which could significantly harm our financial condition and could cause the price of our common stock to decline.

OUR EXECUTIVE OFFICERS, DIRECTORS AND MAJOR SHAREHOLDERS WILL CONTROL 51.3% OF OUR COMMON STOCK AFTER THIS OFFERING.

After this offering and our concurrent private sale of common stock to Healtheon/WebMD, executive officers, directors and holders of five percent or more of our outstanding common stock will, in the aggregate, beneficially own 51.3% of our outstanding common stock. These shareholders will be able to significantly influence all matters requiring approval by our shareholders, including the election of directors and the approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying, deterring or preventing a change in control of our company and may make some transactions more difficult or impossible to complete without the support of these shareholders.

IT MAY BE DIFFICULT FOR A THIRD PARTY TO ACQUIRE OUR COMPANY, AND THIS COULD DEPRESS OUR STOCK PRICE.

Tennessee corporate law and our charter and bylaws contain provisions that could delay, defer or prevent a change in control of our company or our management. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions:

- authorize us to issue "blank check" preferred stock, which is preferred stock that can be created and issued by the board of directors, without prior shareholder approval, with rights senior to those of common stock;

- provide for a staggered board of directors, so that no more than three directors could be replaced each year and it would take three successive annual meetings to replace all directors;
- prohibit shareholder action by written consent; and
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by shareholders at a meeting.

THE PRICE OF OUR COMMON STOCK AFTER THIS OFFERING MAY BE LOWER THAN THE PRICE YOU PAY.

If you purchase shares of our common stock in this offering, you will pay a price that was not established in a competitive market. Rather, you will pay a price that we negotiated with the representatives of the underwriters. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. The price of our common stock that will prevail in the market after this offering may be higher or lower than the price you pay.

THE BOOK VALUE OF THE SHARES YOU PURCHASE WILL BE SUBSTANTIALLY LESS THAN THE PRICE YOU PAY FOR THE SHARES.

The assumed initial public offering price is substantially higher than the net tangible book value of each outstanding share of common stock. As a result, purchasers of common stock in this offering will suffer immediate and substantial dilution. This dilution will reduce the net tangible book value of their shares, since these investments will be at a substantially higher per share price than they were for our existing shareholders. The dilution will be \$7.97 per share in the pro forma net tangible book value of the common stock from the assumed initial public offering price, assuming consummation of the concurrent private sale of an estimated 833,334 shares of our common stock to Healtheon/WebMD at the assumed initial public offering price per share. If additional shares are sold by the underwriters following exercise of their over-allotment option, or if outstanding options or warrants to purchase shares of common stock are exercised, there will be further dilution. As a result of this dilution, common shareholders purchasing stock in this offering may receive significantly less than the full purchase price that they paid for the shares purchased in this offering in the event of a liquidation.

APPROXIMATELY 13,165,718, OR 69.3%, OF OUR TOTAL OUTSTANDING SHARES ARE RESTRICTED FROM IMMEDIATE RESALE BUT MAY BE SOLD INTO THE MARKET IN THE NEAR FUTURE, WHICH COULD CAUSE THE MARKET PRICE OF OUR COMMON STOCK TO DROP SIGNIFICANTLY.

Sales of a substantial number of shares of our common stock in the public market following this offering could cause the market price of our common stock to decline. Upon consummation of this offering and the concurrent private sale, we will have outstanding 18,999,052 shares of common stock. The 5,000,000 shares offered for sale through the underwriters will be freely tradable unless purchased by our affiliates or covered by a separate lock-up agreement with the underwriters. Pursuant to our agreement with Healtheon/WebMD, one-half of the estimated 833,334 shares to be purchased by Healtheon/WebMD in the private sale that will close concurrently with this offering will be eligible for sale one year after the date of this prospectus, and the other half will be eligible for sale two years after the date of this prospectus. Of the remaining 13,165,718 shares of common stock outstanding after this offering, 10,826,526 shares will be eligible for sale in the public market beginning 181 days after the date of this prospectus. The remaining 2,339,192 shares will become available at various times after the 181 days upon the expiration of one-year holding periods. J.C. Bradford & Co., one of the underwriters in this offering, has agreed to sign a one-year lock-up agreement regarding 64,236 of its shares of our common stock. For a more complete discussion regarding when shares of our common stock will become eligible for sale, see "Shares Eligible for Future Sale." We also plan to register up to 9,000,000 shares of our common stock after this offering for issuance under our stock option plans and up to 1,000,000 additional shares of our common stock after this offering for issuance under our employee stock purchase plan.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and elsewhere. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors," that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform these statements to actual results.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 5,000,000 shares of common stock in this offering will be approximately \$55.3 million, assuming an initial public offering price of \$12.00 per share (the midpoint of the range set forth on the cover of this prospectus) and after deducting the underwriting discounts and commissions and estimated offering costs. If the underwriters' over-allotment option is exercised in full, we estimate that the net proceeds from this offering will be approximately \$63.7 million. In addition, we will receive net proceeds from the concurrent private sale of an estimated 833,334 shares of common stock to Healtheon/WebMD at the initial public offering price of \$10.0 million.

We plan to use the net proceeds of this offering and the concurrent private sale for general corporate purposes, including for working capital, sales and marketing initiatives and payments to content and distribution partners, including Healtheon/WebMD. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview." We will also repay approximately \$1.3 million worth of debt assumed in connection with recent acquisitions. Approximately \$1.2 million of this debt bears interest at 13.0% and is payable in full on April 30, 2002. Of the remaining debt, \$62,000 bears interest at 7.0% and principal and accrued interest are due on July 1, 2000 and \$50,000 bears interest at a variable rate, which was 8.75% at December 31, 1999, and principal and accrued interest are due on demand. We may use a portion of the net proceeds to acquire or invest in complementary businesses, technologies, services, content and distribution relationships or products. We currently have no agreement or understanding with respect to any such acquisition and we cannot assure you that future acquisitions will be consummated. As of the date of this prospectus and other than as described above, we cannot specify with certainty the particular uses for the net proceeds to be received upon the completion of the offering. Accordingly, our management will have broad discretion in applying the net proceeds.

Pending such uses of the net proceeds as discussed above, we plan to invest the net proceeds of this offering in short-term, interest-bearing, investment grade securities, certificates of deposit or direct or guaranteed obligations of the United States.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently plan to retain future earnings, if any, to finance the growth and development of our business and do not anticipate paying any cash dividends in the foreseeable future. We may incur indebtedness in the future which may prohibit or effectively restrict the payment of dividends, although we have no current plans to do so. Any future determination to pay cash dividends will be at the discretion of our board of directors.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 1999:

- on an actual basis;
- on a pro forma basis to give effect to:
 - the issuance of 818,036 shares of our common stock, the payment of \$600,000 in cash and the assumption of \$1.2 million of long-term debt in connection with the acquisition of m3 the Healthcare Learning Company;
 - the issuance of 269,902 shares of our common stock and the payment of \$640,000 in cash in connection with the acquisition of EMInet;
 - the issuance of 61,397 shares of our common stock, the payment of \$59,000 in cash and the assumption of \$112,000 of long-term debt in connection with the acquisition of Quick Study; and
 - the issuance of 17,343 shares of our common stock and the payment of \$310,000 in cash in connection with the acquisition of KnowledgeReview; and
- on a pro forma as adjusted basis to give further effect to:
 - the increase in authorized common shares to 75,000,000 and the increase in authorized preferred shares to 10,000,000;
 - the conversion of \$1,293,000 of notes payable-related party into 129,300 shares of our series B preferred stock and subsequent conversion into 553,712 shares of our common stock upon completion of this offering;
 - the conversion of all of our outstanding shares of preferred stock into 7,131,153 shares of our common stock upon completion of this offering;
 - the sale of 5,000,000 shares of our common stock in this offering at an assumed initial public offering price of \$12.00 per share (the midpoint of the range set forth on the cover of this prospectus) and the application of the net proceeds after deducting underwriting discounts and commissions and estimated offering costs;
 - the concurrent sale of an estimated 833,334 shares of our common stock that Healththeon/WebMD has agreed to purchase directly from us in a separate private sale; and
 - the repayment of \$1.3 million in debt assumed in connection with the acquisitions of m3 the Healthcare Learning Company and Quick Study.

AS OF DECEMBER 31, 1999		
ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
(IN THOUSANDS, EXCEPT SHARE DATA)		
Cash and cash equivalents.....	\$13,632	\$ 76,480
Notes payable, note payable-related party, long-term debt-related party and capital lease obligations.....	\$ 1,582	\$ 304
Shareholders' equity:		
Common stock, no par value; authorized 20,000,000 shares, actual 75,000,000 shares pro forma as adjusted; issued and outstanding: 4,165,461 shares actual, 5,332,142 shares pro forma and 18,850,338 shares pro forma as adjusted.....	4,009	99,564
Preferred stock, no par value; authorized 5,000,000 shares, actual 10,000,000 shares pro forma as adjusted.....	--	--
Series A convertible preferred stock, issued and outstanding: 76,000 shares actual, 76,000 shares pro forma and no shares pro forma as adjusted.....	760	--
Series B convertible preferred stock, issued and outstanding: 1,228,801 shares actual, 1,228,801 shares pro forma and no shares pro forma as adjusted.....	12,138	--
Series C convertible preferred stock, issued and outstanding: 627,406 shares actual, 627,406 shares pro forma and no shares pro forma as adjusted.....	6,274	--
Accumulated other comprehensive loss.....	(42)	(42)
Accumulated deficit.....	(8,949)	(8,949)
Total shareholders' equity.....	14,190	90,573
Total capitalization.....	\$15,772	\$ 90,877

This table excludes the following shares, as of March 7, 2000:

- 3,294,967 shares of common stock issuable upon the exercise of outstanding stock options with a weighted average exercise price of \$5.01 per share;
- 6,325,130 additional shares reserved for issuance under our stock option and stock purchase plans;
- 245,032 shares of common stock issuable upon the exercise of a warrant issued to GE Medical Systems; and
- 2,182,568 shares of common stock issuable upon the exercise of a warrant issued to Columbia Information Systems.

DILUTION

Purchasers of the common stock offered by this prospectus will suffer an immediate and substantial dilution in the net tangible book value per share. Dilution is the amount by which the initial public offering price paid by the purchasers of the shares of common stock will exceed the net tangible book value per share of common stock after the offering. As of December 31, 1999, our pro forma net tangible book value after giving effect to the acquisitions of m3 the Healthcare Learning Company, EMInet, Quick Study and KnowledgeReview was approximately \$9.7 million, or \$1.81 per share. Pro forma net tangible book value per share represents the amount of our pro forma total tangible assets less pro forma total liabilities, divided by the pro forma shares of common stock outstanding as of December 31, 1999. After giving effect to the conversion of notes payable-related party into series B preferred stock, the conversion of all of the shares of our preferred stock into our common stock, the sale of the 5,000,000 shares of common stock offered in this offering, the concurrent private sale by us of an estimated 833,334 shares of common stock to Healtheon/WebMD, the repayment of debt as described under "Use of Proceeds" and after deducting the underwriting discounts and commissions and estimated offering expenses payable, our pro forma net tangible book value as of December 31, 1999 would have been \$76.0 million, or \$4.03 per share. This represents an immediate increase in pro forma net tangible book value to existing shareholders of \$2.22 per share and an immediate dilution of \$7.97 per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....	\$12.00
Pro forma net tangible book value per share as of December 31, 1999.....	\$1.81
Increase per share attributable to new investors.....	2.22

Pro forma net tangible book value per share after this offering.....	4.03

Dilution per share to new investors.....	\$ 7.97
	=====

The following table summarizes, on a pro forma as adjusted basis as of December 31, 1999:

- the number of shares of common stock purchased from us;
- the estimated value of the total consideration paid for or attributed to such common stock; and
- the average price per share paid by or attributable to:
 - existing shareholders;
 - acquisitions funded through issuances of our common stock;
 - shareholders converting the series A, B and C preferred stock into common stock;
 - new investors purchasing shares in this offering at an assumed initial public offering price of \$12.00 per share (the midpoint of the range set forth on the cover of this prospectus), and before deducting underwriting discounts and commissions and estimated offering expenses payable by us; and
 - Healtheon/WebMD purchasing shares of our common stock in a concurrent private sale.

	SHARES OF COMMON STOCK PURCHASED OR CONVERTED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing shareholders.....	4,165,461	22.1%	\$ 4,008,991	3.8%	\$ 0.96
Converting preferred shareholders.....	7,684,865	40.8	20,465,060	19.6	2.66
Shares issued in connection with acquisitions.....	1,166,678	6.2	10,090,200	9.6	8.65
New investors.....	5,000,000	26.5	60,000,000	57.4	12.00
Healtheon/WebMD in a concurrent private sale.....	833,334	4.4	\$ 10,000,000	9.6	12.00
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Total.....	18,850,338	100%	\$104,564,251	100%	=====

The foregoing table assumes no exercise of the underwriters' over-allotment option or shares underlying outstanding options or warrants. As of March 7, 2000, there were options and warrants outstanding to purchase 5,722,568 shares of common stock at a weighted average exercise price of \$5.79 per share. If any of these options or warrants are exercised, there may be further dilution to new investors.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes included elsewhere in this prospectus. The selected statement of operations data presented below for the three-year period ended December 31, 1999 and the balance sheet data at December 31, 1998 and 1999 are derived from our audited financial statements that are included elsewhere in this prospectus. The selected statement of operations data presented below for the two-year period ended December 31, 1996 and the balance sheet data at December 31, 1995 and 1996 are derived from unaudited financial statements that are not included in this prospectus. The balance sheet data at December 31, 1997 is derived from our audited balance sheet that is not included in this prospectus. In July 1999, we acquired SilverPlatter Education. In January 2000, we acquired m3 the Healthcare Learning Company, EMInet, Quick Study and KnowledgeReview. Please refer to the pro forma financial statements and the audited financial statements of SilverPlatter Education and m3 the Healthcare Learning Company included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF OPERATIONS DATA:					
Revenues.....	\$ 91	\$ 556	\$1,268	\$ 1,716	\$ 2,568
Operating costs and expenses:					
Cost of revenues.....	204	475	870	1,057	2,119
Product development.....	144	142	294	443	2,037
Selling, general and administrative expenses.....	510	675	875	1,477	2,972
Total operating costs and expenses.....	858	1,292	2,039	2,977	7,128
Loss from operations.....	(767)	(736)	(771)	(1,261)	(4,560)
Other income (expense).....	(44)	(43)	(189)	(329)	104
Net loss.....	\$ (811)	\$ (779)	\$ (960)	\$ (1,590)	\$ (4,456)
Net loss per share -- basic and diluted.....	\$(0.53)	\$(0.25)	\$(0.29)	\$(0.49)	\$(1.19)
Weighted average shares of common stock outstanding -- basic and diluted.....	1,519	3,069	3,256	3,256	3,757

	AS OF DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash and cash equivalents.....	\$ 17	\$ 29	\$ 84	\$ 51	\$13,632
Working capital (deficit).....	(165)	(604)	(1,708)	(2,854)	11,465
Total assets.....	418	540	948	1,153	17,455
Long-term debt and capital leases, net of current portion.....	76	57	36	32	186
Shareholders' equity (deficit).....	103	(276)	(1,236)	(2,285)	14,190

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

Historically, we have generated our revenues primarily from licensing our client server training and administrative software, Training Navigator, which we refer to as T.NAV, to healthcare organizations and from the performance of custom multimedia development services. We have established relationships with major healthcare institutions that license our software or contract with us to develop custom multimedia products in a CD-ROM or Web-based format. Clients who license our software pay a one-time license fee for the software and may purchase training content modules for an additional fee. We also provide upgrades, maintenance and technical support for an annual fee. The one-time license fee typically ranges from \$20,000 to \$100,000 based on the number of users. Services such as upgrades, training, maintenance and technical support are provided either based on a fixed fee, estimated usage or actual time incurred. Online services are provided based on a fee ranging from \$5 to \$25 per underlying credit hour. Most courses provide one to three credit hours. Late in 1999, we entered into sponsorship agreements which provide for sponsorship of online courseware. For the year ended December 31, 1999, our online revenues approximated \$216,000. We expect our future online revenues to significantly exceed 1999 levels.

Revenues from T.NAV software license fees are recognized when the software is delivered. Upgrade, maintenance and technical support revenues are accrued over the term of the service period. We recognize multimedia development revenues based on the percentage of a project that is completed. Revenues from the delivery of our content over the Internet are recognized when goods or services are purchased, typically on a transaction fee basis. Sponsorship revenue is recognized ratably over the term unless usage exceeds the ratable portion.

Historically, we have marketed T.NAV directly or licensed it to resellers to re-brand and distribute under their private label. Our primary reseller relationship is with Lippincott Williams & Wilkins, a leading medical sciences publisher. They combine their deMEDICI line of OSHA and JCAHO training content with T.NAV and their sales force sells the resulting solution directly into healthcare organizations. There are currently over 150 healthcare organizations utilizing this system. We receive 17% of the net revenues recognized from the sales of these systems.

We plan to generate revenues by marketing our Web-based services to healthcare workers through healthcare organizations. The services will be provided via our application service provider, or ASP, agreements. Specifically, we will seek to generate revenues from healthcare workers by marketing to their employers or sponsoring organizations. The transaction fees for courseware resulting from this marketing may either be paid by the employer or sponsoring organization or, in the case of healthcare professionals, may be billed directly to the individual. Our ASP model will allow us to host our system in a central data center, therefore eliminating the need for costly onsite installations of our software. Under the ASP model, revenues will be generated by charging for use of our courseware on a per transaction basis, based on usage by the end user. In addition, the ASP model will allow us to generate revenues from healthcare organizations by entering into agreements for administration and hosting services. We will recognize administration and hosting fees ratably over the terms of these agreements.

Currently, revenues from the delivery of our content through our Web-based distribution network are generated on a transaction fee basis. Healthcare professionals pay us with a credit card when they elect to receive credit for viewing our content, or content licensed from a third party, through our web site or the web site of one of our distribution partners. Healthcare professionals pay for receiving this credit with a credit card. The costs of these sales are in the form of royalties we pay to third-party content owners and

distributors and costs we incur to develop content or convert content from traditional media to a Web format.

In July 1999, we acquired selected assets, assumed certain liabilities and hired all of the employees of SilverPlatter Education, which owned a series of multimedia continuing medical education, or CME, titles and operated Web sites which marketed these products and provided other information to physicians. The consideration paid was \$800,000 in cash and 49,202 shares of our common stock. The SilverPlatter Education business generates one time sales, subscription revenues and training service revenues. Revenues from sales and services are recognized when goods are shipped or services are delivered. Revenues from subscriptions are deferred and recognized ratably over the term of the subscription.

We acquired the following companies in January 2000:

- KnowledgeReview, which operates a search engine, cmesearch.com, allowing physicians to locate seminars and purchase educational CD-ROMs and online courseware, for \$310,000 in cash and 17,343 shares of our common stock;
- Quick Study, which owns over 60 web-based hours of nursing and OSHA content, primarily dialysis-related, for \$59,000 in cash, the assumption of \$112,000 in long-term debt and 61,397 shares of our common stock;
- m3 the Healthcare Learning Company, which provides computer-based training to over 450 hospitals and healthcare facilities, primarily in the areas of OSHA and regulatory training, for \$600,000 in cash, the assumption of \$1.2 million in long-term debt and 818,036 shares of our common stock; and
- EMInet, which provides Web-based educational content for emergency medical services personnel, for \$640,000 in cash and 269,902 shares of our common stock.

As we transition m3 the Healthcare Learning Company customers from existing platforms to the ASP model, we expect that revenues will remain comparable for the annual maintenance fees with increases related to sales of online courseware.

In February 2000, we entered into a four year agreement with Columbia/HCA pursuant to which we will provide online training and education, courseware development and administrative management and consulting services to Columbia/HCA and its affiliated and managed healthcare providers. Columbia/HCA will pay us minimum revenues of \$12.0 million over the term of this agreement for these services.

In February 2000, we entered into an agreement with Healtheon/WebMD pursuant to which we will be the exclusive provider of education, continuing education and training services for healthcare organizations, healthcare professionals and healthcare workers on Web sites owned or operated by Healtheon/WebMD. Pursuant to this agreement, we will pay Healtheon/WebMD \$6.0 million per year for five years on a quarterly basis as guaranteed minimum royalties. In the first year, \$2.0 million of the \$6.0 million payment will be applied toward mutually agreed upon branding and promotion services. We will receive 100% of any revenues from the sale of our products and services until we recover all of the payments to Healtheon/WebMD, and after that we will receive 75% and Healtheon/WebMD will receive 25% of any revenues. In connection with the agreement, Healtheon/WebMD has agreed to purchase \$10.0 million of our common stock at the initial public offering price per share in a concurrent private sale.

To date, we have incurred substantial costs to develop our technologies, create, license and acquire our content, build brand awareness, develop our infrastructure and expand our business, and have yet to achieve significant revenues. As a result, we have incurred operating losses in each fiscal quarter since 1994. We expect operating losses and negative cash flow to continue for the foreseeable future as we plan to significantly increase our operating expenses to help expand our business. These costs could have a material adverse effect on our future financial condition or operating results. We believe that period-to-period comparisons of our financial results are not necessarily meaningful, and you should not rely upon them as an indication of our future performance.

RESULTS OF OPERATIONS

REVENUES AND EXPENSE COMPONENTS

The following descriptions of the components of revenues and expenses apply to the comparison of results of operations.

Revenues. Revenues currently consist primarily of sales of multimedia development services for training modules and promotional materials for the healthcare industry. Revenues also include licensing fees and royalties from product sales of proprietary training software to healthcare companies as well as transaction fees from sales of continuing education credit from content delivered over the Internet. We expect that revenues in future periods will be increasingly derived from online services to healthcare organizations and healthcare professionals. During 1999, the Company revised its focus from development services to online products and services. While this transition has only translated into approximately \$216,000 of online revenues, we expect these revenues to grow significantly in the future, in part, due to the Columbia/HCA agreement. This change in focus has contributed to not only a change in revenue components, but also a change in expense components as we expect to increase our production capacity to support planned growth.

Cost of Revenues. Cost of revenues consists primarily of salaries and employee benefits, materials, and depreciation associated with the development of interactive media projects as well as royalties paid to content providers.

Product Development. Product development expenses consist primarily of salaries and employee benefits, depreciation, third-party content acquisition costs, costs associated with the development of content and expenditures associated with maintaining and enhancing our Web site and training delivery and administration platform.

Selling, General and Administrative. General and administrative expenses consist primarily of salaries and employee benefits, facility costs, depreciation, amortization of intangibles, and fees for professional services. Sales and marketing expenses consist primarily of salaries and employee benefits, bonuses, advertising, promotions and related marketing costs.

Other Income/Expense. The primary component of other expense is interest expense related to loans from related parties and capital leases. The primary component of other income is interest income related to interest earned on cash and cash equivalents.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Revenues. Revenues increased \$852,000, or 49.6%, from approximately \$1.7 million for the year ended December 31, 1998 to approximately \$2.6 million for the year ended December 31, 1999. The increase in revenues was due to increased sales and marketing of our T.NAV product and multimedia development services as well as increased development and content production services. During 1999, 48.9% of revenues related to development services, 24.8% related to T.NAV licensing fees and related services, 26.3% related to other transactions and product sales. In 1998, 76.1% of revenues related to development services and 23.9% related to T.NAV licensing fees and related services.

Cost of Revenues. Cost of revenues increased approximately \$1.0 million, or 100.4%, from approximately \$1.0 million for the year ended December 31, 1998 to approximately \$2.1 million for the year ended December 31, 1999. The increase was primarily attributable to increased volume of business, including approximately \$800,000 of increases in salaries, labor and related benefits. As a percentage of revenues, cost of revenues increased from 61.6% for the year ended December 31, 1998 to 82.5% for the year ended December 31, 1999. This increase as a percentage of revenues resulted from an increase of approximately 30 service and production personnel during the year, 11 of which were added in connection with the acquisition of SilverPlatter Education.

Product Development. Product development expenses increased approximately \$1.6 million, or 359.5%, from \$443,000 for the year ended December 31, 1998 to approximately \$2.0 million for the year ended December 31, 1999. This increase in product development expenses was due to approximately

\$748,000 in distribution expenses related to a warrant granted to GE Medical Systems in connection with a continuing education and training content distribution agreement, an increase of approximately \$530,000 related to salaries, labor and related benefits for an increase in our production staff and approximately \$195,000 of royalty expense under contracts with content and distribution partners. As a percentage of revenues, product development expenses increased from 25.8% for the year ended December 31, 1998 to 79.3% for the year ended December 31, 1999. The increase as a percentage of revenues was due to significant upfront product development expenses incurred to implement our online services, including salaries and employee benefits associated with increased content conversion and development and royalties due to content and distribution partners. We anticipate significant additional product development expenses in future periods due to salaries and employee benefits associated with increased content conversion.

Selling, General and Administrative. Selling, general and administrative expenses increased approximately \$1.5 million, or 101.2%, from approximately \$1.5 million for the year ended December 31, 1998 to approximately \$3.0 million for the year ended December 31, 1999. As a percentage of revenues, selling, general and administrative expenses increased from 86.0% for the year ended December 31, 1998 to 115.7% for the year ended December 31, 1999. The increase was primarily due to increased personnel and related benefits costs of approximately \$500,000 associated with new employees, an increase of approximately \$228,000 in advertising, promotional and marketing expenditures, an increase of approximately \$131,000 in professional service fees, an increase of \$213,000 related to amortization of intangible assets, an increase of approximately \$168,000 in travel expenses, and facility and depreciation expenses of approximately \$96,000. We expect to incur significant selling, general and administrative expenses as we hire additional personnel and increase our advertising and marketing expenses to support our planned growth. In addition, our selling, general and administrative expenses will increase significantly as a result of our required minimum royalty payments under our agreement with Healthcon/WebMD of \$4.5 million in 2000, \$6.0 million in each of 2001 through 2004 and \$1.5 million in 2005.

Other Income/Expense. Other expense decreased \$122,000, or 36.9%, from \$331,000 for the year ended December 31, 1998 to \$209,000 for the year ended December 31, 1999. The decrease was primarily due to a conversion by a related party of approximately \$1.6 million of indebtedness into shares of common stock and series B preferred stock, which was partially offset by an increase in interest expense on capital leases. In addition, interest and other income increased from \$3,000 for the year ended December 31, 1998 to \$312,000 for the year ended December 31, 1999, due to a higher average net cash and cash equivalents balance as a result of our issuance of preferred stock.

Net Loss. Net loss increased approximately \$2.9 million, or 180.4%, from approximately \$1.6 million for the year ended December 31, 1998 to approximately \$4.5 million for the year ended December 31, 1999 due to the factors described above.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Revenues. Revenues increased \$448,000, or 35.3%, from approximately \$1.3 million in 1997 to approximately \$1.7 million in 1998. The increase in revenues was related to increases in both development services and revenues realized from the distribution of our T.NAV software. During 1998, 76.1% of revenues related to development services and 23.9% related to T.NAV licensing fees, related services and other transactions. During 1997, 87.1% of revenues related to development services and 12.9% related to T.NAV licensing fees, related services and other transactions.

Cost of Revenues. Cost of revenues increased \$187,000, or 21.5%, from \$870,000 in 1997 to approximately \$1.0 million in 1998. The increase was primarily attributable to increased volume of business, including approximately \$258,000 of salaries, labor and related benefits, which was offset by an \$80,000 decrease in materials cost since more development work was performed in-house. As a percentage of revenues, cost of revenues decreased from 68.6% in 1997 to 61.6% in 1998. The decrease as a percentage of revenues was primarily attributable to an increase in the proportion of development work performed in-house and an increase in efficiencies in our development process.

Product Development. Product development expenses increased \$149,000, or 50.9%, from \$294,000 in 1997 to \$443,000 in 1998. As a percentage of revenues, product development increased from 23.2% in 1997 to 25.8% in 1998. The increase was primarily due to increased product development costs associated with the addition of production and technology personnel, which resulted in an increase of \$135,000 in salaries, labor and related benefits.

Selling, General and Administrative. Selling, general and administrative expenses increased \$602,000, or 68.7%, from \$875,000 in 1997 to approximately \$1.5 million in 1998. As a percentage of revenues, selling, general and administrative expenses increased from 69.0% in 1997 to 86.0% in 1998. The increase was primarily due to an expansion of our sales force, client services staff and senior management, which resulted in an increase of approximately \$440,000 in salaries, labor and related benefits. The remainder of the increase is primarily related to a \$33,000 increase in promotional materials and advertising expense related to increased marketing and a branding campaign.

Other Income/Expense. Other expense increased 74.1% from \$189,000 in 1997 to \$329,000 in 1998. The increase was primarily attributable to an increase of \$146,000 in interest expense due to additional related party loans incurred to fund operations.

Net Loss. Net loss increased \$630,000, or 65.6%, from \$960,000 in 1997 to approximately \$1.6 million in 1998 due to the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have financed our operations largely through the private placement of equity securities, loans from related parties and, to a lesser extent, from revenues generated from custom development fees and product sales.

Net cash used in operating activities was \$872,000 in 1997, \$1.2 million in 1998 and \$3.3 million in 1999. Cash used in operating activities from January 1, 1997 through December 31, 1999 was attributable to funding net operating losses and increases in accounts receivable, prepaid expenses and other assets, which were partially offset by increases in deferred revenues, accrued liabilities, accounts payable and depreciation, amortization and other non-cash expenses.

Net cash used in investing activities was \$240,000 in 1997, \$209,000 in 1998 and \$1.5 million in 1999. Cash used in investing activities was primarily for the purchase of property and equipment and the acquisition of SilverPlatter Education.

Cash provided by financing activities was \$1.2 million in 1997, \$1.4 million in 1998 and \$18.4 million in 1999. Cash provided by financing activities during 1999 was primarily attributable to the issuance of \$18.2 million of preferred stock. As of December 31, 1999, our primary source of liquidity was \$13.6 million of cash and cash equivalents. We have no bank credit facility.

As of December 31, 1999, we had approximately \$13.6 million in cash. As of January 31, 2000, we had cash of approximately \$11.2 million, which reflected the closing of the acquisitions of m3 the Healthcare Learning Company, EMInet, Quick Study and KnowledgeReview.

Our indebtedness consists of a promissory note in the principal amount of \$1,293,000 payable to Robert A. Frist, Jr., our chief executive officer and chairman of the board of directors. Interest is charged at the lesser of a designated brokerage account rate or 10.5%. This note is payable in full and will be converted into 553,712 shares of our common stock upon completion of this offering.

In connection with our Columbia/HCA agreement, Columbia/HCA will pay us minimum revenues of \$12.0 million over the four year term of the agreement. We also expect to incur significantly higher costs, particularly content creation costs and sales and marketing costs, to grow our business. As a result of the anticipated growth in personnel, development and online transactions, we expect that our capital expenses will be approximately \$3.0 to \$5.0 million in 2000.

Our strategic alliances have typically provided for payments to distribution, content and development partners based on revenues, and we expect to continue similar arrangements in the future. As a result, no significant fixed payments other than approximately \$475,000 in 2000 and \$187,500 in 2001, of which approximately 79% and 100% are nonrefundable, in 2000 and 2001, respectively. We also have variable commitments of approximately \$400,000 related to an agreement under which another company has agreed to provide content development services for us.

In connection with the Healtheon/WebMD agreement, we will receive \$10.0 million in proceeds from Healtheon/WebMD in a private sale that will close concurrently with this offering. We are obligated to pay Healtheon/WebMD \$6.0 million in each of the five years of the agreement. We expect these payments to total \$4.5 million in 2000, \$6.0 million in each of 2001 through 2004 and \$1.5 million in 2005. In addition, we will receive 100% of any revenues from the sale of our product and services until we recover all of our payments to Healtheon/WebMD, and then we will receive 75% and Healtheon/WebMD will receive 25% of any revenues from the sale of our products and services.

We believe that the net proceeds from this offering and proceeds from the concurrent private sale of shares to Healtheon/WebMD, together with current cash and cash equivalents, will be sufficient to meet anticipated cash needs for working capital, capital expenditures and acquisitions for at least the 12 months following this offering. Our growth strategy also includes acquiring companies that complement our products and services. We anticipate that these acquisitions, if any, will be effected through a combination of stock and cash consideration. Failure to generate sufficient cash flow from operations or raise additional capital when required during or following that period in sufficient amounts and on terms acceptable to us could harm our business, results of operations and financial condition.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board, or FASB, issued Statement of Financial Accounting Standards, or SFAS, No. 130, Reporting Comprehensive Income, which is effective for fiscal years beginning after December 15, 1997. This statement establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The new rule requires that we classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in-capital in the equity section of the balance sheet. The adoption of SFAS No. 130 resulted in recognition of other comprehensive loss of \$41,690 in our December 31, 1999 financial statements contained in this prospectus.

In 1998, we adopted SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 requires companies to report selected segment information when certain tests are met. We have determined that we operate in only one reportable segment meeting the applicable tests.

As of January 1, 1998, we adopted Statement of Position, or SOP, 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. SOP 98-1 establishes standards for reporting and presenting in a full set of general purpose financial statements the costs incurred in the development of internal-use computer software. Internal-use software is acquired, internally developed, or modified solely to meet a company's internal needs without the intent to market externally. The adoption of SOP 98-1 had no effect on our financial statements contained in this prospectus.

As of January 1, 1998, we adopted SOP 98-5, Reporting on the Costs of Start-Up Activities. SOP 98-5 establishes standards for reporting and presenting start-up costs in a full set of general purpose financial statements. Start-up costs, including organizational costs, are expensed as incurred under this SOP. The adoption of SOP 98-5 had no effect on our financial statements contained in this prospectus.

In February 1998, the FASB issued SFAS No. 132, Employers' Disclosures About Pensions and Other Postretirement Benefits -- an amendment of FASB Statement Nos. 87, 88 and 106, which is effective for fiscal years beginning after December 15, 1997. This statement revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those

plans. The adoption of SFAS No. 132 had no effect on our financial statements contained in this prospectus.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which is effective as amended for fiscal quarters of fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. We do not expect the adoption of SFAS No. 133 to have a material effect on our financial statements.

In December 1998, the American Institute of Certified Public Accountants, or AICPA, issued SOP 98-9, Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions. SOP 98-9 requires recognition of revenue using the "residual method" in a multiple-element software arrangement when fair value does not exist for one or more of the delivered elements in the arrangement. Under the "residual method," the total fair value of the undelivered elements is deferred and recognized in accordance with SOP 97-2. We are required to implement SOP 98-9 for the year ending December 31, 2000. We do not expect adoption of SOP 98-9 to have a material effect on our financial statements.

YEAR 2000

We have conducted a comprehensive review of both information technology and non-information systems to ensure that they are Year 2000 compliant. Significant information technology systems include our production system, composed of the servers, networks and software that comprise the underlying technical infrastructure that runs our business, and various internal office systems. Our significant non-information technology systems include our telephone systems, air conditioning and security system. Our Year 2000 review project included the following phases:

- conducting a comprehensive inventory of our internal systems and the systems acquired or to be acquired by us;
- assessing and prioritizing any required remediation;
- remediating any problems by repairing or, if appropriate, replacing the non-compliant systems; and
- testing all remediated systems for Year 2000 compliance.

Based upon the results of our review and experience to date, it appears that there are no significant Year 2000 issues within our systems that would have a negative effect on our ability to conduct business. In addition to assessing the readiness of our systems, we have gathered information from, and have directly communicated through written correspondence, telephone calls and in face-to-face meetings with, our third-party systems and software vendors, as well as other suppliers, to identify and, to the extent possible, resolve issues involving the Year 2000 problem. Based on representations made to us by applicable suppliers, we believe that the third-party software and systems that are material to our business are Year 2000 compliant. However, we have limited or no control over the actions of our third-party suppliers. Thus, while we expect that we will be able to resolve any significant Year 2000 problems with our systems, we cannot assure you that our third-party suppliers will resolve all Year 2000 problems with their systems that may subsequently occur before the occurrence of a material disruption to our business. Any failure of material third-party suppliers to resolve Year 2000 problems with their systems in a timely manner would have a negative effect on our ability to conduct business.

As of December 31, 1999, we have spent approximately \$126,800 on Year 2000 compliance issues and expect to incur approximately an additional \$86,000 in connection with evaluating and addressing these issues. We expect to pay for these expenses from our working capital. Most of our expenses have related to operating costs associated with the time spent by employees and consultants in the evaluation process and Year 2000 compliance matters generally. These expenses, if higher than anticipated, could have a negative effect on our financial condition.

We completed an acquisition during 1999 and are finalizing the integration of the systems of the acquired business into our operations. Those systems were included in our Year 2000 review. The customer data acquired in the acquisition of SilverPlatter Education and used by our Boston office to manage subscriptions, billing and order fulfillment is not Year 2000 compliant. Furthermore, it is not possible to update the database in its existing format to be Year 2000 compliant because the database structure is not standard and has no documentation. The database contains approximately 2,500 subscriber records, active and non-active, and represents less than 5% of our pro forma revenues for 1999. We determined that it was necessary to transfer the tables, relationships and data from the non-compliant database to a similar customer/order management database program that relies on a compliant database. Since the full migration was not accomplished by November 15, our contingency plan was put into effect. The non-compliant database was last used on December 15, 1999. On December 15th, we moved the entire non-compliant database into a compliant database product. This provides a short-term solution that allows us to continue customer service, billing and order fulfillment functions into the first quarter of 2000 while removing the Year 2000 risk presented through continued use of the current customer database system. We intend to implement a broader and more permanent solution by the end of the second quarter of 2000. We are currently evaluating various vendor applications to identify the best package to meet our existing and future customer service, management and accounting needs. Once a solution has been identified, the customer data in the temporary database format will then be migrated to a new full service system, which will be consolidated as one solution based in our headquarters.

We believe we have identified all Year 2000 problems that could harm our business, financial condition or operating results. We have not experienced any significant problems with regard to Year 2000 issues other than as described above.

MARKET RISK

We are exposed to market risk from changes in interest rates. We do not believe that we have any foreign currency exchange rate risk or commodity price risk.

As of December 31, 1999, we had both fixed and variable rate debt. Debt instruments with both fixed and variable interest rates carry a degree of interest rate risk. Fixed rate debt may have its fair value affected if interest rates change, and variable rate debt may incur a higher cost if interest rates rise.

At December 31, 1999, the fair value of our total fixed rate debt was estimated to be \$13,000 based on our current incremental borrowing rate for similar types of borrowing arrangements. At this borrowing level, a hypothetical 10% decrease in interest rates on the fixed rate debt would increase the fair value of the debt by approximately \$156. The amount was determined by considering the effect of the hypothetical interest rate decrease on our borrowing cost at December 31, 1999 borrowing levels.

The Company's weighted average debt outstanding for the years ended December 31, 1998 and 1999 was \$2,423,499 and \$2,000,261, respectively. The effective weighted average interest rate on such debt was 12.5% and 10.1%, respectively.

At December 31, 1999, we had \$13.6 million of cash and cash equivalents, which we have invested on a short-term basis. At this investment level a hypothetical 10% decrease in the interest rate would decrease interest income and increase net loss by approximately \$82,000.

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.

BUSINESS

OVERVIEW

We are pioneering a Web-based solution to meet the training and education needs of the healthcare industry utilizing our proprietary system. Through strategic relationships with medical institutions and commercial organizations, including Vanderbilt University Medical Center, Duke University Medical Center, The Cleveland Clinic Foundation, Scripps Clinic and American Health Consultants, we have amassed over 3,000 hours of training and education courses. We currently distribute over 1,300 hours of these courses to allied health professionals, nurses, doctors and other healthcare workers. We will expand distribution of our courses and services to include two methods. The first method provides access to our courses and education management software. Under the second method, we deliver our courses through strategic distribution partners, which we refer to as our Web distribution network. This network currently consists of over 30 distribution partners including Healtheon/WebMD, MedicalLogic, GE Medical Systems, Pointshare, Medsite.com, HealthGate and ChannelHealth (an IDX company).

We launched our online training and continuing education service in March 1999. We were incorporated in 1990 as NewOrder Media, Inc. and began developing multimedia presentations and interactive presentation systems for a variety of businesses, with the majority of our customer base in the healthcare industry. In 1993, we began development of our client server training and administrative software that serves as the application for our online training and continuing education service, and in 1996 we began deploying this application as a network and stand-alone product. We are currently focusing on providing transaction-based services delivered over the Internet rather than providing installed software.

We believe that our combination of high quality online training and continuing education content and the reach of our distribution partnerships positions us to be a leading provider of Web-based solutions to the online training and continuing education needs of the healthcare community.

INDUSTRY BACKGROUND

Continuing Education in the Healthcare Industry

The increase in the number of healthcare professionals, new therapeutic treatments and procedures, and innovations in medical technology have all led to greater demand for information exchange. Government regulations and accrediting bodies require employers to provide healthcare professionals and other healthcare workers with training on an increasing number and variety of topics. In addition, to keep abreast of the latest developments and to meet licensing and certification requirements, healthcare professionals must obtain continuing education. This training includes safety training mandated by both the Occupational Safety and Health Administration, or OSHA, and the Joint Commission on Accreditation of Healthcare Organizations, or JCAHO, for all healthcare workers. Continuing education includes continuing education units, or CEU, for nurses and continuing medical education, or CME, for doctors. Simultaneously, the healthcare industry has come under intense pressure to reduce costs as a result of reductions in government reimbursement and increased participation of patients in managed care programs. We believe these pressures in the industry have led to an increased demand for high quality, low cost continuing education and training solutions.

Healthcare services in the U.S. are delivered by over an estimated 5.0 million allied healthcare professionals, 2.6 million registered nurses, 2.4 million non-clinical healthcare workers and 600,000 active physicians. We estimate that the healthcare industry spends approximately \$6.0 billion annually on ongoing training and continuing education, including over \$3.0 billion on continuing education for allied healthcare professionals and for nurses and CME for physicians. According to the 1999 American Society for Training and Development State of the Industry Report, a greater percentage of healthcare workers receive training than workers in any other industry, with approximately 88% of all healthcare workers receiving some kind of continuing education or formal work-related or safety training every year.

Regulations administered by various state and Federal agencies require ongoing training and continuing education for healthcare professionals and other healthcare workers. Ongoing training and

continuing education typically consists of educational programs that bring healthcare workers up to date in a particular area of knowledge or skills. State licensing boards, professional organizations and employers require selected healthcare professionals and physicians to fulfill ongoing training and continuing education requirements and to certify annually that they have accumulated a minimum number of continuing education hours to maintain their licenses. For example physician and nursing licensing boards require up to 20 hours of continuing education per year. In addition, many specialty boards, including the American Board of Family Practice and the American Board of Surgery, require doctors to obtain CME hours that are accredited by these organizations to maintain their specialty certification. Other agencies, including OSHA, the Healthcare Financing Administration, or HCFA, and JCAHO require hospitals and other healthcare providers to provide employees with various types of workplace safety training.

The ongoing training and continuing education market in the healthcare industry is highly fragmented, with over 1,000 providers offering a limited selection of programs on specific topics. For example, there are over 600 providers of CME accredited by the Accreditation Council for Continuing Medical Education, or ACCME. The sheer volume of healthcare information available to satisfy continuing education needs, rapid advances in medical developments and the time constraints that healthcare professionals face make it difficult to stay current and to quickly and efficiently access the continuing education content most relevant to their practice or profession. Historically, healthcare professionals have received continuing education and training through offline publications, such as medical journals and CD-ROMs, and by attending conferences and seminars. In addition, other healthcare workers and pharmaceutical and medical equipment manufacturers' sales and internal regulatory personnel usually fulfill their education and training needs through instructor-led programs from external vendors or internal training departments. Although these existing approaches satisfy ongoing training and continuing education requirements, they are limited in the following ways:

- seminars and instructor-led training may be inconvenient and costly to attend and may result in lost productivity;
- ongoing training and continuing education courses offered locally may be limited in terms of breadth of offering and timeliness and may be costly to produce on a per user basis; and
- administrators find it difficult to review and assess results, track employee compliance with certification requirements and respond to the effectiveness of education and training programs.

The inefficiencies inherent in traditional methods of providing ongoing training and continuing education, combined with the time constraints and the increased cost pressures in the healthcare industry, have prompted healthcare professionals and organizations to improve information exchange and consider alternative training methodologies.

Growth of the Internet

The Internet has emerged as a mass communications and commerce medium that enables millions of people worldwide to share information, communicate and conduct business. International Data Corporation, or IDC, estimates that the number of worldwide Internet users will increase from approximately 256.4 million in 2000 to approximately 502.4 million by the end of 2003. In addition, the Internet is being used increasingly for electronic commerce between businesses. IDC estimates that the volume of electronic commerce among businesses over the Web throughout the World will increase from \$217.8 billion in 2000 to more than \$1.3 trillion in 2003.

The Internet allows content delivery in a manner not possible through traditional broadcast and print media. Although these traditional media can reach large audiences, they generally are limited to a specific geographic area, can deliver only limited content and are not effective for quickly distributing customized content. The Internet, on the other hand, offers immediate access to a greater breadth of content as well as dynamic and interactive content, enables the content to be customized toward a specific audience of users and provides instantaneous and targeted feedback. As a result, the Internet has become an important alternative to traditional broadcast and print media, enabling content providers to aggregate vast amounts of information and to organize and deliver that information in a personalized, easy-to-use and cost-effective

manner. As bandwidth availability continues to increase, the delivery of full-motion video will become more widespread, allowing for richer content. These characteristics, combined with the rapid growth of the Internet, have created a new channel to distribute and access timely and dynamic content.

The Internet is also enabling businesses to eliminate the burden of buying and running expensive and high maintenance computer systems and software packages by outsourcing these services to a centralized provider. An increasing number of businesses are accessing applications over the Internet rather than through dedicated private networks. New classes of software companies, including ASPs, are providing a growing array of traditionally packaged software applications over the Internet on a per transaction or subscription basis. ASPs are attractive as they allow companies to focus on their core business by eliminating the need to maintain and update large-scale software applications and reducing the capital expenditures required to keep up with leading technologies. We believe that as more companies have integrated the Internet into their daily work flow, the demand for outsourced packaged software has significantly increased.

Convergence of the Internet and Online Healthcare Education Services

Participants in the healthcare industry are increasingly relying on the Internet for communication and the delivery of information. There are currently over 10,000 Web sites providing healthcare and healthcare-related information. Many of these Web sites cater to the needs of healthcare professionals and are seeking to become an integral part of the delivery of healthcare services. Recently, an increasing number of traditional offline services in the healthcare industry have begun to migrate online, including insurance enrollment verification, prescription writing, supply purchases, storage and accessing of medical records and claims filing and processing. In addition, physicians are using the Internet as a valuable tool to access the latest medical information. According to a June 1998 PERQ/HCI report, over 45% of physicians accessed medical information online. In addition, we believe healthcare professionals and other healthcare workers are increasingly able to access the Internet from work.

We believe the healthcare ongoing training and continuing education market is particularly well-suited for business-to-business e-commerce and online services because of the high degree of fragmentation among the healthcare community, the industry's dependence on a high volume of information exchange and the inefficiencies inherent in the existing methods of information exchange. The emergence of the Internet enables the delivery of a greater breadth and depth of training and continuing education for healthcare professionals and other healthcare workers more cost effectively and conveniently than traditional methods. The Internet allows for the aggregation and delivery of large amounts of varied and highly specific content. Web-based delivery allows healthcare professionals and other healthcare workers a significant degree of scheduling and geographic flexibility in meeting their continuing education and training requirements, saving them and their employers travel expenses and limiting productivity losses.

THE HEALTHSTREAM SOLUTION

We are pioneering a Web solution to meet the ongoing training and continuing education needs of the healthcare community utilizing our proprietary technology. We bring authors and publishers of training and continuing education content, including both commercial publishers and educational institutions, together with end users, which include healthcare professionals, other healthcare workers and healthcare organizations, through our Web-based distribution network, including health Web sites, healthcare equipment vendors and healthcare providers. We are also developing online administrative and management tools, based on our existing installed software products, which we will host on an ASP basis. These tools will enable healthcare administrators to configure training to meet the precise needs of different groups of employees, modify training materials and monitor the results of training. We believe our services will provide an online training and continuing education solution for healthcare organizations, end users, distribution partners and content partners.

Value to Healthcare Organizations

We offer healthcare organizations the ability to provide access to high quality content on a cost-effective basis for the ongoing training and continuing education needs of their employees. Currently, these organizations often pay for the cost of meeting ongoing training and continuing education requirements. Our services allow these organizations to contribute to and enhance the content provided through our services and to configure training to meet the specific needs of different groups of employees. In addition, we provide administrators of these organizations the ability to track compliance with certification requirements and measure the effectiveness and results of training.

Value to End Users

Comprehensive Training and Continuing Education Offerings. We offer healthcare professionals and other healthcare workers a centralized location to satisfy their ongoing training and continuing education needs. We believe we provide one of the largest online libraries of ongoing training and continuing education content covering a range of medical specialties. We organize and list our course offerings according to profession and specialty. In addition, our course listings can be targeted to specific audiences and interests. Our content comes from a broad range of leading medical education institutions, commercial providers and professional groups such as Vanderbilt University Medical Center, Duke University Medical Center, The Cleveland Clinic Foundation, Scripps Clinic, KnowledgeLinc and American Health Consultants.

Cost-Effective Training and Continuing Education. We believe our online solution will reduce the cost of meeting ongoing training and continuing education requirements to the healthcare community. By eliminating the need for travel and expensive in-house programs, we estimate that we can significantly reduce the cost of ongoing training and continuing education. Our end users pay for our services on a per transaction and/or subscription basis.

Convenient Access and Compelling User Experience. We offer healthcare professionals and other healthcare workers a convenient, efficient and easy to use system. Our online services allow our end users the freedom to utilize our services when it is convenient for them. Users of our services have immediate access to a broad selection of ongoing training and continuing education programs and instantaneous and targeted feedback from anywhere there is an Internet connection. We provide course selection and registration interfaces that make it simple for healthcare professionals to find, enroll in and purchase the educational programs they are seeking. Our online search engine at cmesearch.com enables physicians to locate and register for traditional educational seminars as well as purchase training CD-ROMs and online courseware. In addition, upon completion of each of our online courses we enable users to print certificates of completion to submit to regulatory authorities. In the event a user has a question, they can either call one of our customer service representatives or communicate with a representative through an online live chat technical support service.

Value to Network Distribution Partners

Comprehensive Training and Continuing Education Solution. We offer our network distribution partners an online training and continuing education solution that includes one of the largest libraries of courseware. Most of our network distribution partners provide online access to continuing education as an ancillary service to their core businesses. To drive traffic to their Web sites, our network distribution partners want to provide their online users with a compelling ongoing training and continuing education experience. Our solution delivers these services to our network distribution partners without the need to purchase or create content, maintain customer service for ongoing training and continuing education, or purchase, install or develop specialized delivery software. We also create customized programs to meet our partners' specific needs.

Premier Continuing Education Healthcare Content. We offer our network distribution partners access to content from premier healthcare organizations through our established relationships with medical education and professional institutions and commercial publishers. Our relationships with these

organizations will allow our distribution partners to distinguish themselves from their competitors by providing high quality continuing education and training content.

Recurring Traffic Opportunity. We believe we will offer our network distribution partners a predictable source of online traffic due to the recurring nature of regulated training and continuing education requirements. Allied healthcare professionals and other healthcare workers may also be required by their employers or regulatory agencies to complete relevant training and continuing education annually. Nurses and physicians are required to complete a certain amount of continuing medical education every year. We believe these users will visit Web sites that provide a convenient and compelling experience to meet their ongoing training and continuing education requirements. Our system enables healthcare professionals to store, track and generate reports about this completed coursework. We believe this capability creates a compelling relationship between our Web distribution partners and the healthcare professional. In addition, we believe visits by online users accessing our service through one of our distribution partners' Web sites should be substantially longer than a typical online experience due to the nature of our product offering. This recurring and "sticky" base of traffic will complement the other services provided by our distribution partners.

Value to Content Partners

Compelling Web Distribution Network. We believe we currently offer our content partners one of the largest Web networks for the distribution of training and education for the healthcare community. Through our Web distribution network, our content partners can realize new product sales by targeting a broader audience than they could on their own.

Comprehensive Outsourcing Solution. By providing comprehensive conversion and distribution services, we enable our content partners to focus on their core competency of producing and authoring content and to reallocate resources they may have used to develop their own delivery systems and distribution partnerships. In addition, our online solution will provide content partners access to valuable comparative data about customer use, demographic characteristics and response to their content offerings. The data will also allow our content partners to assess how users perform on their content offerings, which will allow them to refine their materials.

Significant Expertise in Content Conversion. We offer publishers and authors of training and continuing education content our experience in producing online materials for the healthcare industry. We provide customers with a complete set of proprietary tools which enables them to quickly and inexpensively develop online courseware. Our template-driven development process allows courseware to be produced at a lower cost. For example, we have developed several successful new electronic products, including hybrid CD-online textbooks developed for leading traditional medical publishers.

GROWTH STRATEGY

Our objective is to be the leading provider of Web training and continuing education solutions for the healthcare community. We plan to achieve this objective by pursuing the following strategies.

Provide Healthcare Organizations with Web Access to our Administrative Services and Content Library. Our solution will enable organizations to provide access to our training and continuing education services over the Internet. Under this ASP model, our training software is hosted in a central data center that allows end users Web access to our continuing education and training services, eliminating the need for onsite installations of software. Our ASP model also includes a set of administrative and management tools which enable administrators to configure and modify training materials, track performance and monitor training expenses. We plan to leverage the existing capabilities of our training software that is installed at more than 700 hospitals and clinic locations, including facilities owned and operated by Gambro Healthcare, Columbia/HCA Healthcare Corporation and The Cleveland Clinic Foundation. In addition, we have existing preferred vendor arrangements with several hospital group purchasing organizations, or GPOs, including Premier, Inc. and Voluntary Hospital Association, or VHA. We believe these arrangements offer us the opportunity to provide our services to the member hospitals represented by

these GPOs with our ASP model. We plan to transition those organizations to our ASP model, under which they will begin to pay for these services on a per transaction or subscription basis, eliminating the need for upfront capital expenditures. By reducing capital outlays, we believe that selling our training and continuing education solution as a service will accelerate customer purchase decisions and increase adoption among new customers.

Expand and Enhance Our Training and Continuing Education Library. We plan to expand our training and continuing education library through proprietary development and licensing arrangements. We also plan to grow our library through acquisitions, such as our acquisition of SilverPlatter Education, a provider of CD-ROM and online continuing medical education for physicians, and our recently completed acquisitions of Quick Study, a provider of OSHA and nursing training to hospitals and clinics, m3 the Healthcare Learning Company, a provider of OSHA and JCAHO training to hospitals, and EMInet, a provider of continuing education training to emergency medical services personnel. We plan to use our existing relationships with premier healthcare institutions and quality content providers to strengthen our position as a leading aggregator of continuing education and training content for the healthcare industry. Our strategy is to acquire a large collection of courses across multiple clinical education and training topics and then to supplement those acquired courses with courses licensed from other content providers. We believe this strategy is the most cost-effective and efficient way to create a substantial barrier to entry for other prospective providers of online training and continuing education content.

Increase the Number of Partners in Our Web Distribution Network. We currently have strategic relationships with a network of over 30 distribution partners. We plan to increase our distribution reach and market share by developing additional strategic distribution relationships. We believe that potential distribution partners will be attracted to the recurring nature of training and continuing education requirements and the time a typical user of our service spends on our Web site or one of our distribution partners' Web sites. We are primarily pursuing distribution relationships with Web sites that target healthcare providers, healthcare professionals, and pharmaceutical and equipment manufacturers.

Expand our Sales and Marketing Efforts. We plan to develop HealthStream as the leading brand for online training and continuing education solutions in the healthcare community. To achieve this objective, we will market our HealthStream brand to end users, leading authors and publishers of continuing healthcare education content and leading health Web sites, healthcare equipment vendors and healthcare providers. We will not attempt to achieve widespread consumer recognition outside of the healthcare community. Instead, we will seek to establish our brand among our targeted group of end users and potential content and distribution partners in the healthcare community to drive not only sales to these end users, but increased adoption by content and distribution partners. In marketing directly to these potential partners, we will focus on our ability to provide our content partners with compelling distribution channels and to provide our distribution partners with premier content from a broad range of sources. In addition, we will continue to focus on generating additional brand equity by operating sites in partnerships that carry both our brand and our distribution partners' brands.

Generate Additional Revenue Opportunities. We plan to leverage the recurring nature of our end user visits by providing additional products and services. We believe the demographics of our audience and our high-quality content offerings provide significant opportunities to develop multiple sources of revenue. In addition to our transaction-based courseware sales, we plan to generate e-commerce revenues from direct and indirect sales of related ongoing training and continuing education products. Through our recent acquisition of KnowledgeReview, we acquired a search engine, cmesearch.com, which allows us to sell education and training CD-ROMs and which will allow us to charge registration fees for the enrollment for traditional CME seminars. We are also developing products that capitalize on our ability to gather data regarding users of our service, and we plan to expand our ability to capture advertising and sponsorship revenue from pharmaceutical and medical equipment companies as well as healthcare providers.

HEALTHSTREAM SERVICES

We provide our Web-based ongoing training and continuing education services to healthcare organizations through our ASP model and individual healthcare professionals through our Web distribution network.

SERVICES DISTRIBUTED THROUGH ASP MODEL

Healthcare organizations are responsible for providing both government mandated and internally required training to their employees. We are developing our ASP model to enable these healthcare organizations to provide, assess and manage this training process. Under our ASP model, our online systems are hosted in a central data center that provides administrative access to our customers through Web-based reporting and management tools, rather than through software that is installed and maintained at the customer's site. We will bill our customers on a per transaction and/or subscription fee basis, enabling them to treat their investment in online continuing education and training as an operating expense rather than a capital expense. We anticipate that eliminating the need for a capital outlay may shorten the sales cycle to these customers. In addition, our hosted ASP service is scalable to enable healthcare organizations to monitor and administer the continuing education and training needs of large and geographically dispersed employee bases. Our services for healthcare organizations include:

Administrative and Management Tools. Our administrative and management tools will be used by human resources, training and management personnel to manage curricula and training performance data for the employee population. The administrator software will be used to configure ongoing training and continuing education requirements, enter or modify training materials (lessons, quizzes, exams, etc.), define groups of users and the criteria that users must meet to be included in groups and print reports about the resulting ongoing training and continuing education. Our administrative and management tools will allow administrators to organize and customize our library of courseware to suit the precise needs of different groups of employees within the organization. In a hospital, for example, doctors, nurses, technicians and housekeeping staff would each automatically be assigned appropriate curricula based on their job profiles. In addition, our system will provide tools for administrative personnel using our system to manage their employees' training performance data.

Online Courseware. The courseware we provide under our ASP model will primarily focus on mandated training content. In addition, employers may make some continuing education content from our library available to their professional employees. Most end users accessing the ASP courseware will be employees seeking to fulfill training requirements established by outside agencies or their employers. We are developing and converting this training content in partnership with authors and publishers. Employees will select courses from among a list determined by their employer.

Content Conversion and Development. Many healthcare organizations provide their employees with organization-specific training. We have full-service capabilities to convert existing course materials to a Web-enabled format or develop custom courseware for these healthcare organizations. Our development group includes instructional designers, scriptwriters, multimedia designers, graphic artists, audio and video engineers, programmers and project managers. Our ability to market courseware developed for one healthcare organization to our broad base of end users provides these healthcare organizations the opportunity to offset their development costs through courseware sales royalties.

SERVICES PROVIDED THROUGH WEB DISTRIBUTION NETWORK

Most healthcare professionals are responsible for meeting their own continuing education requirements. We enable these healthcare professionals to meet their continuing education requirements by obtaining credit through use of our online courseware. We deliver our online courseware to healthcare professionals through multiple, co-marketed Web sites offered in partnership with health Web sites, academic and medical institutions, pharmaceutical and equipment manufacturers and healthcare providers. Healthcare professionals and other healthcare workers can sign up to become registered users of our service after accessing our log-in screen at our or any one of our distribution partners' Web sites. Each of

these Web sites is based upon our standard template but is customized to match the look and feel of the Web site of the referring distribution partner. Our services for healthcare professionals include:

Online Courseware. The online courseware available through our network of co-branded Web sites and our Web site is targeted to healthcare professionals and includes primarily accredited continuing education content. We organize our offerings on these Web sites by profession and specialty. The content available from our library can be targeted to the specific interests of a distribution partner's audience. Users access our catalog of courseware and may select those offerings they wish to view. Users are guided through the courses, usually in the form of a series of lessons and quizzes. Upon successful completion of a course, the user is given the option of receiving continuing education credit. If the user elects to receive credit, a printable certificate will be issued. We acquire, license and develop our course content from and in partnership with a broad range of commercial publishers and educational institutions. To augment our library of courseware, we work with healthcare organizations, publishers and authors of healthcare content to convert their continuing education courses and materials from traditional media to a Web-enabled format. In some cases, we retain partial ownership and resellers' rights to this courseware.

Webcast Events. We offer both live and pre-recorded Webcasts of medical procedures, the viewing of which may be credited toward continuing education requirements. These Webcast events generally consist of the presentation of an edited streaming video of a medical procedure followed by a live discussion that includes the physician who performed the procedure and other leading physicians in the field. In addition, our Webcast events may be followed by a related program in the form of interactive courseware which may be completed for continuing education credit. The Webcast event may be co-branded with the sponsors' name and the sponsor can underwrite the fee for a certain number of users to participate online.

Search Engine. Through our acquisition of KnowledgeReview, we acquired a search engine and several associated domain names through which we offer a method for physicians and other healthcare professionals to search for both online and traditional continuing education products. This Web site is currently located at cmesearch.com. Physicians access the Web site to locate seminars by specialty and location as well as purchase educational CD-ROMs and online courseware. In addition, we plan to offer products and services that complement our online continuing education and training courses and link sales of our courseware to related books, videotapes, audio tapes and other educational and reference products produced by our content partners.

STRATEGIC RELATIONSHIPS AND ACQUISITIONS

RELATIONSHIPS AND ACQUISITIONS RELATING TO SERVICES DISTRIBUTED THROUGH OUR ASP MODEL

m3 the Healthcare Learning Company. In January 2000, we acquired the stock of m3 the Healthcare Learning Company which provides computer-based training to hospitals and healthcare facilities primarily in the areas of OSHA and regulatory training. m3 the Healthcare Learning Company provides us with an established client base of over 450 hospitals and the opportunity to convert these hospitals to our ASP model. This acquisition also adds experienced management personnel that will oversee the hospital market for our ASP model as well as eight additional sales people to serve this market in regional offices across the country. The purchase price for m3 the Healthcare Learning Company consisted of \$600,000 in cash, the assumption of \$1.2 million of long-term debt and 818,036 shares of our common stock.

EMInet. In January 2000, we acquired the assets of EMInet, a provider of online continuing education to emergency medical services personnel. EMInet has sold over 350,000 courses online since 1996. This acquisition expands the content offering of our online library and the customer base for our services as well as adds management knowledgeable about the emergency medicine market. The purchase price for EMInet consisted of \$640,000 in cash and 269,902 shares of our common stock.

Quick Study. In January 2000, we acquired the stock of Quick Study, a provider of over 60 hours of nursing and OSHA content which we have added to our online library and will deliver to healthcare

organizations through our ASP model. This courseware is currently distributed through over 35 systems installed by Quick Study. The purchase price for Quick Study consisted of \$59,000 in cash, the assumption of \$112,000 in long-term debt and 61,397 shares of our common stock.

Columbia/HCA Healthcare Corporation. In February 2000, we entered into a four-year Online Education Services Provider Agreement with Columbia Information Systems, Inc., an affiliate of Columbia/HCA Healthcare Corporation with a network of over 200 hospitals. Pursuant to the terms of the agreement, we will provide Columbia/HCA with online training and education services and courseware for its doctors, nurses and staff on an ASP basis as well as consulting and support services. Columbia/HCA will pay us minimum revenues of \$12.0 million over the term of this agreement for these services.

RELATIONSHIPS AND ACQUISITIONS RELATING TO SERVICES PROVIDED THROUGH OUR WEB DISTRIBUTION NETWORK

We have entered into strategic relationships with several content partners and over 30 distribution partners and continue to aggressively pursue additional strategic relationships. We believe that these strategic relationships and the acquisition of complementary businesses will enable us to increase our course offerings, expand our product distribution and increase our brand awareness. In addition, our recent acquisitions have expanded our course offerings and provided us with experienced sales personnel. Selected content and distribution partners include:

Content

SilverPlatter Education. In July 1999, we acquired the assets of SilverPlatter Education, a provider of over 100 hours of continuing medical education programs to physicians on CD-ROM and via the Internet under the names "SilverPlatter Education," "Physicians' Home Page" and "Core Curriculum," for total consideration of \$800,000 in cash and 49,202 shares of our common stock. SilverPlatter Education is certified to provide accreditation for CME courses which allows us to internally develop and certify our own courseware.

Scripps Clinic. In November 1999, we entered into a three-year agreement with Scripps Clinic, a large multi-specialty medical clinic, to deliver its CME content for physicians online.

Duke University Medical Center. In October 1999, we entered into a three-year agreement with Duke University Medical Center to design, create and distribute interactive, Web-enabled CME courses for physicians in several specialties. We are in the process of developing these courses and we will distribute them through our online continuing education and training service.

American Health Consultants. In September 1999 we entered into a two-year agreement, and in January 2000 we entered into a one-year agreement with American Health Consultants, a leading publisher for healthcare professionals, to deliver over 400 hours of continuing education for nurses and over 800 hours of continuing medical education for physicians online.

Vanderbilt University Medical Center. In July 1999, we entered into an agreement with Vanderbilt University Medical Center to design, create and distribute online continuing education courses authored by Vanderbilt's physicians and nurses. Under the terms of the agreement, we will serve as an Internet distributor and marketer for courses developed with Vanderbilt's Schools of Medicine and Nursing for a term of four years. Vanderbilt may also provide us accreditation certification for additional courses we develop with their assistance.

The Cleveland Clinic Foundation. In June 1999, we entered into a three-year agreement with The Cleveland Clinic Foundation, a leading research and medical institution, to license its Intensive Review of Internal Medicine Course for online publication. This course includes CME content and provides physicians a complete board preparation review through lectures from some of the country's leading internists.

Challenger Corporation. In December 1998, we signed an agreement to convert Challenger's library of accredited CME materials from a CD-ROM to a Web-enabled format. This agreement also gives us the exclusive right during the term of the agreement to resell their content on the Internet. Our agreement with Challenger terminates in December 2000. See "Risk Factors -- We may be unable to maintain our existing relationships with our content providers or to build new relationships with other content providers."

e-Vitro. In January 2000, we entered into a one-year agreement with e-Vitro, a developer of custom interactive content for healthcare providers. Under the terms of the agreement, e-Vitro will provide content development services to us. This relationship will create additional capacity for us to augment our internal content development resources. In connection with this development agreement, we acquired a warrant to purchase 223,834 shares of e-Vitro Class B non-voting common stock at an exercise price of \$4.47 per share.

Distribution

cmesearch.com. In January 2000, we acquired the assets of KnowledgeReview which operates cmesearch.com, a healthcare education search engine which allows physicians and other healthcare professionals to search for online and traditional continuing education, such as locating seminars and purchasing educational CD-ROMs and online courseware. cmesearch.com currently provides listings and information on over 2,000 courses and seminars. We plan to provide linking between this search engine and our 30 Web distribution partners. The purchase price for KnowledgeReview consisted of \$310,000 in cash and 17,343 shares of our common stock.

Healtheon/WebMD. In February 2000, we entered into a five-year agreement with Healtheon/WebMD, a leading provider of online services to professionals and consumers in the healthcare industry. Under the terms of the agreement, we will be the exclusive provider of education, continuing education and training services for healthcare organizations, healthcare professionals and healthcare workers on Web sites owned or operated by Healtheon/WebMD.

MedicalLogic. In February 2000, we entered into a one-year agreement with MedicalLogic, a leading provider of electronic medical records and related technology, to distribute our online courseware to their customers.

State Medical Associations. In November 1999, we entered into an agreement with the Mississippi State Medical Association to distribute CME to its member physicians. In December 1999, we entered into a similar agreement with the Medical Association of Georgia to distribute CME to its 6,000 member physicians.

HealthGate. In September 1999, we entered into two two-year agreements with HealthGate Data Corp. through which we will provide our online continuing education and training services to hospital and health system Web sites and intranets that use HealthGate's suite of healthcare content products.

ChannelHealth (an IDX Company). In September 1999, we entered into an agreement with IDX to be the provider of continuing education on ChannelHealth's Physician Homebase for a term of three years. ChannelHealth will deliver comprehensive Internet-based knowledge management services for physicians, healthcare workers and patients. ChannelHealth's parent company, IDX Systems Corporation, is a provider of healthcare information solutions at more than 1,650 customer sites, serving 118,000 physicians nationwide.

Pointshare. In July 1999, we entered into a one-year agreement with Pointshare, a provider of online services and medical intranets for physicians, hospitals, managed care groups, insurers and laboratories, to offer our online courseware to Pointshare's customers and sell course sponsorships.

GE Medical Systems. In June 1999, we entered into a two-year agreement with GE Medical Systems, one of the world's leading manufacturers of diagnostic imaging equipment, under which we will provide our online continuing education and training service for GE Medical Systems Web sites. In

addition to our content development and online application development services, we will assist GE Medical Systems in content conversion and will act as a reseller of their content through our Web distribution partners. GE Medical Systems, through its broadcast Training-in-Partnership, or TiP-TV, service, provides satellite broadcast training services into over 1,600 hospitals.

MedSite.com. In May 1999, we entered into a three-year agreement with MedSite.com, a leading provider of medical books on the Internet, to be the provider of continuing education for MedSite.com's MedUniversity.com. Our courseware will be strategically linked to MedSite.com's catalog of medical books. In addition, we will have access to MedSite.com's database of over 300,000 physicians and other health professionals.

SALES AND MARKETING

We have a sales force of 16 individuals with an average of over 12 years of healthcare sales experience. Our sales team continues to focus on selling our training and continuing education service to hospitals and healthcare networks, and we are in the process of transitioning these customers to our online service. Our sales team also targets pharmaceutical and medical equipment vendors for sponsorship opportunities and courseware development. We plan to increase our sales and marketing team to focus on marketing our ASP model to new and existing customers.

Although our historical marketing efforts have been limited by our financial resources, we plan to launch a branding and advertising campaign focused on building awareness of our products and services to all of our market segments. We have hired Cohn & Wolfe, an Atlanta-based public relations firm, to assist our seven person marketing team in building brand awareness, especially via concept advertisements aimed at larger healthcare organizations. The campaign will consist of advertising in trade journals and industry publications, Web advertising, direct mail, trade show attendance and new marketing materials. In keeping with our existing strategy, we will focus on leveraging our marketing efforts through co-branding arrangements with our distribution partners.

PARTNER RELATIONS

We have four individuals who work exclusively on the implementation and development of the relationships with our current content and distribution partners. These personnel coordinate all of our internal departments including systems, content development, sales and marketing and business development and act as the central liaison to the partner. This department works to maximize the effectiveness of these relationships.

CUSTOMER SERVICE, TRAINING AND SUPPORT

We believe our ability to establish and maintain long-term customer relationships and high adoption and recurrence rates in part depends upon the strength of our customer service and operations team. Our customer service team consists of five customer service managers located in our headquarters. We provide customer support to end users through our toll-free phone line. In addition, we provide live chat support to end users through a third-party online technical support and sales service. A representative of this outsourced service is available 24 hours a day to provide technical support to end users who are registering for or taking online continuing education courses. By providing live chat support we reach those customers who, while connected to the Internet, cannot place a support call on their one phone line. These representatives are trained to understand our philosophy and corporate culture and our specific sales, marketing and support issues.

TECHNOLOGY INFRASTRUCTURE

Our technology infrastructure is based on an open architecture designed to be secure, reliable and expandable. Our software is a combination of proprietary applications, third party database software and operating systems that supports acquisition and conversion of content, management of that content, publication of our Web sites, downloads of courseware, registration and tracking of users and reporting of

information for both internal and external use. We have designed this infrastructure to allow each component to be independently scaled, usually by purchasing additional readily-available hardware and software components.

Educational Management System

Our client-server training and administrative software, T.NAV, has become the application and foundation for our online training and continuing education solution. This learning system is a scalable computer managed instruction system that delivers interactive courses. Users and administrators may obtain detailed reports on information ranging from user training history to content effectiveness. By automating knowledge delivery and tracking training for every user, the system both improves knowledge distribution and reduces training overhead.

Data Center and Hosting Facilities

Our network infrastructure, Web site and servers delivering our service are hosted by PSINet. PSINet maintains suitable environmental conditions and multiple back up power sources and network connections. PSINet provides its hosting and connectivity services on high-quality Hewlett-Packard servers and Cisco routers. PSINet's hosting center is connected to the Internet through high-speed fiber optic circuits. Monitoring of all servers, networks and systems is performed on a continuous basis. Through PSINet, we employ numerous levels of firewall systems to protect our databases, customer information and content library. Backups of all databases, data and content files are performed on a daily basis. Data back-up tapes are archived at a remote location on a weekly basis.

COMPETITION

The market for the provision of online training and continuing education to the healthcare industry is new and rapidly evolving. We face competitive pressures from numerous actual and potential competitors, including:

- other online training and continuing education providers;
- Web sites targeting medical professionals that currently offer or may develop their own continuing education content in the future;
- traditional medical publishers and continuing education providers;
- academic medical centers;
- software developers that bundle their training systems with industry training content;
- professional membership organizations;
- companies that market general-purpose computer-managed instruction systems into the healthcare industry; and
- interactive media development companies focused on the healthcare industry.

Many of these companies have greater financial, technical, product development, marketing and other resources than we have. These companies may be better known and have longer operating histories than we have. We believe that our ability to compete depends on many factors both within and beyond our control, including the following:

- the timing and market acceptance of new solutions and enhancements to existing solutions developed by us or our competitors;
- customer service and support efforts;
- sales and marketing efforts; and
- the ease of use, performance, price and reliability of solutions developed either by us or our competitors.

GOVERNMENT REGULATION OF THE INTERNET AND THE HEALTHCARE INDUSTRY

The Internet

The laws and regulations that govern our business change rapidly. The United States government and the governments of some states and foreign countries have attempted to regulate activities on the Internet. The following are some of the evolving areas of law that are relevant to our business:

- Privacy Law. Current and proposed federal, state and foreign privacy regulations and other laws restricting the collection, use and disclosure of personal information could limit our ability to use the information in our databases to generate revenues.
- Encryption Laws. Many copyright owner associations have lobbied the federal government for laws requiring copyrighted materials transmitted over the Internet to be digitally encrypted in order to track rights and prevent unauthorized use of copyrighted materials. If these laws are adopted, we may need to incur substantial costs to comply with these requirements or change the way we do business.
- Content Regulation. Both foreign and domestic governments have adopted and proposed laws governing the content of material transmitted over the Internet. These include laws relating to obscenity, indecency, libel and defamation. We could be liable if content delivered by us violates these regulations.
- Sales and Use Tax. Through December 31, 1999, we did not collect sales, use or other taxes on the sale of continuing education courses on our Web sites other than on sales in Tennessee and Massachusetts. However, states or foreign jurisdictions may seek to impose tax collection obligations on companies like us that engage in online commerce. If they do, these obligations could limit the growth of electronic commerce in general and limit our ability to profit from the sale of our services over the Internet.

The enactment of any additional laws or regulations may impede the growth of the Internet, which could decrease our potential revenues or otherwise harm our business, financial condition and operating results.

Laws and regulations directly applicable to e-commerce and Internet communications are becoming more prevalent. The most recent session of Congress enacted Internet laws regarding online copyright infringement. Although not yet enacted, Congress is considering laws regarding Internet taxation. These are recent enactments, and there is uncertainty regarding their marketplace impact.

Any new legislation or regulation regarding the Internet, or the application of existing laws and regulations to the Internet, could negatively affect us. If we were alleged to violate federal, state or foreign, civil or criminal law, even if we could successfully defend such claims, it could negatively affect us.

Regulation of Continuing Education for Healthcare Professionals

Allied Disciplines. Various allied health professionals are required to obtain continuing education to maintain their licenses. For example, emergency medical services personnel must acquire up to 20 continuing education hours per year. These requirements vary by state and depend on the classification of the employee.

Occupational Safety and Health Administration. OSHA regulations require employers to provide training to employees to minimize the risk of injury from various potential workplace hazards. Employers in the healthcare industry are required to provide such training with respect to various topics including bloodborne pathogens exposure control, laboratory safety and tuberculosis infection control. OSHA regulations require employers to keep records of their employees' completion of training with respect to these workplace hazards.

Joint Commission on Accreditation of Healthcare Organizations. The JCAHO imposes continuing education requirements on physicians that relate to each physician's specific staff appointments. In

addition, the JCAHO mandates that employers in the healthcare industry provide certain workplace safety and patient interaction training to employees. JCAHO required training may include programs on infection control, patient bill of rights, radiation safety and incident reporting. Healthcare organizations are required to provide and document training on these topics to receive JCAHO accreditation.

CEU. The states' nurse practice laws are usually the source of authority for establishing the state board of nursing, which then establishes the state's CEU requirements for professional nurses. The continuing education units programs are accredited by the American Nurses Credentialing Center Commission on Accreditation and/or the state board of nursing. CEU requirements vary widely from state to state. Twenty nine states require some form of CEU in order to renew a nurse's license. In some states, the CEU requirement only applies to re-licensure of advance practice nurses or additional CEU's required of this category of nurses. On average, twelve to fifteen CEU's are required annually, with reporting generally on a bi-annual basis.

CME. State licensing boards, professional organizations and employers require physicians to certify that they have accumulated a minimum number of continuing medical education hours to maintain their licenses. Generally, each state's medical practice laws authorize the state's board of medicine to establish and track CME requirements. Thirty four state medical licensing boards currently have CME requirements. The number of CME hours required by each state ranges up to fifty hours per year. Other sources of CME requirements are state medical societies and practice speciality boards. The failure to obtain the requisite amount and type of CME will result in non-renewal of the physician's license to practice medicine and/or membership in a medical or practice speciality society.

The American Medical Association's, or AMA's, Physician Recognition Award, or PRA, is the most widely recognized certificate for recognizing physician completion of a CME course. The AMA classifies continuing education activities as either category 1, which includes formal CME programs, or category 2, which includes most informal activities. Sponsors want to designate CME activities for AMA PRA category 1 because this has become the benchmark for quality in formally organized educational programs. Almost all agencies nationwide that require CME participation specify AMA PRA category 1 credit. Only institutions and organizations accredited to provide CME can designate an activity for AMA PRA category 1 credit or AMA PRA category 2 credit.

The ACCME is responsible for the accreditation of medical schools, state medical societies, and other institutions and organizations that provide CME activities for a national or regional audience of physicians. Only institutions and organizations are accredited. The ACCME and state medical societies do not accredit or approve individual activities. State medical societies, operating under the aegis of ACCME, accredit institutions and organizations that provide CME activities primarily for physicians within the state or bordering states.

The U.S. Food and Drug Administration and the Federal Trade Commission

Current FDA and FTC rules and enforcement actions and regulatory policies or those that the FDA or the FTC may develop in the future could have a material adverse effect on our ability to provide existing or future applications or services to our end users or obtain the necessary corporate sponsorship to do so. The FDA and the FTC regulate the form, content and dissemination of labeling, advertising and promotional materials, including direct-to-consumer prescription drug and medical device advertising, prepared by, or for, pharmaceutical, biotechnology or medical device companies. The FTC regulates over-the-counter drug advertising and, in some cases, medical device advertising. Generally, regulated companies must limit their advertising and promotional materials to discussions of the FDA-approved claims and, in limited circumstances, to a limited number of claims not approved by the FDA. Therefore, any information that promotes the use of pharmaceutical or medical device products that is presented with our service is subject to the full array of the FDA and FTC requirements and enforcement actions. We believe that banner advertisements, sponsorship links, and any educational programs that lack independent editorial control that we may present with our service could be subject to FDA or FTC regulation. While the FDA and the FTC place the principal burden of compliance with advertising and promotional

regulations on the advertiser, if the FDA or FTC finds that any regulated information presented with our service violates FDA or FTC regulations, they may take regulatory action against us or the advertiser or sponsor of that information.

In 1996, the FDA announced it would develop a guidance document expressing a broad set of policies dealing with the promotion of pharmaceutical, biotechnology, and medical device products on the Internet. Although the FDA has yet to issue that guidance document, agency officials continue to predict its eventual release. The FDA guidance document may reflect new regulatory policies that more tightly regulate the format and content of promotional information on the Internet.

INTELLECTUAL PROPERTY AND OTHER PROPRIETARY RIGHTS

We obtain the majority of our content under license agreements with publishers or authors, through assignments or work for hire arrangements with third parties and from internal staff development. Generally, our license agreements are for a period of one to three years and we consider the materials obtained through these agreements to be important to the continued enhancement of the content in our library. We may be liable to third parties for the content in our library and distributed through our distribution partners if the text, graphics, software or other content in our library violates their copyright, trademark or other intellectual property rights or if our content partners violate their contractual obligations to others by providing content in our library.

We may also be liable for anything that is accessible from our Web site through links to other Web sites. We attempt to minimize these types of liability by requiring representations and warranties relating to our content partners' ownership of and rights to distribute and submit their content and by taking related measures to review content in our library. For example, we require our content partners to represent and warrant that their content does not infringe on any third-party copyrights and that they have the right to provide their content and have obtained all third-party consents necessary to do so. Some of our content partners also agree to indemnify us against liability we might sustain due to the content they provide.

Proprietary rights are important to our success and our competitive position. To protect our proprietary rights, we rely generally on copyright, trademark and trade secret laws, confidentiality agreements with employees and third parties and license agreements with consultants, vendors and customers. We own the federal trademark registrations for the marks "HEALTHSTREAM," "TRAINING NAVIGATOR" and "T.NAV." Despite such protections, a third party could, without authorization, copy or otherwise appropriate our content or other information from our database. Our agreements with employees, consultants and others who participate in development activities could be breached. We may not have adequate remedies for any breach, and our trade secrets may otherwise become known or independently developed by competitors. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, and effective copyright, trademark and trade secret protection may not be available in those jurisdictions.

We currently hold several domain names. The legal status of intellectual property on the Internet is currently subject to various uncertainties. The current system for registering, allocating and managing domain names has been the subject of litigation and proposed regulatory reform. Additionally, legislative proposals have been made by the federal government that would afford broad protection to owners of databases of information, such as stock quotes. This protection of databases already exists in the European Union.

There have been substantial amounts of litigation in the computer and online industries regarding intellectual property assets. Third parties may claim infringement by us with respect to current and future products, trademarks or other proprietary rights, and we may counterclaim against such parties in such actions. Any such claims or counterclaims could be time-consuming, result in costly litigation, divert management's attention, cause product release delays, require us to redesign our products or require us to enter into royalty or licensing agreements, any of which could have a material adverse effect upon our

business, financial condition and operating results. Such royalty and licensing agreements, if required, may not be available on terms acceptable to us, if at all.

EMPLOYEES

As of March 1, 2000, we employed approximately 170 persons. We are not subject to any collective bargaining agreements, and we believe that our relationship with our employees is satisfactory.

FACILITIES

Our principal executive offices are located in Nashville, Tennessee. Our lease for approximately 13,400 square feet at this location expires in 2005. The lease provides for two five-year renewal options. Rent at this location is \$12,296 per month until April 30, 2000; \$11,569 per month from May 1, 2000 to February 28, 2001; \$11,737 per month from March 1, 2001 to February 28, 2004; and \$10,340 per month from March 1, 2004 to April 30, 2005. We are currently negotiating terms for additional contiguous space at our Nashville headquarters that will increase our total square footage to approximately 20,000.

As a result of our acquisition of SilverPlatter Education, we are leasing approximately 2,600 square feet of office space in Boston, Massachusetts until December 31, 2000. Rent for this space is \$6,067 per month. Storage space is leased on a month-to-month basis at the rate of \$687 per month. As a result of our acquisition of KnowledgeReview, we are leasing approximately 2,000 square feet of office space in Cherry Hill, New Jersey until March 31, 2000, or at our option, until March 31, 2001. Rent for this space is \$5,000 per month. As a result of our acquisition of EMInet, we are leasing approximately 2,180 square feet of office space in Houston, Texas until September 30, 2000, or at our option, until September 30, 2002. Rent for this space is \$2,180 per month. As a result of our acquisition of m3 the Healthcare Learning Company, we are leasing three suites of office space in Austin, Texas and approximately 2,300 square feet of office space in Dallas, Texas. The Austin lease expires on September 1, 2000 and has a monthly rent of \$1,386. The Dallas lease expires on September 1, 2002 and has a monthly rent of \$2,324.

LEGAL PROCEEDINGS

We are not a party to any material legal proceedings.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The following table presents information about our executive officers and directors.

NAME - - - - -	AGE - - -	POSITION - - - - -
Robert A. Frist, Jr.....	32	Chief Executive Officer and Chairman of the Board of Directors
Jeffrey L. McLaren.....	33	President, Chief Product Officer and Director
Arthur E. Newman.....	51	Chief Financial Officer and Senior Vice President
Michael Pote.....	38	Senior Vice President
Scott Portis.....	33	Vice President of Technology
Stephen Clemens.....	35	Vice President of Online Content
Robert H. Laird, Jr.....	32	Vice President, General Counsel and Secretary
Susan A. Brownie.....	35	Vice President of Finance and Corporate Controller
Charles N. Martin, Jr.....	58	Director
Thompson S. Dent.....	48	Director
M. Fazle Husain.....	35	Director
John H. Dayani, Sr., Ph.D.....	53	Director
James F. Daniell, M.D.....	57	Director
William W. Stead, M.D.....	51	Director

Robert A. Frist, Jr., one of our co-founders, has served as our chief executive officer and chairman of the board of directors since 1990. Mr. Frist serves on the board of directors of Passport Health Communications, an online health insurance verification provider and Harkey & Associates, a healthcare publisher. He graduated with a Bachelor of Science in business with concentrations in finance, economics and marketing from Trinity University. Mr. Frist is the brother-in-law of Scott Portis, our vice president of technology.

Jeffrey L. McLaren, one of our co-founders, has served as our president and as one of our directors since 1990 and as our chief product officer since 1999. Mr. McLaren is a founding director of the Nashville Technology Council. He graduated from Trinity University with a Bachelor of Arts in both business and philosophy.

Arthur E. Newman has served as our chief financial officer and senior vice president since January 2000. From April 1990 to August 1999, Mr. Newman served as executive vice president overseeing finance, human resources, information systems and customer service and fulfillment for Lippincott, Williams and Wilkins, formerly Waverly, Inc., a publicly traded medical sciences publisher. In May 1998, Waverly was acquired by Wolters Kluwer and merged with Wolters Kluwer's existing U.S. based medical publisher, Lippincott-Raven Publishers. From August 1999 to January 2000, Mr. Newman served as the chief technology officer for Wolters Kluwer's scientific, technical and medical companies consisting of five separate units. Mr. Newman holds a Bachelor of Science in chemistry from the University of Miami and a Masters of Business Administration from Rutgers University.

Michael Pote has served as our senior vice president since August 1997. From January 1996 to August 1997, Mr. Pote served as vice president of Columbia Health Care Network, a managed care contractor. From August 1994 to June 1996, Mr. Pote served as vice president and administrator for Centennial Medical Center. Mr. Pote received a Bachelor of Science and a Masters of Science from Syracuse University.

Scott Portis has served as our vice president of technology since 1994. Mr. Portis worked for Electronic Data Systems, a provider of systems integration services, as an engineering systems engineer in

the expert systems and artificial intelligence divisions, from 1990 to 1994. He has a Bachelor of Science in computer engineering from Auburn University. Mr. Portis is the brother-in-law of Robert A. Frist, Jr., our chief executive officer and chairman of the board of directors.

Stephen Clemens has served as our vice president of interactive development since October 1997. From July 1994 to May 1997, Mr. Clemens served as president of Copernican Systems, Inc., a software and consulting firm. He holds a Bachelor of Science in finance from the University of Tennessee and a Masters of Business Administration from the Owen School of Management at Vanderbilt University.

Robert H. Laird, Jr. has served as our vice president and general counsel since March 1997 and secretary since October 1999. Mr. Laird also served as our director of finance from March 1997 until November 1999. He holds a Bachelor of Arts in English from Tulane University, a J.D. from the University of Tennessee College of Law and a Masters of Business Administration from the University of Tennessee. Prior to attending graduate school from 1993 to 1996, Mr. Laird was employed by CIGNA employee benefits, an insurance organization, in contracts administration from 1991 to 1993.

Susan A. Brownie has served as our vice president of finance and corporate controller since November 1999. From August 1986 until 1999, she worked for KPMG LLP, a public accounting and consulting firm, most recently as a senior manager. She holds a Bachelor of Business Administration from the College of William and Mary.

Charles N. Martin, Jr. has served as one of our directors since April 1999. Mr. Martin currently serves as chairman of the board of directors, president and chief executive officer of Vanguard Health Systems, a healthcare company. From January 1992 to January 1997, Mr. Martin served as chairman of the board of directors, president and chief executive officer of OrNda HealthCorp, an investor-owned hospital company, except during the period from April 1994 to August 1995 when Mr. Martin served as chairman and chief executive officer. He holds a Bachelor of Science degree from Southern University in Collegedale, Tennessee.

Thompson S. Dent has served as one of our directors since March 1995. Mr. Dent is a founder of PhyCor, Inc. He currently serves as its president and served as its chief operating officer from October 1997 to October 1998. Mr. Dent served as executive vice president, corporate services, from the inception of PhyCor until October 1997 and served as secretary of PhyCor from 1991 to October 1998. Mr. Dent is a director of PhyCor and Healthcare Realty Trust Incorporated, a real estate investment trust. He holds a Masters in Healthcare Administration from George Washington University.

M. Fazle Husain has served as one of our directors since April 1999 as the designee of Morgan Stanley Venture Partners III, L.P., under a purchase agreement for our preferred stock dated April 21, 1999. Mr. Husain is a general partner of Morgan Stanley Dean Witter Venture Partners. Mr. Husain joined Morgan Stanley Dean Witter in 1987 in its corporate finance department, and joined Venture Partners in 1988. He received a ScB. degree in chemical engineering from Brown University in 1987 and a Masters of Business Administration from Harvard in 1991. Mr. Husain serves as a director of IntegraMed America, a physician practice management company, AllScripts, Inc., a provider of point-of-care physician solutions, and Cardiac Pathways Corp., a manufacturer of minimally invasive cardiac systems.

John H. Dayani, Sr., Ph.D. has served as one of our directors since August 1998. Dr. Dayani served as president and chief executive officer of Network Health Services, Inc. from its inception in May 1996 until he became its executive chairman in 1999. Dr. Dayani was the founder, president and chief executive officer of Medifax, Inc. from 1993 to 1995 and served as its consultant from 1995 to June 1998. He also founded American Nursing Resources, Inc., American Nursing Resources Home Health Agency, Inc., American Nursing Resources Home Infusion, Inc., Nurse America and Quality Managed Care. Dr. Dayani earned a Bachelor of Science and Ph.D. in engineering from Vanderbilt University.

James F. Daniell, M.D. has served as one of our directors since March 1995. Dr. Daniell has maintained a private medical practice at Centennial Medical Center in Nashville since 1984. A founding member of the Society for Reproductive Surgeons, he served as past president of the International Society

of Gynecologic Endoscopy and the Nashville OB/GYN Society. He holds a Bachelor of Science from David Lipscomb University and an M.D. from the University of Tennessee.

William W. Stead, M.D. has served as one of our directors since May 1998. Dr. Stead has served as the associate vice chancellor of Vanderbilt University Medical Center since 1991. Dr. Stead is also the chief technology officer of WebEBM, a healthcare information company. He is the editor-in-chief of the Journal of American Medical Informatics Association and a founding fellow of the American College of Medical Informatics and the American Institute for Engineering in Biology and Medicine. A past president of the American Association for Medical Systems and Informatics, he is the president elect of the American College of Medical Informatics. Dr. Stead earned a Bachelor of Arts in chemistry and an M.D. from Duke University.

ADVISORY BOARDS

We have a Medical Advisory Board chaired by Dr. Daniell, one of our directors. This board consists of nine physicians across several medical specialties who assist us in assessing content and content partners as well as advise us on recent developments in the healthcare market and accreditation issues for CME.

We have a Nursing Advisory Board chaired by Colleen Conway Welch, the dean of nursing at Vanderbilt University. This board consists of 10 individuals who advise us on nursing issues as they relate to continuing education and accreditation issues.

During 1999, our Medical Advisory Board and Nursing Advisory Board members received options to purchase 51,800 shares of our common stock at exercise prices ranging from \$2.34 to \$6.49 per share. We recorded expense of approximately \$12,000 in connection with these grants.

LEGAL PROCEEDINGS

Mr. Dent, serving in his capacity as an officer and a director of PhyCor, has been named as a defendant, along with PhyCor and some of its other current and former officers and directors, in securities fraud class action lawsuits filed in state and federal courts. These lawsuits allege that the defendants issued false and misleading statements which materially misrepresented the earnings and financial condition of PhyCor and failed to disclose other matters in order to conceal the alleged failure of PhyCor's business model. The lawsuits further assert that the alleged misrepresentations caused PhyCor's securities to trade at inflated levels while the individual defendants sold shares.

Mr. Dent, serving in his capacity as an officer and director of PhyCor, has also been named as a defendant, along with PhyCor and some of its other current and former officers and directors, in an action brought by Prem Reddy, M.D., the former majority shareholder of Prime Care International, Inc., a medical network management company acquired by PhyCor in May 1998. The complaint asserts fraudulent inducement relating to the Prime Care transaction and that the defendants issued false and misleading statements which materially misrepresented the earnings and financial condition of PhyCor and failed to disclose other matters in order to conceal the alleged failure of PhyCor's business model.

Mr. Dent and PhyCor believe that they have meritorious defenses to all of these claims and intend to defend vigorously against these actions.

CLASSES OF DIRECTORS

Under the terms of our charter, the board of directors will be divided into three classes: Class I, Class II and Class III. Directors of each class hold office for staggered three-year terms. At each annual meeting of shareholders, the shareholders will either re-elect the directors or elect the successors to the directors whose terms expire at the meeting to serve from the time of their election and qualification until the third annual meeting of shareholders following their election or until a successor has been duly elected and qualified. Messrs. Daniell, Dent and Stead will be Class I directors whose terms will expire at the annual meeting of shareholders in 2001. Messrs. Dayani and McLaren will be Class II directors whose

terms will expire at the annual meeting of shareholders in 2002. Messrs. Frist, Husain and Martin will be Class III directors whose terms will expire at the annual meeting of shareholders in 2003.

BOARD COMMITTEES

The board of directors has an audit committee and a compensation committee. The audit committee will review accounting practices and procedures and the scope of the audit and will recommend the appointment of the independent auditors. The members of the audit committee are Messrs. Daniell, Dayani and Husain. The compensation committee evaluates and approves the compensation policies for the executive officers and will administer our employee benefit plans. The members of the compensation committee are Messrs. Dayani, Dent and Martin.

DIRECTOR COMPENSATION

We do not currently pay cash fees to directors for attendance at meetings. We do reimburse our directors for out-of-pocket expenses related to attending meetings of the board of directors. Non-employee directors are eligible to receive stock option grants under our 1994 Stock Option Plan and our 2000 Stock Incentive Plan. During 1998, our non-employee directors each received a grant of options to purchase 3,700 shares of our common stock at an exercise price of \$2.30 per share. During 1999, each of our non-employee directors received a grant of options to purchase 14,800 shares of our common stock at an exercise price of \$4.06 per share. Under our 2000 Stock Incentive Plan, upon effectiveness of the registration statement relating to this offering, each of our non-employee directors will be granted options to purchase 10,000 shares of our common stock at the initial public offering price. These options vest immediately upon grant. Additionally, upon the election of any new member of the board of directors following the effectiveness of the registration statement relating to this offering, but prior to the date of the first annual meeting of the shareholders, that member will be granted an option to purchase 15,000 shares of common stock at the fair market value at the date of grant. These options will vest in five equal annual installments beginning on the first anniversary of the date of grant. Each year, immediately following the date of our annual meeting, assuming enough shares are available under the 2000 plan, each non-employee director will automatically be granted options to purchase 5,000 shares of our common stock. The exercise price will be equal to the fair market value on the date of grant, and these options will vest immediately upon grant.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Before April 1999, we did not have a compensation committee, and compensation decisions were made by the full board of directors. Since that time, the compensation committee has made all compensation decisions. No interlocking relationship exists between the board of directors or compensation committee and the board of directors or compensation committee of any other company, nor has any interlocking relationship existed in the past.

EXECUTIVE COMPENSATION

The following table sets forth summary information concerning the compensation we paid for services rendered to us during 1997, 1998 and 1999, by our chief executive officer and the only executive officer whose aggregate cash compensation exceeded \$100,000 during the year ended December 31, 1999.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS
		SALARY	BONUS	OTHER ANNUAL COMPENSATION(\$)	SECURITIES UNDERLYING OPTIONS(#)
Robert A. Frist, Jr. Chief Executive Officer	1999	\$ 79,167	\$ 9,665	--	83,250
	1998	66,027	2,296	--	47,915
	1997	62,113	6,690	--	--
Michael Pote Senior Vice President	1999	\$107,561	\$14,692	--	83,250
	1998	98,058	7,296	--	47,915
	1997	34,042	5,728	--	--

STOCK OPTIONS GRANTED DURING FISCAL YEAR 1999

The following table presents all individual grants of stock options during the year ended December 31, 1999 to each of the executive officers named in the Summary Compensation Table above. These options were granted with an exercise price equal to the fair market value of our common stock on the date of grant as determined by our board of directors. The 5% and 10% assumed annual rates of compound stock price appreciation are prescribed by the rules and regulations of the Securities and Exchange Commission and do not represent our estimate or projection of the future trading prices of our common stock. We cannot assure you that the actual stock price appreciation over the ten-year option term will be at the assumed 5% and 10% levels or at any other defined level. Actual gains, if any, on stock option exercises are dependent on numerous factors, including our future performance, overall market conditions and the option holder's continued employment with us throughout the entire vesting period and option term, none of which are reflected in this table. The potential realizable value is calculated by multiplying the fair market value per share of the common stock on the date of grant as determined by the board of directors, which is equal to the exercise price per share, by the stated annual appreciation rate compounded annually for the option term, subtracting the exercise price per share from the product, and multiplying the remainder by the number of shares underlying the option granted.

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERMS	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(%)	EXERCISE PRICE PER SHARE(\$)	EXPIRATION DATE	5%(\$)	10%(\$)
Robert A. Frist, Jr.	83,250	6.0	4.06	9/2/07	138,077	161,571
Michael Pote	83,250	6.0	4.06	9/2/07	138,077	161,571

YEAR-END OPTION VALUES

The following table sets forth information about the number and year-end value of exercisable and unexercisable options held by our executive officers named in the Summary Compensation Table for the year ended December 31, 1999.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1999(1)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1999(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE(\$)	UNEXERCISABLE(\$)
Robert A. Frist, Jr.....	314,500	131,165	3,595,250	1,125,505
Michael Pote.....	27,657	107,208	274,603	893,053

(1) Based on an assumed initial public offering price of \$12.00 per share (the midpoint of the range set forth on the cover of this prospectus), minus the exercise price, multiplied by the number of shares underlying the option.

416,250 options were exercised during 1999 by our chief executive officer, and 3,170 options were exercised during 1999 by our president.

STOCK PLANS

1994 Stock Option Plan. We adopted the 1994 Stock Option Plan in April 1994. The purpose of the plan is to attract, retain and reward our directors, officers, key employees and consultants by offering performance-based equity interests in our company. The plan provides for grants of incentive stock options, within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and non-qualified stock options. Our board of directors and shareholders authorized a total of 4,000,000 shares of common stock for issuance under this plan. Upon completion of this offering, no further awards of stock options will be granted under the 1994 plan.

As of December 31, 1999, we had options under this plan for the purchase of 2,470,229 shares of common stock outstanding to employees, consultants, directors and other persons having a business relationship with us. In January 2000, options to purchase 432,245 shares of common stock at prices ranging from \$6.49 to \$8.65 per share were granted. In February 2000, we granted options to purchase 350,575 shares of our common stock at an exercise price of \$10.00 per share. In March 2000, we granted options to purchase 234,830 shares of our common stock at an exercise price of \$11.89 per share.

2000 Stock Incentive Plan. The 2000 Stock Incentive Plan was adopted by our board of directors in February 2000, and approved by our shareholders in March 2000. The purpose of the plan is to attract, retain and reward key employees, consultants and non-employee directors. This plan allows flexibility in the award of stock-based incentive compensation to these people. The plan provides for grants of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock and other stock-based awards.

The plan authorizes the issuance of up to 5,000,000 shares of common stock. However, no individual may receive options to purchase more than 200,000 shares of common stock in any fiscal year. Whenever a share of common stock underlying a stock option is no longer subject to that option, that share of common stock shall again be available for distribution under the plan.

This plan will be administered by the compensation committee of the board of directors. The compensation committee will have the authority to:

- select the individuals who may receive the grant for the options;
- determine the number of shares to be covered by each option or other awards to be granted; and
- determine the terms and conditions of the option, including the exercise price, vesting schedule and any restrictions or limitations on the options.

Grants under the plan may consist of options intended to qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, non-qualified stock options that are not intended to so qualify, stock appreciation rights, restricted stock or other stock-based awards. Grants can be made to any key employee, consultant and non-employee director. Incentive stock options may only be granted to our employees.

The option price for each share of common stock underlying an incentive stock option shall be at least 100% of the fair market value of the stock at the date of grant. The option price for non-qualified stock options shall be at least 50% of the fair market value of the underlying stock at the date of grant. No incentive stock option shall be exercisable after 10 years from the date of grant. Options are not transferrable except to members of the optionee's immediate family or by will or the laws of descent and distribution.

If an optionee's employment terminates because of death, any option held by the optionee may be exercised to the extent the option was exercisable at the time of death. This exercise must occur within one year from the date of death or until the term of the option expires, whichever is shorter. If an optionee's employment is terminated because of disability, any option held by the optionee may be exercised to the extent the option was exercisable at the time of the disability, unless accelerated by the committee. This exercise must occur within three years from the date of the disability or until the term of the option expires for non-qualified options and one year from the date of disability or until the term of the option expires for incentive stock options, whichever is shorter. If an optionee's employment terminates because of retirement, any option held by the optionee may be exercised to the extent the option was exercisable at the time of the retirement, unless accelerated by the committee. This exercise must occur within three years from the date of the retirement or until the term of the option expires for non-qualified options and three months from the date of the retirement or until the term of the option expires for incentive stock options, whichever is shorter. If an optionee voluntarily terminates employment, the option shall thereupon terminate; however, the board of directors may extend the exercise period for three months or until the term of the option expires, whichever is shorter.

Stock appreciation rights can be granted in connection with all or part of any stock option granted. They will terminate and no longer be exercisable when the related stock option terminates. They are only exercisable at the time and to the extent that the stock options to which they relate are exercisable. Shares of restricted stock can be issued alone, in addition to or with other awards granted under the plan. The committee can place limitations on the sale or transfer of the restricted stock. Other stock-based awards can be granted by the committee in its discretion. For a description of awards to non-employee directors, please see "Management -- Director Compensation."

The compensation committee can adjust the number of shares reserved for issuance under the plan if there is a merger, reorganization, consolidation, recapitalization, extraordinary cash dividend, stock dividend, stock split or other change in corporate structure. If there is a change in control, any awarded option shall become fully exercisable and vested. This change of control can occur if any person or entity acquires more than 50% of the voting power of our capital stock or if our existing shareholders hold less than fifty percent of our outstanding securities after a cash tender or exchange offer, merger or other business combination, sale of assets or contested election of directors.

Employee Stock Purchase Plan. Our Employee Stock Purchase Plan was adopted by our board of directors in February 2000, and approved by our shareholders in March 2000. A total of 1,000,000 shares of common stock has been reserved for issuance under the purchase plan. As of the date of this prospectus, no shares have been issued under the purchase plan.

The purchase plan, which is intended to qualify under Section 423 of the Internal Revenue Code, contains consecutive offer periods that are generally twelve months in duration. The offer periods start and end on April 1st and March 31st of each year, except for the first offer period, which will commence on the date immediately preceding the first date on which a share of common stock is quoted on the Nasdaq National Market or a successor quotation system and will end on March 31, 2001.

Employees are eligible to participate if they are customarily employed by us or any participating subsidiary for at least 20 hours per week. However, no employees may be granted a right to purchase shares of our common stock under the purchase plan (1) to the extent that, immediately after the grant of the right to purchase shares of our common stock, the employee would own, or be treated as owning, stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock or (2) to the extent that his or her rights to purchase shares of our common stock under all of our employee stock purchase plans accrues at a rate which exceed \$25,000 worth of shares of our common stock for each calendar year. The purchase plan permits participants to purchase common stock through payroll deductions of up to 15% of the participant's base compensation. Base compensation is defined as the participant's gross base compensation, excluding overtime payments, sales commissions, incentive compensation, bonuses, expense reimbursements, fringe benefits and other special payments. The maximum number of shares a participant may purchase with respect to a single offer period is 2,500 shares.

Amounts deducted and accumulated by the participant are used to purchase shares of common stock at the end of each offer period. The price of stock purchased under the purchase plan is 85% of the lesser of the fair market value of our common stock on (1) the first day of the offer period or (2) the last day of the offer period. Participants may end their participation at any time other than during the last 15 days of the offer period, and they will be paid their payroll deductions to date. Participation ends automatically upon termination of employment with us.

Rights to purchase stock granted under the purchase plan are not transferable by a participant other than by will, the law of descent and distribution, or as otherwise provided under the purchase plan. The purchase plan provides that, in the event of a merger of us with or into another corporation or a sale of substantially all of our assets, each outstanding right to purchase shares of our common stock may be assumed or substituted for by the successor corporation.

Our board of directors has the authority to amend or terminate the purchase plan. However, no such action by our board may adversely affect any outstanding rights to purchase stock under the purchase plan, except that our board may terminate an offer period on any exercise date if the board of directors determines that the termination of the purchase plan is in our best interests and our shareholders' best interests.

EMPLOYMENT AGREEMENT WITH ROBERT A. FRIST, JR.

Under an employment agreement dated April 21, 1999, Robert A. Frist, Jr. is employed as our chief executive officer for a two-year period at an initial base salary of \$85,000. He is also entitled to participate in our 1994 Stock Option Plan and our 2000 Stock Incentive Plan. Under this employment agreement, Mr. Frist has agreed not to compete with us and not to solicit our customers or employees for one year after his employment is terminated, with limited exceptions.

Mr. Frist is entitled to severance benefits if he is terminated by us without cause. He is also entitled to severance benefits if he resigns for good reason after a change in control, if he resigns upon the occurrence of a material change in the terms of his employment or if he resigns upon the occurrence of a material breach of the agreement. If termination occurs during the initial two year term of the agreement, the severance benefit shall be the sum of \$290,000, less the cumulative amount of base salary actually paid to Mr. Frist during the two year period through the effective date of termination, and \$145,000. If termination occurs during any extended one year term of the agreement, the severance benefit shall be the sum of \$145,000, less the cumulative amount of base salary actually paid to Mr. Frist during the one year period through the effective date of termination, and \$145,000. In addition, if Mr. Frist terminates his employment for good reason after the occurrence of a change in control, all options, shares and other benefits will fully vest immediately.

TRANSACTIONS WITH EXECUTIVE OFFICERS, DIRECTORS
AND MORE THAN FIVE PERCENT SHAREHOLDERS

In April 1999, we issued 428,239 shares of our common stock upon the conversion of \$1.0 million of debt at \$2.34 per share to Robert A. Frist, Jr., our chief executive officer and chairman.

In July and August 1999, we issued an aggregate of 416,250 shares of our common stock upon the exercise of options at \$0.54 a share to Robert A. Frist, Jr., our chief executive officer and chairman.

In December 1999, we issued 3,170 shares of our common stock upon the exercise of options at \$0.61 per share to Jeffrey L. McLaren, our president, chief product officer and one of our directors. Also, in February 2000, we issued 148,714 shares of our common stock upon the exercise of options at \$0.61 per share to Mr. McLaren.

On November 16, 1998 and February 11, 1999, we issued shares of our series A convertible preferred stock in private placements at \$10.00 per share to the following shareholders:

- 25,000 shares to Carol Frist, mother of Robert A. Frist, Jr., our chief executive officer and chairman;
- 25,000 shares to Dr. Robert Frist, father of Robert A. Frist, Jr., our chief executive officer and chairman; and
- 5,000 shares to James and Cassandra Daniell. James Daniell is one of our directors.

In 1999, we issued shares of our series B convertible preferred stock in private placement transactions at \$10.00 per share to the following shareholders:

- 20,000 shares to Scott and Carol Len Portis. Scott Portis is our vice president of technology and brother-in-law of Robert Frist, Jr., our chief executive officer and chairman, and Carol Len Portis is the sister of Robert Frist, Jr., our chief executive officer and chairman;
- 150,000 shares to Martin Investment Partnership III, one of our more than five percent shareholders. Charles N. Martin, Jr., its Managing Partner, is one of our directors;
- 50,000 shares to Robert A. Frist, Jr., our chief executive officer and chairman upon conversion of \$500,000 worth of debt;
- 15,000 shares to John H. Dayani, Sr., Ph.D., one of our directors;
- 10,000 shares to The Seven Partnership. Thompson S. Dent, one of its partners, is one of our directors;
- 20,000 shares to James Frist, brother of Robert A. Frist, Jr., our chief executive officer and chairman;
- 100,000 shares to GE Capital Equity Investments, Inc., one of our more than five percent shareholders;
- 5,000 shares to Dr. Scott Portis, father of Scott Portis, our vice president of technology; and
- 175,477 shares to Morgan Stanley Venture Partners III, L.P., 16,848 shares to Morgan Stanley Venture Investors III, L.P. and 7,676 shares to The Morgan Stanley Venture Partners Entrepreneur Fund, L.P., each of which are affiliates of Morgan Stanley, one of our more than five percent shareholders.

In 1999, we issued shares of our series B convertible preferred stock upon the exercise of warrants at \$10.00 per share to the following shareholders:

- 30,000 shares to Martin Investment Partnership III, one of our more than five percent shareholders. Charles N. Martin, Jr., its Managing Partner, is one of our directors;
- 5,000 shares to Carol Frist, mother of Robert A. Frist, Jr., our chief executive officer and chairman;
- 5,000 shares to Frist Family Internet Partners, an entity managed by Dr. Robert Frist, father of Robert A. Frist, Jr., our chief executive officer and chairman;

- 4,000 shares to Scott and Carol Len Portis. Scott Portis is our vice president of technology and brother-in-law of Robert Frist, Jr., our chief executive officer and chairman, and Carol Len Portis is the sister of Robert Frist, Jr., our chief executive officer and chairman;
- 4,000 shares to James Frist, brother of Robert A. Frist, Jr., or chief executive officer and chairman;
- 10,000 shares to Robert A. Frist, Jr., our chief executive officer and chairman;
- 3,000 shares to John H. Dayani, Sr, Ph.D., one of our directors;
- 2,000 shares to The Seven Partnership. Thompson S. Dent, one of its partners, is one of our directors;
- 1,000 shares to Dr. Scott Portis, father of Scott Portis, our vice president of technology;
- 1,000 shares to James and Cassandra Daniell. James Daniell is one of our directors; and
- 35,095 shares to Morgan Stanley Venture Partners III, L.P., 3,370 shares to Morgan Stanley Venture Investors III, L.P. and 1,535 shares to The Morgan Stanley Venture Partners Entrepreneur Fund, L.P., each of which are affiliates of Morgan Stanley, one of our more than five percent shareholders.

On August 18, 1999, we issued 300,000 shares of our series C convertible preferred stock at \$10.00 per share to HealthStream Partners, one of our more than five percent shareholders.

On September 15, 1999, we issued the following number of shares of our series C convertible preferred stock at \$10.00 per share to the following shareholders:

- 3,000 shares to Jeffrey L. and Carrie McLaren. Jeffrey L. McLaren is our president, chief product officer and one of our directors;
- 4,520 shares to James Frist, brother of Robert A. Frist, Jr., our chief executive officer and chairman;
- 4,519 shares to Scott and Carol Len Portis. Scott Portis is our vice president of technology and brother-in-law of Robert Frist, Jr., our chief executive officer and chairman, and Carol Len Portis is the sister of Robert Frist, Jr., our chief executive officer and chairman;
- 33,891 shares to Martin Investment Partnership III, one of our more than five percent shareholders. Charles N. Martin, Jr., its Managing Partner, is one of our directors;
- 11,297 shares to Robert A. Frist, Jr., our chief executive officer and chairman;
- 3,389 shares to John H. Dayani, Sr., Ph.D., one of our directors;
- 1,130 shares to Dr. Scott Portis, father of Scott Portis, our vice president of technology;
- 39,647 shares to Morgan Stanley Venture Partners III, L.P., 3,807 shares to Morgan Stanley Venture Investors III, L.P. and 1,734 shares to The Morgan Stanley Venture Partners Entrepreneur Fund, L.P., each of which are affiliates of Morgan Stanley, one of our more than five percent shareholders;
- 7,000 shares to Dan McLaren, father of Jeffrey L. McLaren, our president, chief product officer and one of our directors;
- 5,648 shares to Carol Frist, mother of Robert A. Frist, Jr., our chief executive officer and chairman;
- 1,130 shares to James and Cassandra Daniell. James Daniell is one of our directors;
- 2,500 shares to Robert Merriman, father-in-law of Robert A. Frist, Jr., our chief executive officer and chairman;

- 5,648 shares to Frist Family Internet Partners, an entity managed by Dr. Robert Frist, father of Robert A. Frist, Jr., our chief executive officer and chairman; and
- 24,648 shares to Borneo Partners, of which Michael Pote, our senior vice president, is administrator.

Each share of series A and series B preferred stock will be converted into 4.28238 shares of common stock upon consummation of this offering. Each share of series C preferred stock will be converted into 2.46013 shares of common stock upon consummation of this offering.

In 1998, 1999 and 2000, we granted the following number of options to purchase shares of our common stock at \$2.30, \$2.34, \$4.06, \$6.49 and \$10.00 per share, respectively, to the following directors, executive officers and shareholders who beneficially own five percent or more of our stock:

- 47,915, 0, 83,250, 0 and 0 to Robert A. Frist, Jr., our chief executive officer and chairman;
- 47,915, 0, 83,250, 0 and 0 to Jeffrey L. McLaren, our president, chief product officer and one of our directors;
- 0, 0, 0, 129,500 and 0 to Arthur E. Newman, our senior vice president and chief financial officer;
- 47,915, 0, 83,250, 0 and 0 to Michael Pote, our senior vice president;
- 47,915, 0, 74,000, 0 and 0 to Scott M. Portis, our vice president of technology and brother-in-law of Robert Frist, Jr., our chief executive officer and chairman;
- 23,957, 11,978, 74,000, 0 and 0 to Robert H. Laird, Jr., our vice president, general counsel and secretary;
- 23,957, 11,978, 74,000, 0 and 0 to Stephen Clemens, our vice president of interactive development;
- 0, 0, 0, 26,825, and 46,250 to Susan A. Brownie, our vice president of finance and corporate controller;
- 11,978, 0, 7,400, 0 and 0 to John Dayani, Jr., one of our employees and son of one of our directors;
- 3,700, 0, 14,800, 0 and 0 to Thompson S. Dent, one of our directors;
- 3,700, 2,775, 14,800, 0 and 0 to James F. Daniell, M.D., one of our directors;
- 3,700, 0, 14,800, 0 and 0 to John H. Dayani, Sr., Ph.D., one of our directors;
- 3,700, 0, 14,800, 0 and 0 to William Stead, M.D., one of our directors;
- 0, 0, 14,800, 0 and 0 to M. Fazle Husain, one of our directors; and
- 0, 0, 14,800, 0 and 0 to Charles N. Martin, Jr., one of our directors.

On April 21, 1999 we executed a promissory note in the principal amount of \$1,543,000 payable to Robert A. Frist, Jr., our chief executive officer and chairman of the board of directors. Interest is charged at the lesser of a designated brokerage account rate or 10.5%. On August 23, 1999, the principal amount of the note was reduced to \$1,293,000 to reflect the conversion of \$250,000 of the debt into series B preferred stock. This note is payable in full or can be converted into 129,300 shares of our series B preferred stock, at Mr. Frist's option, upon consummation of this offering. This note replaces and supersedes notes dated January 18, 1994, February 23, 1994, March 30, 1994, July 11, 1997, December 31, 1997 and April 21, 1999. We also have an unsecured long-term promissory note payable to Mr. Frist. The balance of this note was \$12,892 at December 31, 1999. The note requires monthly installments of principal and interest of \$2,224 through May 23, 2000. The note accrues interest at 12% per annum.

We had a partially secured \$60,000 demand note payable to Scott M. Portis, our vice president of technology at December 31, 1998. The note accrued interest at 12% and was payable monthly. On August 23, 1999, the note was converted into 6,000 shares of our series B preferred stock. Interest expense

on the loans to Robert A. Frist, Jr. and Scott M. Portis for the years ended December 31, 1997, 1998 and 1999 totaled \$182,708, \$328,412 and \$193,059, respectively.

On June 14, 1999, we granted a warrant to purchase 245,032 shares of our common stock to GE Medical Systems, an affiliate of one of our more than five percent shareholders.

We believe that all of these transactions were made on terms as favorable to us as we would have received from unaffiliated third parties. Any future transactions between us and our officers, directors and principal shareholders and their affiliates will be approved by a majority of the board of directors, including a majority of the independent and non-interested directors.

PRINCIPAL SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 7, 2000 and as adjusted to reflect the sale of the shares of common stock offered in this offering and the concurrent private sale to Healthcon/WebMD by: (1) each shareholder who owns beneficially more than five percent of our common stock, (2) each of our executive officers and directors and (3) all of our executive officers and directors as a group. The address of all the beneficial owners, unless otherwise stated, is 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203.

The ownership percentage in the table below is based on 13,165,718 shares outstanding on March 7, 2000, on an as if converted basis, and 18,999,052 shares outstanding after this offering and the concurrent private sale to Healthcon/WebMD. Shares of common stock subject to options that are currently exercisable or that will become exercisable within 60 days after March 7, 2000 are deemed outstanding in computing the percentage ownership of the person holding the options but not for purposes of computing percentage ownership of any other person. Unless otherwise indicated below, the persons and entities named in the table have sole voting and investment power with respect to all shares beneficially owned.

The percentage of shares outstanding assumes the underwriters' over-allotment option is not exercised.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	NUMBER OF SHARES BENEFICIALLY OWNED AS A RESULT OF OPTIONS EXERCISABLE WITHIN 60 DAYS OF THE DATE OF THIS PROSPECTUS	PERCENTAGE OF SHARES OUTSTANDING	
			BEFORE OFFERING	AFTER OFFERING
Robert A. Frist, Jr.....	5,075,349(1)	314,500	38.6%	26.7%
Entities Associated with Morgan Stanley..... 1221 Avenue of the Americas New York, New York 10020	1,138,943(2)	--	8.7	6.0
Martin Investment Partnership III(3)..... 20 Burton Hills Boulevard Suite 100 Nashville, Tennessee 37215	854,204	--	6.5	4.5
HealthStream Partners(4)..... 900-A, 3319 West End Avenue Nashville, Tennessee 37203	738,039	--	5.6	3.9
GE Capital Equity Investments, Inc..... 120 Long Ridge Rd. Stamford, CT 06927	673,270(5)	245,032	5.1	3.5
Jeffrey L. McLaren.....	367,776(6)	--	2.8	1.9
Arthur E. Newman.....	--	--	--	--
Michael Pote.....	88,294(7)	27,657	*	*
Scott Portis.....	489,321(8)	105,242	3.7	2.6
Stephen Clemens.....	11,978	11,978	*	*
Robert H. Laird, Jr.....	23,957	23,957	*	*
Susan A. Brownie.....	--	--	--	--
Charles N. Martin, Jr.....	869,004(9)	14,800	6.6	4.6
Thompson S. Dent.....	73,589(10)	22,200	*	*
M. Fazle Husain.....	1,153,743(11)	14,800	8.8	6.1
John H. Dayani, Sr., Ph.D.....	103,920	18,500	*	*
James F. Daniell, M.D.....	53,448	24,975	*	*
William Stead, M.D.....	18,500	18,500	*	*
All executive officers and directors as a group (14 persons).....	8,328,879	597,109	63.3	43.9

* Less than one percent

- (1) 142,366 of these shares are held by Carol Frist, mother of Robert A. Frist, Jr., 107,059 of these shares are held by Dr. Robert Frist, father of Robert A. Frist, Jr. and 35,307 of these shares are held by a family partnership known as Frist Family Internet Partners.
- (2) 999,286 of these shares are held by Morgan Stanley Venture Partners III, L.P., 95,946 are held by MS Venture Investors III, L.P. and 43,709 of these shares are held by The Morgan Stanley Venture Partners Entrepreneur Fund, L.P.
- (3) The voting and investment power with respect to shares owned by Martin Investment Partnership III is exercised by Charles N. Martin, Jr.
- (4) The voting and investment power with respect to shares owned by HealthStream Partners is exercised by Thomas Frist III.
- (5) Beneficial ownership of 336,635 of these shares is shared with its parent, GE Capital Corporation, and GE Medical Systems, a unit of the General Electric Company. Beneficial ownership of 61,258 of these shares is shared with GE Medical Systems under a warrant agreement dated June 29, 1999.
- (6) 17,221 of these shares are held by Dan McLaren, father of Jeffrey McLaren.
- (7) 60,637 of these shares are owned by Borneo Partners, of which Mr. Pote is administrator. Mr. Pote disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in those shares.
- (8) 28,473 of these shares are held by Dr. Scott Portis, father of Scott Portis.
- (9) 854,204 of these shares are owned by Martin Investment Partnership III, of which Mr. Martin is managing partner. Mr. Martin disclaims beneficial ownership of 464,118 of these shares except to the extent of his pecuniary interest in those shares.
- (10) 51,389 of these shares are held by The Seven Partnership of which Mr. Dent is one of the partners. Mr. Dent disclaims beneficial ownership of 25,695 of these shares except to the extent of his pecuniary interest in those shares.
- (11) 1,138,943 of these shares are owned by entities associated with Morgan Stanley of which Mr. Husain is a general partner. Mr. Husain disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in those shares.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock and provisions of our charter and bylaws are only summaries and are qualified by reference to our charter and bylaws filed as exhibits to the registration statement of which this prospectus is a part. As of March 7, 2000 our authorized capital stock consisted of 20,000,000 shares of common stock, no par value per share, and 5,000,000 shares of preferred stock, no par value per share. As of March 7, 2000, there were 5,480,852 shares of common stock outstanding held of record by 37 shareholders, 76,000 shares of series A preferred stock outstanding held of record by five shareholders, 1,228,801 shares of series B preferred stock outstanding held of record by 32 shareholders and 627,406 shares of series C preferred stock outstanding held of record by 39 shareholders. All of the shares of preferred stock outstanding prior to this offering will automatically convert into shares of common stock upon consummation of this offering.

COMMON STOCK

Holders of our common stock are entitled to receive, as, when and if declared by our board of directors, dividends and other distributions in cash, stock or property from our assets or funds legally available for those purposes subject to any dividend preferences that may be attributable to preferred stock. Holders of common stock are entitled to one vote for each share held of record on all matters on which shareholders may vote. Holders of common stock are not entitled to cumulative voting for the election of directors. There are no preemptive, conversion, redemption or sinking fund provisions applicable to our common stock. All outstanding shares of common stock are fully paid and non-assessable. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in the assets available for distribution.

PREFERRED STOCK

Our board of directors, without further action by the shareholders, is authorized to issue an aggregate of 5,000,000 shares of preferred stock, as of March 7, 2000. Prior to consummation of this offering, there were 76,000 shares of series A preferred stock, 1,228,801 shares of series B preferred stock and 627,406 shares of series C preferred stock outstanding. All of these shares will be converted into shares of common stock upon consummation of this offering. Currently, we have no plans to issue a new series of preferred stock. Our board of directors may, without shareholder approval, issue preferred stock with dividend rates, redemption prices, preferences on liquidation or dissolution, conversion rights, voting rights and any other preferences, which rights and preferences could adversely affect the voting power of the holders of common stock. Issuances of preferred stock could make it harder for a third party to acquire, or could discourage or delay a third party from acquiring, a majority of our outstanding common stock.

REGISTRATION RIGHTS

After the consummation of the offering and the concurrent private sale of an estimated 833,334 shares of our common stock to Healthon/WebMD, the holders of 7,684,864 shares of common stock issuable upon conversion of the preferred stock, 2,672,632 shares of our common stock issuable upon the exercise of warrants and an estimated 833,334 shares of our common stock issued in the concurrent private sale to Healthon/WebMD will have registration rights with respect to those securities. These rights are described in an investors rights agreement between us and the holders of those securities. The agreement provides, in some instances, for registration rights upon the demand of the holders of at least 30% of the shares of common stock then outstanding that were issuable upon the conversion of the preferred stock. In addition, pursuant to that agreement, subject to certain limitations, the holders have rights, referred to as piggyback registration rights, to require us to include their securities in future registration statements we file under the Securities Act of 1933. The holders of those securities also are entitled, subject to some limitations, to require us to register their securities on a registration statement on Form S-3 once we are eligible to use a registration statement on Form S-3 in connection with registrations. However, holders of these shares will be restricted from exercising these rights until 180 days after the date of this prospectus. Registration of shares of common stock by the exercise of these demand registration rights, piggyback registration rights

or S-3 registration rights under the Securities Act of 1933 would result in these shares becoming freely tradable without restriction under the Securities Act of 1933 immediately upon the effectiveness of such registration. See "Risk Factors -- Approximately 13,165,718, or 69.3%, of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly" and "Shares Eligible for Future Sale."

CLASSIFIED BOARD OF DIRECTORS

Our board of directors will be divided into three classes of directors serving staggered three-year terms. As a result, approximately one-third of the board of directors will be elected each year. This provision, along with the provision authorizing the board of directors to fill vacant directorships or increase the size of the board of directors, may deter a shareholder from removing incumbent directors and gaining control of the board of directors by filling vacancies created by the removal with its own nominees.

SHAREHOLDER ACTION; SPECIAL MEETING OF SHAREHOLDERS

Our charter states that shareholders may not take action by written consent, but only at duly called annual or special meetings of shareholders. The charter also provides that special meetings of shareholders may be called only by the chairman of the board of directors or a majority of the board of directors.

ADVANCE NOTICE REQUIREMENTS FOR SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS

Our bylaws provide that shareholders who want to bring business before an annual meeting of shareholders, or to nominate candidates for election as directors at an annual meeting of shareholders, must provide timely notice in writing. To be timely, a shareholders's notice must be delivered to or mailed and received at our principal executive offices at least 120 days before the first anniversary of the date the previous year's annual meeting notice was provided. If no annual meeting of shareholders was held in the previous year or the date of the annual meeting of shareholders has been changed to be more than 30 calendar days earlier than or 60 calendar days after that anniversary, notice by the shareholder, to be timely, must be received by:

- at least 60 days but no more than 90 days prior to the annual meeting of shareholders or
- the close of business on the 10th day following the date on which notice of the date of the meeting is given to shareholders or made public, whichever first occurs.

Our bylaws also specify requirements as to the form and content of a shareholder's notice. These provisions may keep shareholders from bringing matters before an annual meeting of shareholders or from making nominations for directors at an annual meeting of shareholders.

AUTHORIZED BUT UNISSUED SHARES

The authorized but unissued shares of common stock and preferred stock are available for future issuance without shareholder approval. These additional shares may be used for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could make it harder or discourage an attempt to obtain control of us by a proxy contest, tender offer, merger or otherwise.

TENNESSEE ANTI-TAKEOVER LAW AND CHARTER AND BYLAW PROVISIONS THAT MAY HAVE AN ANTI-TAKEOVER EFFECT

Provisions in our charter, bylaws and Tennessee law could make it harder for someone to acquire us through a tender offer, proxy contest or otherwise.

The Tennessee Business Combination Act provides that a party owning 10% or more of the stock in a "resident domestic corporation" is an "interested shareholder." An interested shareholder cannot engage in a business combination with the resident domestic corporation unless the combination:

- takes place at least five years after the interested shareholder first acquired 10% or more of the resident domestic corporation; and
- either is approved by at least two-thirds of the non-interested voting shares of the resident domestic corporation or satisfies fairness conditions specified in the Combination Act.

These provisions apply unless one of two events occurs:

- a business combination with an entity can proceed without delay when approved by the target corporation's board of directors before that entity becomes an interested shareholder, or
- the resident corporation may enact a charter amendment or bylaw to remove itself entirely from the Combination Act. This charter or bylaw amendment must be approved by a majority of the shareholders who have held shares for more than one year before the vote. In addition, the charter amendment or bylaw cannot become operative until two years after the vote.

An interested shareholder, for purposes of the Combination Act, is any person who is an affiliate or associate of the corporation, or the beneficial owner, directly or indirectly, of 10% or more of the outstanding voting shares of the corporation.

The Tennessee Greenmail Act prohibits us from purchasing or agreeing to purchase any of our securities, at a price higher than fair market value, from a holder of 3% or more of any class of our securities who has beneficially owned the securities for less than two years. We can make this purchase if the majority of the outstanding shares of each class of voting stock issued by us approves the purchase or we make an offer of at least equal value per share to all holders of shares of that class.

The effect of the above may make a change of control of us harder by delaying, deferring or preventing a tender offer or takeover attempt that you might consider to be in your best interest, including those attempts that might result in the payment of a premium over the market price for your shares. They may also promote the continuity of our management by making it harder for you to remove or change the incumbent members of the board of directors.

LIMITATIONS ON LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Our charter provides that, to the fullest extent permitted by the Tennessee Business Corporation Act, a director will not be liable to us or our shareholders for monetary damages resulting from a breach of his or her fiduciary duty as a director. Under the TBCA, directors have a fiduciary duty which is not eliminated by this provision in our charter. In some circumstances, equitable remedies such as injunctive or other forms of nonmonetary relief will remain available. In addition, each director will continue to be subject to liability under the TBCA for breach of the director's duty of loyalty, for acts or omissions which are found by a court of competent jurisdiction to be not in good faith or knowing violations of law, for actions leading to improper personal benefit to the director and for payment of dividends that are prohibited by the TBCA. This provision does not affect the directors' responsibilities under any other laws, such as the Federal securities laws or state or Federal environmental laws.

The TBCA provides that a corporation may indemnify any director or officer against liability incurred in connection with a proceeding if the director or officer acted in good faith or reasonably believed, in the case of conduct in his or her official capacity with the corporation, that the conduct was in the corporation's best interest. In all other civil cases, a corporation may indemnify a director or officer who reasonably believed that his or her conduct was not opposed to the best interest of the corporation. In connection with any criminal proceeding, a corporation may indemnify any director or officer who had no reasonable cause to believe that his or her conduct was unlawful.

In actions brought by or in the right of the corporation, however, the TBCA does not allow indemnification if the director or officer is adjudged to be liable to the corporation. Similarly, the TBCA prohibits indemnification in connection with any proceeding charging improper personal benefit to a director or officer if the director or officer is adjudged liable because a personal benefit was improperly received.

In cases when the director or officer is wholly successful, on the merits or otherwise, in the defense of any proceeding instigated because of his or her status as a director or officer of a corporation, the TBCA mandates that the corporation indemnify the director or officer against reasonable expenses incurred in the proceeding. Notwithstanding the foregoing, the TBCA provides that a court may order a corporation to indemnify a director or officer for reasonable expense if, in consideration of all relevant circumstances, the court determines that the individual is fairly and reasonably entitled to indemnification, whether or not the standard of conduct set forth above was met.

Our bylaws provide that we shall indemnify and advance expenses to our directors and officers to the fullest extent permitted by the TBCA. We also maintain insurance to protect any director or officer against any liability and will enter into indemnification agreements to indemnify our directors in addition to the indemnification provided in our charter and bylaws. These agreements, among other things, indemnify our directors for some expenses, including attorneys' fees and associated legal expenses, judgments and fines and amounts paid in settlement, actually and reasonably incurred by any of these persons in any action, suit or proceeding arising out of the person's services as our director. We believe that these provisions and agreements are necessary to attract and retain qualified directors and officers.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for our common stock is SunTrust Bank, Atlanta. Its address is P.O. Box 4625, Atlanta, Georgia 30302, and its telephone number at this location is (414) 588-7622.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of our common stock in the public market after the offering could adversely affect the market price of our common stock and our ability to raise equity capital in the future on terms favorable to us.

Upon consummation of this offering and the concurrent private sale, 18,999,052 shares of our common stock will be outstanding, assuming that the underwriters do not exercise their over-allotment option. Of these shares, all of the 5,000,000 shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless these shares are purchased by "affiliates" as that term is defined in Rule 144 under the Securities Act. An estimated 833,334 shares of common stock to be purchased by Healtheon/WebMD in a private sale to occur concurrently with this offering are subject to contractual restrictions as described below under "Lock-Up Agreements." The remaining shares of common stock held by existing shareholders and the estimated 833,334 shares to be purchased by Healtheon/WebMD in a concurrent private sale are "restricted securities" as that term is defined in Rule 144 under the Securities Act. Restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 under the Securities Act, which rules are summarized below.

RULE 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person, or persons whose shares of common stock are aggregated, including persons who may be deemed our affiliates, who has beneficially owned shares of our common stock for at least one year is entitled to sell, within any three-month period, a number of shares that is not more than the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately 190,000 shares immediately after this offering and the concurrent private sale of an estimated 833,334 shares of our common stock to Healtheon/WebMD; or
- the average weekly trading volume of the common stock on the Nasdaq National Market during the four calendar weeks before a notice of the sale on Form 144 is filed with the Securities and Exchange Commission.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

RULE 144(K)

Under Rule 144(k), a person who is not deemed to have been one of our affiliates at any time during the 90 days before a sale, and who has beneficially owned the restricted shares for at least two years, is entitled to sell the shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

RULE 701

In general, under Rule 701 of the Securities Act as currently in effect, any of our employees, consultants, directors or advisors who purchase shares from us under a stock option plan or other written agreement can resell those shares 90 days after the effective date of this offering in reliance on Rule 144, but without complying with certain restrictions, including the holding period, contained in Rule 144.

LOCK-UP AGREEMENTS

All of our executive officers, directors and more than one percent shareholders will sign lock-up agreements under which they will agree not to transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common

stock, for a period of 180 days after the date of this prospectus. Transfers or dispositions can be made sooner with the prior written consent of FleetBoston Robertson Stephens Inc.

J.C. Bradford & Co., one of the underwriters in this offering, will sign a lock-up agreement under which it agrees not to transfer or dispose of, directly or indirectly, any of the 64,236 shares of our common stock received as compensation for its acting as an investment advisor in connection with the issuance of our series B preferred stock in April, May and August 1999 for one year from the date of this prospectus.

Healtheon/WebMD will sign a lock-up agreement with us under which it agrees not to transfer or dispose of, directly or indirectly, one-half of the shares of our common stock purchased by it in the concurrent private sale for one year from the date of this prospectus and the other one-half of the shares for two years from the date of this prospectus.

REGISTRATION RIGHTS

Upon completion of this offering and the concurrent private sale, the holders of 7,684,864 shares of our common stock issuable upon conversion of our preferred stock, 2,672,632 shares of our common stock issuable upon the exercise of warrants and an estimated 833,334 shares issued to Healtheon/WebMD in the concurrent private sale will be entitled to rights with respect to the registration of their shares under the Securities Act. See "Description of Capital Stock -- Registration Rights" for a description of these registration rights. After the registration, these shares will become freely tradable without restriction under the Securities Act. Any sales of securities by these shareholders could have a material adverse effect on the trading price of our common stock.

STOCK OPTIONS

Immediately after this offering we plan to file a registration statement under the Securities Act covering up to 9,000,000 shares of common stock reserved for issuance under our stock option plans and 1,000,000 shares reserved for issuance under our employee stock purchase plan. As of March 7, 2000, options to purchase 3,294,967 shares of common stock were issued and outstanding. When the lock-up agreements described above expire, at least 1,230,245 shares of common stock will be subject to vested options (based on options outstanding as of March 7, 2000). This registration statement is expected to be filed and become effective as soon as practicable after the effective date of the registration statement for this offering. Accordingly, shares registered under that registration statement will, subject to vesting provisions and Rule 144 volume limitations applicable to our affiliates, be available for sale in the open market immediately after the 180 day lock-up agreements expire.

UNITED STATES TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income tax consequences of the ownership and disposition of our common stock to a non-U.S. Holder. For the purpose of this discussion, a non-U.S. Holder is any holder that for U.S. federal income tax purposes is not a U.S. person. For purposes of this discussion, the term U.S. person means:

- a citizen or resident of the U.S.;
- a corporation or other entity taxable as a corporation and created or organized in the U.S. or under the laws of the U.S. or any political subdivision thereof;
- an estate whose income is included in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust whose administration is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant in light of a non-U.S. Holder's particular facts and circumstances, such as being a U.S. expatriate, and does not address any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. Furthermore, the following discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, and administrative and judicial interpretations thereof, all as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. Accordingly, each non-U.S. Holder should consult a tax advisor regarding the specific U.S. federal, state, local and non-U.S. income and other tax consequences to the non-U.S. Holder as a result of their individual circumstances related to acquiring, holding and disposing of shares of our common stock.

DIVIDENDS

We have never paid dividends on our capital stock and do not anticipate paying any cash dividends in the foreseeable future. In the event, however, that we do pay dividends on our common stock, any dividend paid to a non-U.S. Holder of common stock generally will be subject to U.S. withholding tax either at a rate of 30% of the gross amount of the dividend or such lower rate as may be specified by an applicable tax treaty. Dividends received by a non-U.S. Holder that are effectively connected with a U.S. trade or business conducted by the non-U.S. Holder are exempt from such withholding tax. However, those effectively connected dividends, net of certain deductions and credits, are taxed at the same graduated rates applicable to U.S. persons.

In addition to the graduated tax described above, dividends received by a corporate non-U.S. Holder that are effectively connected with a U.S. trade or business of the corporate non-U.S. Holder may also be subject to a branch profits tax at a rate of 30% or such lower rate as may be specified by an applicable tax treaty.

A non-U.S. Holder of common stock that is eligible for a reduced rate of withholding tax pursuant to a tax treaty may obtain a refund of any excess amounts currently withheld by filing an appropriate claim for refund with the Internal Revenue Service.

GAIN ON DISPOSITION OF COMMON STOCK

A non-U.S. Holder generally will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of our common stock unless:

- the gain is effectively connected with a U.S. trade or business of the non-U.S. Holder, which gain, in the case of a corporate non-U.S. Holder, must also be taken into account for branch profits tax purposes;
- the non-U.S. Holder is an individual who holds his or her common stock as a capital asset, generally, an asset held for investment purposes, and who is present in the U.S. for a period or

periods aggregating 183 days or more during the calendar year in which the sale or disposition occurs and certain other conditions are met; or

- we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the holder's holding period for our common stock. We have determined that we are not and do not believe that we will become a "United States real property holding corporation" for U.S. federal income tax purposes.

BACKUP WITHHOLDING AND INFORMATION REPORTING

Generally, we must report annually to the IRS the amount of dividends paid, the name and address of the recipient, and the amount, if any, of tax withheld. A similar report is sent to the holder. Under tax treaties or other agreements, the IRS may make its reports available to tax authorities in the recipient's country of residence.

Dividends paid to a non-U.S. Holder at an address within the U.S. may be subject to backup withholding at a rate of 31% if the non-U.S. Holder fails to establish that is entitled to an exemption or to provide a correct taxpayer identification number and other information to the payer. Backup withholding generally will not apply to dividends paid to non-U.S. Holders at an address outside the U.S. on or prior to December 31, 2000 unless the payer has knowledge that the payee is a U.S. person. Under recently finalized Treasury Regulations regarding withholding and information reporting, payment of dividends to non-U.S. Holders at an address outside the U.S. after December 31, 2000 may be subject to backup withholding at a rate of 31% unless such non-U.S. Holder satisfies various certification requirements.

Under current Treasury Regulations, the payment of the proceeds of the disposition of common stock to or through the U.S. office of a broker is subject to information reporting and backup withholding at a rate of 31% unless the holder certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption. Generally, the payment of the proceeds of the disposition by a non-U.S. Holder of common stock outside the U.S. to or through a foreign office of a broker will not be subject to backup withholding but will be subject to information reporting requirements if the broker is:

- a U.S. person;
- a "controlled foreign corporation" for U.S. federal income tax purposes; or
- a foreign person 50% or more of whose gross income for certain periods is from the conduct of a U.S. trade or business

unless the broker has documentary evidence in its files of the holder's non-U.S. status and certain other conditions are met, or the holder otherwise establishes an exemption. Neither backup withholding nor information reporting generally will apply to a payment of the proceeds of a disposition of common stock by or through a foreign office of a foreign broker not subject to the preceding sentence.

In general, the recently promulgated final Treasury Regulations, described above, do not significantly alter the substantive withholding and information reporting requirements but would alter the procedures for claiming benefits of an income tax treaty and change the certifications procedures relating to the receipt by intermediaries of payments on behalf of the beneficial owner of shares of common stock. Non-U.S. Holders should consult their tax advisors regarding the effect, if any, of those final Treasury Regulations on an investment in our common stock. Those final Treasury Regulations generally are effective for payments made after December 31, 2000.

Backup withholding is not an additional tax. Rather, the U.S. income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is furnished to the IRS.

UNDERWRITING

The underwriters named below, acting through their representatives, FleetBoston Robertson Stephens Inc., CIBC World Markets Corp., J.C. Bradford & Co. and E*OFFERING Corp., have severally agreed with us, subject to the terms and conditions of the underwriting agreement, to purchase from us the number of shares of common stock set forth below opposite their respective names. The underwriters are committed to purchase and pay for all shares if any are purchased.

UNDERWRITERS -----	NUMBER OF SHARES -----
FleetBoston Robertson Stephens Inc.....	
CIBC World Markets Corp.....	
J.C. Bradford & Co.....	
E*OFFERING Corp.....	

Total.....	5,000,000 =====

The representatives have advised us that the underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of \$ per share, of which \$ may be reallocated to other dealers. After this offering, the public offering price, concession and reallocation to dealers may be reduced by the representatives. No such reduction shall change the amount of the proceeds to be received by us as set forth on the cover page of this prospectus. The common stock is offered by the underwriters as stated in this document, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

Prior to this offering, there has been no public market for the common stock. Consequently, the public offering price for the common stock offered by this prospectus will be determined through negotiations among the representatives and us. Among the factors considered in those negotiations will be prevailing market conditions, certain of our financial information, market valuations of other companies that we and the representatives believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

The underwriters have advised us that they do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

OVER-ALLOTMENT OPTION

We have granted to the underwriters an option, exercisable during the 30-day period after the date of this prospectus, to purchase up to 750,000 additional shares of common stock to cover over-allotments, if any, at the public offering price less the underwriting discount set forth on the cover page of this prospectus. If the underwriters exercise their over-allotment option to purchase any of the additional 750,000 shares of common stock, the underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage as the number of shares to be purchased by each of them bears to the total number of shares of common stock offered in this offering. If purchased, these additional shares will be sold by the underwriters on the same terms as those on which the shares offered in this offering are being sold. We will be obligated, by the over-allotment option, to sell shares to the underwriters to the extent the over-allotment option is exercised. The underwriters may exercise the over-allotment option only to cover over-allotments made in connection with the sale of the shares of common stock offered in this offering.

The following table summarizes the compensation to be paid by us:

	PER SHARE	TOTAL	
		WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTMENT
Underwriting discounts and commissions paid by us.....	\$	\$	\$
Expenses payable by us.....	\$	\$	\$

INDEMNITY

The underwriting agreement contains covenants of indemnity among the underwriters and us against civil liabilities, including liabilities under the Securities Act, and liabilities arising from breaches of representations and warranties contained in the underwriting agreement.

LOCK-UP AGREEMENTS

Each of our executive officers, directors and our more than one-percent shareholders will agree, for 180 days after the date of this prospectus, subject to specified exceptions, not to offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to any shares of common stock owned as of the date of this prospectus or acquired after the date of this prospectus directly by those holders or with respect to which they have the power of disposition, without the prior written consent of FleetBoston Robertson Stephens Inc. These lock-up agreements will also cover any options or warrants to purchase any shares of common stock, or any securities convertible into or exchangeable for shares of common stock owned by those holders. However, FleetBoston Robertson Stephens Inc. may, in its sole discretion and at any time or from time to time, without notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the representatives and any of our shareholders who will execute a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period.

In addition, we will agree that during the lock-up period we will not, without the prior written consent of FleetBoston Robertson Stephens Inc., subject to some exceptions, consent to the disposition of any shares held by shareholders subject to lock-up agreements prior to the expiration of the lock-up period, or issue, sell, contract to sell, or otherwise dispose of, any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock other than our sale of shares in this offering, the issuance of our common stock upon the exercise of outstanding options or warrants, and the issuance of options under existing stock option and incentive plans provided that those options do not vest prior to the expiration of the lock-up period. See "Shares Eligible for Future Sale."

LISTING

Our common stock has been approved for listing on the Nasdaq National Market under the symbol "HSTM."

STABILIZATION

The representatives have advised us that, pursuant to Regulation M under the Securities Act of 1933, some persons participating in the offering may engage in transactions, including stabilizing bids, syndicate covering transactions or the imposition of penalty bids, that may have the effect of stabilizing or maintaining the market price of the shares of common stock at a level above that which might otherwise prevail in the open market. A "stabilizing bid" is a bid for or the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A "syndicate covering transaction" is the bid for or purchase of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. A "penalty bid" is an arrangement permitting the representatives to reclaim the selling concession otherwise accruing to an

underwriter or syndicate member in connection with the offering if the common stock originally sold by that underwriter or syndicate member is purchased by the representatives in a syndicate covering transaction and has therefore not been effectively placed by the underwriter or syndicate member. The representatives have advised us that these transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

E*OFFERING Corp. is the exclusive Internet underwriter for this offering. E*OFFERING Corp. has agreed to allocate a portion of the shares that it purchases to E*TRADE Securities, Inc. E*OFFERING Corp. and E*TRADE Securities Inc. will allocate shares to their respective customers in accordance with usual and customary industry practices. A prospectus in electronic format, from which you can link to a "Meet the Management" Presentation through an embedded hyperlink, (click here for "Meet the Management" Presentation), is being made available on the Web site maintained by E*OFFERING Corp., www.eoffering.com. The "Meet the Management" presentation, including the accompanying slides included in the appendix, is part of this prospectus.

Healtheon/WebMD has agreed to purchase directly from us an estimated 833,334 shares of our common stock in a separate private sale that will close concurrently with this offering. The price of these shares will be equal to the initial public offering price per share in this offering.

We have requested that the underwriters reserve up to 250,000 shares of common stock to be offered at the initial public offering price to our employees, friends and family of employees and others. The number of shares of common stock available for sale to the general public will be reduced to the extent these individuals purchase the reserved shares. Any reserved shares which are not purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus.

J.C. Bradford & Co., one of the underwriters, acted as our financial advisor in connection with the issuance of our series B preferred stock in April, May and August 1999. J.C. Bradford & Co. received customary fees and expenses in connection with these private placements paid in the form of our series B preferred stock. The shares of common stock into which these shares of series B preferred stock are convertible will be subject to a lock-up agreement for one year from the date of this prospectus. Including the shares received by J.C. Bradford & Co. as payment for its acting as our financial advisor, J.C. Bradford & Co. and affiliates of J.C. Bradford & Co. collectively own shares of our preferred stock representing 435,641 shares of our common stock on an as converted basis. J.C. Bradford & Co. and certain of the other underwriters may act as an underwriter, placement agent or financial advisor in our future financing activities.

Neither members of the National Association of Securities Dealers, Inc. that are acting as underwriters in connection with this offering, nor associated or affiliated persons of such NASD members, will receive 10% or more of the net proceeds of this offering in the aggregate.

LEGAL MATTERS

The validity of the shares of common stock offered in this prospectus will be passed upon for us by Bass, Berry & Sims PLC, Nashville, Tennessee. Members of Bass, Berry & Sims PLC beneficially own 56,946 shares of our common stock. The underwriters have been represented by Cravath, Swaine & Moore, New York, New York.

EXPERTS

Ernst & Young LLP, independent auditors, have audited (1) our financial statements at December 31, 1998 and 1999, and for each of the three years in the period ended December 31, 1999, and (2) the financial statements of SilverPlatter Education, Inc. at December 31, 1997 and 1998, and for each of the two years in the period ended December 31, 1998, as set forth in their reports. We have included these financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Lane, Gorman Trubitt L.L.P., independent auditors, have audited the financial statements of MultiMedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company at December 31, 1998 and 1999, and for each of the three years in the period ended December 31, 1999, as set forth in their report. We have included these financial statements in the prospectus and elsewhere in the registration statement in reliance on Lane, Gorman Trubitt L.L.P.'s report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act of 1933 that registers the shares of common stock being offered. This prospectus does not contain all of the information described in the registration statement and the related exhibits. For more information about us and the common stock being offered, you should review the registration statement and the related exhibits. Statements contained in this prospectus regarding the contents of any contract or any other document to which reference is made are not necessarily complete, and, in each instance, you should review the copy of the contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the related exhibits may be inspected without charge and copied upon payment of prescribed fees at the following location of the Securities and Exchange Commission:

Public Reference Room
450 Fifth Street, N.W.
Washington, D.C. 20549

You may also obtain copies of all or any part of the registration statement from that office at prescribed rates. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the public reference room. The Securities and Exchange Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. The address of the site is <http://www.sec.gov>.

We plan to provide our shareholders with written annual reports containing audited financial statements certified by an independent public accounting firm.

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PRO FORMA CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

On July 23, 1999, we acquired substantially all assets and assumed certain liabilities of SilverPlatter Education, Inc. from SilverPlatter Information, Inc. for a combination of cash and shares of our common stock. On January 28, 2000, we acquired all of the assets and liabilities of Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company for a combination of cash and shares of our common stock. On January 28, 2000, we acquired substantially all of the assets of EMInet, Inc. for a combination of cash and shares of our common stock. On January 11, 2000, we acquired substantially all of the assets and liabilities of Quick Study, Inc. for a combination of cash and shares of our common stock. On January 3, 2000, we acquired substantially all of the assets of KnowledgeReview, LLC for a combination of cash and shares of our common stock. The acquisitions were accounted for as purchases.

The unaudited pro forma balance sheet gives effect to: (i) the acquisition of Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company; (ii) the acquisition of EMInet, Inc.; (iii) the acquisition of Quick Study, Inc.; (iv) the acquisition of KnowledgeReview, LLC; (v) the conversion of series A, B and C preferred stock into our common stock; (vi) the conversion of \$1,293,000 of notes payable-related party to series B preferred stock and conversion to our common stock; (vii) the issuance of our common stock in this offering and the sale of an estimated 833,334 shares of our common stock in a concurrent private sale to Healthon/WebMD at an assumed initial offering price of \$12.00 per share (the midpoint of the range on the cover of this prospectus) as described in "Use of Proceeds", net of offering costs of approximately \$5.0 million, of which \$295,000 have already been paid; and (viii) the repayment of \$1,276,708 of debt in connection with the acquisition of m3 the Healthcare Learning Company and Quick Study as if the offering and each of the other transactions had been completed as of December 31, 1999.

The unaudited pro forma condensed statements of operations give effect to: (i) the acquisition of SilverPlatter Education, Inc.; (ii) the acquisition of Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company; (iii) the acquisition of EMInet, Inc.; (iv) the acquisition of Quick Study, Inc.; (v) the conversion of series A, B and C preferred stock into our common stock; (vi) the conversion of \$1,293,000 of notes payable-related party to series B preferred stock and conversion to our common stock; and (vii) the issuance of our common stock in this offering and the sale of an estimated 833,334 shares of our common stock in a concurrent private sale at an assumed initial offering price of \$12.00 per share as described in "Use of Proceeds," net of offering costs of approximately \$5.0 million of which \$295,000 have already been paid as if the offerings and each of the other transactions had been completed as of January 1, 1999.

The pro forma condensed financial information presented herein does not purport to represent what our results of operations or financial position would have been had such transactions in fact occurred at the beginning of the periods presented or to project our results of operations in any future period. The pro forma results of operations do not take into account certain operational changes we instituted or will institute as a result of these acquisitions. The unaudited pro forma condensed financial statements should be read in conjunction with the audited financial statements, including the related notes thereto, that appear elsewhere in this prospectus.

HEALTHSTREAM, INC.

UNAUDITED PRO FORMA CONDENSED BALANCE SHEET
DECEMBER 31, 1999

	HEALTHSTREAM	ACQUIRED COMPANIES(1)	ACQUISITION PRO FORMA ADJUSTMENTS(2)	PRE-OFFERING PRO FORMA CONSOLIDATED	OFFERING PRO FORMA ADJUSTMENTS(3)	PRO FORMA CONSOLIDATED
ASSETS						
Current assets:						
Cash, cash equivalents and short term investments.....	\$13,632,144	\$ 438,156	\$(1,609,000)	\$12,461,300	\$ 64,018,292	\$76,479,592
Accounts receivable, less allowance for doubtful accounts.....	544,042	973,139	--	1,517,181	--	1,517,181
Accounts receivable -- unbilled.....	18,877	--	--	18,877	--	18,877
Investments.....	86,063	--	--	86,063	--	86,063
Prepaid and other assets.....	263,517	4,424	--	267,941	--	267,941
Total current assets.....	14,544,643	1,415,719	(1,609,000)	14,351,362	64,018,292	78,369,654
Property and equipment, net.....	1,333,901	115,905	--	1,449,806	--	1,449,806
Intangible assets, net.....	1,134,673	--	13,475,030	14,609,703	--	14,609,703
Other assets.....	441,488	68,190	--	509,678	(295,000)	214,678
Total assets.....	\$17,454,705	\$ 1,599,814	\$11,866,030	\$30,920,549	\$ 63,723,292	\$94,643,841
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Current liabilities:						
Accounts payable.....	\$ 443,455	\$ 151,491	\$ --	\$ 594,946	\$ --	\$ 594,946
Accrued liabilities.....	448,727	281,846	--	730,573	--	730,573
Deferred revenue.....	791,424	1,650,187	--	2,441,611	--	2,441,611
Current portion of notes payable.....	--	50,000	--	50,000	(50,000)	--
Notes payable -- related party.....	1,293,000	2,194,218	(2,178,806)	1,308,412	(1,293,000)	15,412
Current portion of long-term debt-related party.....	12,892	62,000	--	74,892	(62,000)	12,892
Current portion of capital lease obligation.....	89,881	--	--	89,881	--	89,881
Total current liabilities.....	3,079,379	4,389,742	(2,178,806)	5,290,315	(1,405,000)	3,885,315
Capital lease obligation, less current portion.....	185,801	--	--	185,801	--	185,801
Long-term notes payable, less current portion.....	--	1,164,708	--	1,164,708	(1,164,708)	--
Shareholders' equity (deficit):						
Common stock.....	4,008,991	429,096	10,090,200 (429,096)	14,099,191	20,465,060 (295,000)	99,564,251
Additional paid-in capital.....	--	1,959,985	(1,959,985)	--	65,295,000	--
Preferred stock.....	19,172,060	--	--	19,172,060	(20,465,060)	--
Accumulated other comprehensive loss.....	(41,690)	--	--	(41,690)	--	(41,690)
Accumulated deficit.....	(8,949,836)	(6,343,717)	6,343,717	(8,949,836)	--	(8,949,836)
Total shareholders' equity (deficit).....	14,189,525	(3,954,636)	14,044,836	24,279,725	66,293,000	90,572,725
	\$17,454,705	\$ 1,599,814	\$11,866,030	\$30,920,549	\$ 63,723,292	\$94,643,841

See accompanying notes to unaudited pro forma condensed balance sheet.

HEALTHSTREAM, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED BALANCE SHEET

(1) Reflects the acquisition of Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company, EMInet, Inc., Quick Study, Inc. and KnowledgeReview LLC as if such acquisitions occurred on December 31, 1999 as summarized below:

	M3 THE HEALTHCARE LEARNING COMPANY	EMINET, INC.	QUICK STUDY, INC.	KNOWLEDGE REVIEW LLC	ACQUIRED COMPANIES
ASSETS					
Current assets:					
Cash, cash equivalents and short term investments.....	\$ 404,298	\$ 25,264	\$ 8,594	\$ --	\$ 438,156
Accounts receivable, less allowance for doubtful accounts.....	911,765	32,289	28,635	450	973,139
Accounts receivable - unbilled.....	--	--	--	--	--
Prepaid and other assets.....	4,318	--	106	--	4,424
Total current assets.....	1,320,381	57,553	37,335	450	1,415,719
Property and equipment, net.....	45,544	50,335	20,026	--	115,905
Intangible assets.....	--	--	--	--	--
Other assets.....	62,786	--	5,404	--	68,190
Total assets.....	<u>\$ 1,428,711</u>	<u>\$ 107,888</u>	<u>\$ 62,765</u>	<u>\$ 450</u>	<u>\$ 1,599,814</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable.....	\$ 60,162	\$ 34,714	\$ 56,615	\$ --	\$ 151,491
Accrued liabilities.....	273,222	--	8,624	--	281,846
Deferred revenue.....	1,276,505	368,072	5,610	--	1,650,187
Current portion of notes payable.....	--	--	50,000	--	50,000
Notes payable - related party.....	--	11,069	2,178,806	4,343	2,194,218
Current portion of long-term debt - related party.....	--	--	62,000	--	62,000
Current portion of capital lease obligation.....	--	--	--	--	--
Total current liabilities.....	1,609,889	413,855	2,361,655	4,343	4,389,742
Capital lease obligation, less current portion.....	--	--	--	--	--
Long-term notes payable, less current portion.....	1,164,708	--	--	--	1,164,708
Shareholders' equity (deficit):					
Common Stock.....	52,637	302,559	73,900	--	429,096
Additional paid-in capital.....	1,959,985	--	--	--	1,959,985
Preferred stock.....	--	--	--	--	--
Accumulated deficit.....	(3,358,508)	(608,526)	(2,372,790)	(3,893)	(6,343,717)
Total shareholders' equity (deficit).....	(1,345,886)	(305,967)	(2,298,890)	(3,893)	(3,954,636)
	<u>\$ 1,428,711</u>	<u>\$ 107,888</u>	<u>\$ 62,765</u>	<u>\$ 450</u>	<u>\$ 1,599,814</u>

HEALTHSTREAM, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED BALANCE SHEET -- (CONTINUED)

- (2) Reflects the adjustments to effect the acquisitions of Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company, EMInet, Inc., Quick Study, Inc. and KnowledgeReview LLC as if such acquisitions occurred on December 31, 1999 as summarized below:

	M3 THE HEALTHCARE LEARNING COMPANY(A)	EMINET, INC.(B)	QUICK STUDY, INC(C)	KNOWLEDGE REVIEW LLC(D)	ACQUISITION PRO FORMA ADJUSTMENTS
ASSETS					
Current assets:					
Cash, cash equivalents and short term investments.....	\$ (600,000)	\$ (640,000)	\$ (59,000)	\$ (310,000)	\$ (1,609,000)
Accounts receivable, less allowance for doubtful accounts.....	--	--	--	--	--
Accounts receivable - unbilled.....	--	--	--	--	--
Prepaid and other assets.....	--	--	--	--	--
Total current assets.....	(600,000)	(640,000)	(59,000)	(310,000)	(1,609,000)
Property and equipment, net.....	--	--	--	--	--
Intangible assets.....	9,020,798	3,280,255	710,084	463,893	13,475,030
Other assets.....	--	--	--	--	--
Total assets.....	\$ 8,420,798	\$ 2,640,255	\$ 651,084	\$ 153,893	\$11,866,030
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable.....	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued liabilities.....	--	--	--	--	--
Deferred revenue.....	--	--	--	--	--
Notes payable - related party.....	--	--	(2,178,806)	--	(2,178,806)
Current portion of long-term debt - related party.....	--	--	--	--	--
Current portion of capital lease obligation.....	--	--	--	--	--
Total current liabilities.....	--	--	(2,178,806)	--	(2,178,806)
Capital lease obligation, less current portion.....	--	--	--	--	--
Long-term notes payable, less current portion.....	--	--	--	--	--
Shareholders' equity (deficit):					
Common stock.....	7,074,912	2,334,288	531,000	150,000	10,090,200
	(52,637)	(302,559)	(73,900)	--	(429,096)
Additional paid-in capital.....	(1,959,985)	--	--	--	(1,959,985)
Preferred stock.....	--	--	--	--	--
Accumulated deficit.....	3,358,508	608,526	2,372,790	3,893	6,343,717
Total shareholders' equity (deficit).....	8,420,798	2,640,255	2,829,890	153,893	14,044,836
	\$ 8,420,798	\$ 2,640,255	\$ 651,084	\$ 153,893	\$11,866,030

- (a) Reflects the elimination of common stock, additional paid-in capital, accumulated deficit, the payment of \$600,000 of cash and issuance of 818,036 shares of our common stock at an assigned value of \$7,074,912, as well as recording of the intangible assets in connection with our acquisition of m3 the Healthcare Learning Company.
- (b) Reflects the elimination of common stock, additional paid-in capital, accumulated deficit, the payment of \$640,000 of cash and issuance of 269,902 shares of our common stock at an assigned value of \$2,334,288 as well as recording of the intangible assets in connection with our acquisition of EMInet, Inc.
- (c) Reflects the elimination of liabilities not assumed, common stock, additional paid-in capital, accumulated deficit, and the payment of \$59,000 in cash and issuance of 61,397 shares of our common stock at an assigned value of \$531,000, as well as recording of the intangible assets in connection with our acquisition of Quick Study, Inc.
- (d) Reflects the payment of \$310,000 of cash and issuance of 17,343 shares of our common stock at an assigned value of \$150,000, the elimination of accumulated deficit, as well as recording of the intangible assets in connection with our acquisition of KnowledgeReview LLC.

HEALTHSTREAM, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED BALANCE SHEET -- (CONTINUED)

- (3) Reflects the conversion, upon completion of this offering, of 76,000 shares of Series A Convertible Preferred Stock into 325,461 shares of Common Stock, 1,358,101 shares of Series B Convertible Preferred Stock into 5,815,904 shares of our Common Stock and 627,406 shares of Series C Convertible Preferred Stock into 1,543,499 shares of our Common Stock. Also reflects the effects of the sale of 5,000,000 shares of common stock at an assumed initial public offering price of \$12.00 per share (the midpoint of the range on the cover of this prospectus) and the application of the estimated net proceeds of \$65,295,000 (including the concurrent private sale of an estimated 833,334 shares of common stock and the application of the estimated proceeds of \$10,000,000), the repayment of \$1,276,708 of debt assumed in connection with the acquisition of m3 the Healthcare Learning Company and Quick Study, and the conversion of \$1,293,000 of notes payable-related party to Series B Convertible Preferred Stock, which are included in the conversion of the Series B Preferred Stock into Common Stock above. Recording of proceeds also includes reclassification of offering costs of \$295,000 out of other assets.

HEALTHSTREAM, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999

	HEALTHSTREAM	ACQUIRED COMPANIES(A)	ACQUISITION PRO FORMA ADJUSTMENTS(B)	PRE-OFFERING PRO FORMA CONSOLIDATED	OFFERING PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED
	-----	-----	-----	-----	-----	-----
Revenues.....	\$ 2,567,868	\$4,667,234	\$ --	\$ 7,235,102	\$ --	\$ 7,235,102
Operating costs and expenses:						
Cost of revenues.....	2,119,127	1,941,462	--	4,060,589	--	4,060,589
Product development.....	2,037,272	1,277	--	2,038,549	--	2,038,549
Selling, general and administrative expenses.....	2,971,408	3,450,673	4,553,042	10,975,123	--	10,975,123
Total operating costs and expenses.....	7,127,807	5,393,412	4,553,042	17,074,261	--	17,074,261
Loss from operations.....	(4,559,939)	(726,178)	(4,553,042)	(9,839,159)	--	(9,839,159)
Other income (expense), net.....	103,535	(237,939)	--	(134,404)	193,059(d)	58,655
Net loss.....	<u>\$(4,456,404)</u>	<u>\$ (964,117)</u>	<u>\$(4,553,042)</u>	<u>\$ (9,973,563)</u>	<u>\$ 193,059</u>	<u>\$ (9,780,504)</u>
Net loss per share:						
Basic.....	<u>\$ (1.19)</u>					<u>\$ (0.54)</u>
Diluted.....	<u>\$ (1.19)</u>					<u>\$ (0.54)</u>
Weighted average number of common shares:						
Basic.....	<u>3,756,556</u>		<u>959,499(c)</u>		<u>13,518,198(e)</u>	<u>18,234,253</u>
Diluted.....	<u>3,756,556</u>		<u>959,499(c)</u>		<u>13,518,198(e)</u>	<u>18,234,253</u>

See accompanying notes to unaudited pro forma condensed statement of operations.

HEALTHSTREAM, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS

PRO FORMA ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1999.

- (a) Reflects the historical results of SilverPlatter Education for the six months ended June 30, 1999 and the results of Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company, KnowledgeReview, EMINet and Quick Study for the year ended December 31, 1999 summarized as follows:

YEAR ENDED DECEMBER 31, 1999

	SILVERPLATTER EDUCATION	M3 THE HEALTHCARE LEARNING COMPANY	EMINET, INC.	QUICK STUDY, INC.	KNOWLEDGE REVIEW LLC	ACQUIRED COMPANIES
Revenues.....	\$835,847	\$3,330,408	\$308,453	\$ 192,076	\$ 450	\$4,667,234
Operating costs and expenses:						
Cost of revenues.....	350,988	1,332,163	181,347	76,964	--	1,941,462
Product development.....	--	--	--	--	1,277	1,277
Selling, general and administrative expenses....	504,796	2,331,427	143,179	468,205	3,066	3,450,673
Total operating costs and expenses.....	855,784	3,663,590	324,526	545,169	4,343	5,393,412
Loss from operations.....	(19,937)	(333,182)	(16,073)	(353,093)	(3,893)	(726,178)
Other income (expense), net.....	--	(113,716)	--	(124,223)	--	(237,939)
Net loss.....	\$(19,937)	\$ (446,898)	\$(16,073)	\$(477,316)	\$(3,893)	\$ (964,117)

Certain reclassifications have been made to the acquired companies' historical statements of operations to conform to our presentation.

NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS -- (CONTINUED)

- (b) Reflects the elimination of historical depreciation and recognition of depreciation of property and equipment and amortization of acquired technology and other intangible assets as summarized below:

YEAR ENDED DECEMBER 31, 1999

	SILVERPLATTER EDUCATION	M3 THE HEALTHCARE LEARNING COMPANY	EMINET, INC.	QUICK STUDY, INC.	KNOWLEDGE REVIEW LLC	ACQUISITION PRO FORMA ADJUSTMENTS
	-----	-----	-----	-----	-----	-----
Revenues.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Operating costs and expenses:						
Cost of revenues.....	--	--	--	--	--	--
Product development.....	--	--	--	--	--	--
Selling, general and administrative expenses.....	(64,574)(1)	(117,244)(1)	(2,541)(1)	(24,523)(1)		
	247,067(2)	3,016,041(3)	1,103,485(4)	240,700(5)	154,631(6)	4,553,042
	-----	-----	-----	-----	-----	-----
Total operating costs and expenses.....	182,493	2,898,797	1,100,944	216,177	154,631	4,553,042
	-----	-----	-----	-----	-----	-----
Loss from operations.....	(182,493)	(2,898,797)	(1,100,944)	(216,177)	(154,631)	(4,553,042)
Other income (expense), net.....	--	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Net loss.....	\$(182,493)	\$(2,898,797)	\$(1,100,944)	\$(216,177)	\$(154,631)	\$(4,553,042)
	=====	=====	=====	=====	=====	=====

(1) Reflects the elimination of historical depreciation and amortization for each entity.

(2) SilverPlatter Education pro forma entries reflect amortization of goodwill of \$1.0 million over a three year life for a half a year, plus amortization of customer list and noncompete agreement (\$300,000) over a two year life for half a year, and depreciation of fair value of fixed assets of \$54,000 over an average five year life.

(3) m3 the Healthcare Learning Company pro forma entries reflect amortization of goodwill of \$9,020,798 over a three year life for a full year and depreciation of fair value of fixed assets of \$45,544 over an average five year life.

(4) EMInet pro forma entries reflect amortization of goodwill of \$3,280,255 over a three year life for a full year and depreciation of fair value of fixed assets of \$50,335 over an average five year life.

(5) Quick Study pro forma entries reflect amortization of goodwill of \$710,084 over a three year life for a full year and depreciation of fair value of fixed assets of \$20,026 over an average five year life.

(6) KnowledgeReview pro forma entries reflect amortization of goodwill of \$463,893 over a three year life for a full year.

NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS -- (CONTINUED)

- (c) Reflects the issuance of 49,202 (results in an additional 24,601 shares for weighted average shares outstanding) shares of our common stock to acquire SilverPlatter Education, Inc., the issuance of 818,036 shares of our common stock to acquire Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company, the issuance of 61,397 shares of our common stock to acquire Quick Study, Inc., the issuance of 17,343 shares of our common stock to acquire KnowledgeReview LLC, and the issuance of 269,902 shares of our common stock to acquire EMINet, Inc. The number of shares issued have been reduced by 231,780 shares related to shares placed in escrow in connection with the acquisitions.
- (d) Reflects the elimination of the historical interest expense on related-party debt converted to series B preferred stock upon completion of this offering (see note (3) of Notes to Unaudited Pro Forma Condensed Balance Sheet) and on debt assumed in the acquisitions of m3 the Healthcare Learning Company and Quick Study, which will be repaid upon completion of this offering.
- (e) Reflects (i) the conversion of series A, B and C preferred stock into 7,684,864 shares of our common stock; (ii) the sale of 5,000,000 shares of our common stock in this offering; and (iii) the concurrent private sale of an estimated 833,334 shares of our common stock.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
HealthStream, Inc.

We have audited the accompanying balance sheets of HealthStream, Inc. at December 31, 1998 and 1999, and the related statements of operations, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HealthStream, Inc. at December 31, 1998 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Nashville, Tennessee
January 22, 2000, except for
Note 12, as to which the date
is March , 2000

The foregoing report is in the form that will be signed upon the completion of the stock split and the increase in the number of shares of common stock and preferred stock authorized described in Note 12 to the financial statements.

/s/ Ernst & Young LLP

Nashville, Tennessee
March 7, 2000

HEALTHSTREAM, INC.

BALANCE SHEETS

	DECEMBER 31,	
	1998	1999
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 50,823	\$13,632,144
Accounts receivable, net of allowance for doubtful accounts of \$36,500 in 1998 and \$37,000 in 1999.....	481,316	544,042
Accounts receivable -- unbilled.....	10,821	18,877
Investments.....	--	86,063
Prepaid expenses and other assets.....	8,358	263,517
Total current assets.....	551,318	14,544,643
Property and equipment:		
Furniture and fixtures.....	114,186	445,172
Equipment.....	671,072	1,109,015
Leasehold improvements.....	196,405	369,346
	981,663	1,923,533
Less accumulated depreciation and amortization.....	(380,134)	(589,632)
	601,529	1,333,901
Intangible assets, net of accumulated amortization of \$0 in 1998 and \$213,031 in 1999.....	--	1,134,673
Other assets.....	--	441,488
Total assets.....	\$ 1,152,847	\$17,454,705

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Accounts payable.....	\$ 119,102	\$ 443,455
Accrued liabilities.....	94,827	448,727
Deferred revenue.....	322,760	791,424
Notes payable -- related parties.....	2,835,000	1,293,000
Current portion of long-term debt -- related party.....	23,585	12,892
Current portion of capital lease obligations.....	10,539	89,881
Total current liabilities.....	3,405,813	3,079,379
Long-term debt -- related party.....	12,892	--
Capital lease obligations, less current portion.....	19,076	185,801
Commitments and contingencies		
Shareholders' equity (deficit):		
Common stock, no par value; 20,000,000 shares authorized; 3,256,307 and 4,165,461 shares issued and outstanding at December 31, 1998 and 1999, respectively.....	1,798,498	4,008,991
Preferred Stock, no par value; 1,000,000 and 5,000,000 shares authorized at December 31, 1998 and 1999, respectively.....	--	--
Series A Convertible Preferred Stock; 41,000 and 76,000 shares issued and outstanding at December 31, 1998 and 1999, respectively.....	410,000	760,000
Series B Convertible Preferred Stock; no shares and 1,228,801 issued and outstanding at December 31, 1998 and 1999, respectively.....	--	12,138,000
Series C Convertible Preferred Stock; no shares and 627,406 shares issued and outstanding at December 31, 1998 and 1999, respectively.....	--	6,274,060
Accumulated other comprehensive loss.....	--	(41,690)
Accumulated deficit.....	(4,493,432)	(8,949,836)
Total shareholders' equity (deficit).....	(2,284,934)	14,189,525
Total liabilities and shareholders' equity (deficit).....	\$ 1,152,847	\$17,454,705

See accompanying notes.

HEALTHSTREAM, INC.
STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Revenues.....	\$1,268,352	\$ 1,716,094	\$ 2,567,868
Operating costs and expenses:			
Cost of revenues.....	870,061	1,057,453	2,119,127
Product development.....	293,706	443,336	2,037,272
Selling, general and administrative expenses.....	875,416	1,476,639	2,971,408
Total operating costs and expenses.....	2,039,183	2,977,428	7,127,807
Loss from operations.....	(770,831)	(1,261,334)	(4,559,939)
Other income (expense):			
Interest and other income.....	2,226	2,634	312,324
Interest expense -- related parties.....	(182,708)	(328,412)	(193,059)
Interest expense.....	--	(2,070)	(12,041)
Other expense.....	(8,792)	(318)	(3,689)
	(189,274)	(328,166)	103,535
Net loss.....	\$ (960,105)	\$(1,589,500)	\$(4,456,404)
Net loss per share:			
Basic.....	\$ (0.29)	\$ (0.49)	\$ (1.19)
Diluted.....	\$ (0.29)	\$ (0.49)	\$ (1.19)
Weighted average shares of common stock outstanding:			
Basic.....	3,256,307	3,256,307	3,756,556
Diluted.....	3,256,307	3,256,307	3,756,556

See accompanying notes.

HEALTHSTREAM, INC.

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

	COMMON STOCK		SERIES A CONVERTIBLE PREFERRED STOCK		SERIES B CONVERTIBLE PREFERRED STOCK		SERIES C CONVERTIBLE PREFERRED STOCK		ACCUMULATED DEFICIT
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT	
Balance at December 31, 1996.....	3,256,307	\$1,668,166	--	\$ --	--	\$ --	--	\$ --	\$(1,943,827)
Net loss.....	--	--	--	--	--	--	--	--	(960,105)
Balance at December 31, 1997.....	3,256,307	1,668,166	--	--	--	--	--	--	(2,903,932)
Net loss.....	--	--	--	--	--	--	--	--	(1,589,500)
Issuance of preferred stock...	--	--	41,000	410,000	--	--	--	--	--
Stock options granted.....	--	130,332	--	--	--	--	--	--	--
Balance at December 31, 1998.....	3,256,307	1,798,498	41,000	410,000	--	--	--	--	(4,493,432)
Net loss.....	--	--	--	--	--	--	--	--	(4,456,404)
Unrealized loss on investment, net of tax.....	--	--	--	--	--	--	--	--	--
Comprehensive loss.....	--	--	--	--	--	--	--	--	--
Issuance of preferred stock...	--	--	35,000	350,000	1,228,801	12,138,000	627,406	6,274,060	--
Issuance of common stock.....	855,327	1,231,590	--	--	--	--	--	--	--
Issuance of common stock in acquisition.....	49,202	200,000	--	--	--	--	--	--	--
Issuance of stock options to advisory boards...	--	11,760	--	--	--	--	--	--	--
Issuance of common stock for services.....	4,625	18,800	--	--	--	--	--	--	--
Issuance of warrant.....	--	748,343	--	--	--	--	--	--	--
Balance at December 31, 1999.....	4,165,461	\$4,008,991	76,000	\$760,000	1,228,801	\$12,138,000	627,406	\$6,274,060	\$(8,949,836)

	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL SHAREHOLDERS' EQUITY (DEFICIT)
Balance at December 31, 1996.....	\$ --	\$ (275,661)
Net loss.....	--	(960,105)
Balance at December 31, 1997.....	--	(1,235,766)
Net loss.....	--	(1,589,500)
Issuance of preferred stock...	--	410,000
Stock options granted.....	--	130,332
Balance at December 31, 1998.....	--	(2,284,934)
Net loss.....	--	(4,456,404)
Unrealized loss on investment, net of tax.....	(41,690)	(41,690)
Comprehensive loss.....	--	(4,498,094)
Issuance of preferred stock...	--	18,762,060
Issuance of common stock.....	--	1,231,590
Issuance of common stock in acquisition.....	--	200,000
Issuance of stock options to advisory boards...	--	11,760
Issuance of common stock for services.....	--	18,800
Issuance of		

warrant.....	--	748,343
	-----	-----
Balance at December		
31, 1999.....	\$(41,690)	\$14,189,525
	=====	=====

See accompanying notes.

HEALTHSTREAM, INC.
STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
OPERATING ACTIVITIES:			
Net loss.....	\$(960,105)	\$(1,589,500)	\$ (4,456,404)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation.....	100,739	132,267	239,248
Amortization.....	7,775	14,648	213,032
Provision for loss on doubtful accounts.....	--	36,500	500
Loss on disposal of assets.....	7,624	3,727	3,689
Noncash legal expense.....	--	2,100	--
Noncash compensation expense.....	--	128,232	30,560
Noncash product development.....	--	--	748,343
Changes in operating assets and liabilities, excluding effects of acquisition:			
Accounts receivable.....	(165,126)	(232,593)	(51,239)
Accounts receivable -- unbilled.....	(63,696)	54,150	(8,056)
Prepaid expenses and other assets.....	(502)	(4,409)	(225,442)
Other assets.....	--	--	(440,011)
Accounts payable.....	(4,936)	71,942	324,353
Accrued liabilities.....	29,425	46,676	236,561
Deferred revenue.....	177,241	87,005	126,714
Net cash used in operating activities.....	(871,561)	(1,249,255)	(3,258,152)
INVESTING ACTIVITIES:			
Acquisition of company, net of cash acquired.....	--	--	(780,206)
Purchase of property and equipment.....	(239,939)	(208,577)	(639,724)
Purchase of investments.....	--	--	(127,753)
Net cash used in investing activities.....	(239,939)	(208,577)	(1,547,683)
FINANCING ACTIVITIES:			
Proceeds from notes payable -- related parties.....	1,185,000	1,040,000	18,000
Proceeds from issuance of preferred stock.....	--	410,000	18,202,060
Proceeds from exercise of stock options.....	--	--	231,590
Payments on notes payable -- related parties.....	(18,575)	(20,931)	(23,585)
Payments on capital lease obligations.....	--	(4,779)	(40,909)
Net cash provided by financing activities.....	1,166,425	1,424,290	18,387,156
Net increase (decrease) in cash and cash equivalents.....	54,925	(33,542)	13,581,321
Cash and cash equivalents at beginning of period.....	29,440	84,365	50,823
Cash and cash equivalents at end of period.....	\$ 84,365	\$ 50,823	\$ 13,632,144
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid.....	\$ 176,708	\$ 320,320	\$ 225,074
Capital lease obligations incurred.....	\$ --	\$ 34,394	\$ 286,976
Conversion of notes payable -- related parties to common stock.....	\$ --	\$ --	\$ 1,000,000
Conversion of notes payable -- related parties to Series B Preferred Stock.....	\$ --	\$ --	\$ 560,000
Issuance of common stock in connection with acquisition of company.....	\$ --	\$ --	\$ 200,000
Issuance of common stock in exchange for professional services.....	\$ --	\$ --	\$ 18,800
Issuance of stock options to advisory boards.....	\$ --	\$ --	\$ 11,760

See accompanying notes.

HEALTHSTREAM, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

HealthStream, Inc. ("the Company") was incorporated in 1990 and is based in Nashville, Tennessee. The Company is pioneering a Web-based solution to meet the ongoing training and continuing education needs of the healthcare community. The Company changed its name to HealthStream, Inc. from NewOrder Media, Inc. on September 1, 1998. The Company provides an interactive training solution for delivering and tracking computer based education primarily for the healthcare industry in the United States, utilizing the Training Navigator(R) (T.NAV(R)) software suite developed by the Company. The Company also provides custom content development through the organization and translation of content into an interactive experience, and assists in the development of websites.

RECOGNITION OF REVENUE

The Company recognizes revenue in accordance with Statement of Position 97-2, "Software Revenue Recognition."

Revenues are derived from the license of the Company's T.NAV(R) software, maintenance and support services, custom content development, website development, subscriptions, professional and technical consulting services, implementation and training services. Revenues derived from the sale of products requiring significant modification or customization are recorded based on the percentage of completion method using labor hours. Revenues from subscriptions are deferred and recognized ratably over the term of the subscription. Software support and maintenance revenues are recognized ratably over the term of the related agreement. All other service revenues are recognized as the related services are performed. The Company also receives a percentage of its resellers' revenue from the sale of T.NAV(R) software. The Company recognizes a percentage of revenue from resellers upon notification from the reseller that a sale has occurred. In March 1999, the Company began providing educational training services via the Internet. Through December 31, 1999 revenues from these services have been approximately \$216,000.

The Company does not recognize barter transactions unless the value of the transaction is readily determinable and measurable. Through December 31, 1999, the Company had not been party to any significant barter transactions and has not recognized the value of any such transactions in the financial statements.

The Company has recently entered into sponsorship agreements which involve integration with services and provide for varied sources of revenue to the Company over the terms of the agreements. In some cases revenues derived from electronic commerce transactions are shared between the other entity and the Company, in accordance with the term of the arrangement, as realized. Revenues from such transactions have been recognized in accordance with SEC Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition."

NET LOSS PER SHARE

The Company computes net loss per share following Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" and SAB No. 98. Under the provisions of SFAS No. 128, basic net loss per share is computed by dividing the net loss available to common shareholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares, composed of incremental common shares issuable upon the exercise of stock options and warrants, and common shares issuable on assumed conversion of Series A, B and C Convertible Preferred Stock, are included in diluted net loss per share to the extent these shares are dilutive. Common equivalent shares are not included in

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

the computation of diluted net loss per share for the years ended December 31, 1997, 1998 and 1999 because the effect would be anti-dilutive.

Under the provisions of SAB 98, common shares issued for nominal consideration, if any, would be included in the per share calculations as if they were outstanding for all periods presented. No common shares have been issued for nominal consideration.

CONCENTRATIONS OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

The Company places its temporary excess cash investments in high quality short-term money market instruments. At times, such investments may be in excess of the FDIC insurance limits.

The Company sells its systems and services to various companies in the healthcare industry. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers. During 1997, the Company derived approximately \$203,000 of its revenues from one customer (Mosby, Inc.) During 1998, the Company derived approximately \$560,000 of its revenues from Lippincott, Williams and Wilkins, formerly Waverly, Inc. and approximately \$260,000 of its revenues from Mosby, Inc. During 1999, the Company derived approximately \$380,000 of its revenues from ActivHealth International, Inc. and approximately \$240,000 of its revenues from Lippincott, Williams and Wilkins, formerly Waverly, Inc. The total amounts receivable from Lippincott, Williams and Wilkins, formerly Waverly, Inc. and ActivHealth International, Inc. at December 31, 1999 were approximately \$118,000. The total amounts receivable from Lippincott, Williams and Wilkins, formerly Waverly, Inc. and Mosby, Inc. at December 31, 1998 were approximately \$126,000.

CASH AND CASH EQUIVALENTS

The Company considers unrestricted, highly liquid investments with initial maturities of less than three months to be cash equivalents.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Changes in the allowance for doubtful accounts and the amounts charged to bad debt expense were as follows:

	ALLOWANCE BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	CHARGED TO OTHER ACCOUNTS	WRITE-OFFS	ALLOWANCE BALANCE AT END OF PERIOD
	-----	-----	-----		-----
Year ended December 31:					
1997.....	\$ --	\$ --	\$ --	\$ --	\$ --
1998.....	--	36,500	--	--	36,500
1999.....	36,500	6,250	--	5,750	37,000

INVESTMENTS

Investments are accounted for in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and are classified as available-for-sale. Available for sale securities are carried at fair value, which is based on quoted prices, with the unrealized gains and losses excluded from earnings and reported, net of tax, as a separate component of shareholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary, are included in other income.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated on the basis of cost. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives, except for assets under capital leases which are amortized over the shorter of the estimated useful life or the lease term.

	YEARS

Furniture and fixtures.....	5-10
Equipment.....	3-5
Leasehold improvements.....	15

INTANGIBLE ASSETS

Intangible assets, which represents the excess of purchase price over fair value of net tangible assets acquired, customer lists, and non-compete agreements, are amortized on a straight-line basis over the expected periods to be benefited, generally three, two and two years, respectively. These intangible assets relate to the acquisition of certain assets from SilverPlatter Education, Inc. ("SilverPlatter"). See Note 2.

OTHER ASSETS

Other assets are comprised of licensing fees, offering costs and other long term items. Licensing fees are amortized based on the lives of the related agreements, generally 2 years.

LONG-LIVED ASSETS

SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" requires that companies consider whether events or changes in facts and circumstances, both internally and externally, may indicate that an impairment of long-lived assets held for use are present. Management periodically evaluates the carrying value of long-lived assets, including property and equipment and intangible assets and has determined that there were no indications of impairment as of December 31, 1997, 1998 and 1999. Should there be an impairment in the future, the Company will recognize the amount of the impairment based on expected future cash flows from the impaired assets. The cash flow estimates that will be used will be based on management's best estimates, using appropriate and customary assumptions and projections at the time.

ACCOUNTS RECEIVABLE-UNBILLED AND DEFERRED REVENUE

Accounts receivable-unbilled represents revenue earned for contracts accounted for on the percentage of completion basis for which invoices have not been generated. Deferred revenue represents the portion of revenue for which the revenue recognition process is incomplete.

ADVERTISING

The Company expenses the costs of advertising as incurred. Advertising expense for the years ended December 31, 1997, 1998 and 1999, was approximately \$8,200, \$2,900 and \$121,800, respectively.

PRODUCT DEVELOPMENT COSTS

Product development costs incurred to establish the technological feasibility of computer software products are charged to expense as incurred. The Company capitalizes costs incurred between the point of establishing technological feasibility and general release when such costs are material. As of December 31, 1998 and 1999, the Company has no capitalized computer software development costs.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

STOCK OPTION PLAN

The Company applies the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25") "Accounting for Stock Issued to Employees", and related interpretations in accounting for its options. As such, compensation expense would generally be recorded on the date of grant only if the then current market price of the underlying stock exceeded the exercise price.

USE OF ESTIMATES

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates and such differences could be material to the financial statements.

INCOME TAXES

Prior to October 1, 1998, the Company, with the consent of its shareholders, elected Subchapter S status under the provisions of the Internal Revenue Code. The shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income in lieu of a corporate income tax. Accordingly, no provision, benefit, or liability for federal income taxes has been included in the financial statements for periods prior to October 1, 1998. The Subchapter S election was not available for Tennessee corporate income tax. On October 1, 1998, the Company terminated the Subchapter S election. Effective October 1, 1998, the Company began providing for federal income taxes. Such taxes have been provided in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes."

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts approximate the fair value because of the short maturity of such instruments.

Accounts receivable, accounts receivable-unbilled, accounts payable, accrued liabilities and deferred revenue: The carrying amounts approximate the fair value because of the short-term nature of such instruments.

Short and long-term debt: The carrying amounts approximate the fair value based on current financing for similar loans available to the Company.

Investments: The carrying amounts approximate the fair value based on quoted prices.

NEWLY ISSUED ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income," which is effective for fiscal years beginning after December 15, 1997. This statement establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. The new rule requires that the Company (a) classify items of other comprehensive income by their nature in a financial statement and (b) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in-capital in the equity section of the balance sheet. As a result of adopting SFAS 130, the Company

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

has recognized other comprehensive loss of \$41,690 for the year ended December 31, 1999 which represents an unrealized loss on an investment.

In 1998, the Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." SFAS No. 131 requires companies to report selected segment information when certain tests are met. Management has determined that the Company operates in only one reportable segment meeting the applicable tests.

As of January 1, 1998, the Company early adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 establishes standards for reporting and presenting in a full set of general purpose financial statements the costs incurred in the development of internal-use computer software. Internal-use software is acquired, internally developed, or modified solely to meet the Company's internal needs without the intent to market externally. The adoption of SOP 98-1 had no effect on the Company's financial statements.

As of January 1, 1998, the Company early adopted SOP 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 establishes standards for reporting and presenting start-up costs in a full set of general purpose financial statements. Start-up costs, including organizational costs, are expensed as incurred under this SOP. The adoption of SOP 98-5 had no effect on the Company's financial statements.

In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits -- an amendment of FASB Statements No. 87, 88 and 106" which is effective for fiscal years beginning after December 15, 1997. This statement revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. The adoption of SFAS No. 132 had no effect on the Company's financial statements.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective as amended for fiscal quarters of fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Management of the Company does not expect the adoption of SFAS No. 133 to have a material effect on the Company's financial statements.

In December 1998, the AICPA issued SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." SOP 98-9 requires recognition of revenue using the "residual method" in a multiple-element software arrangement when fair value does not exist for one or more of the delivered elements in the arrangement. Under the "residual method," the total fair value of the undelivered elements is deferred and recognized in accordance with SOP 97-2. The Company is required to implement SOP 98-9 for the year ending December 31, 2000. Adoption of SOP 98-9 is not expected to have a material effect on the Company's financial statements.

2. ACQUISITION OF SILVERPLATTER

On July 23, 1999, the Company acquired substantially all of the assets of SilverPlatter, a Boston-based company which provided CD-ROM and Internet-based continuing medical education programs to physicians, for \$1.0 million, including \$800,000 in cash and 49,202 shares of common stock. The results of operations are included in the Company's financial statements from July 23, 1999. The acquisition was accounted for as a purchase. The excess of purchase price over fair value of net assets acquired of \$1.0 million is being amortized on a straight-line basis over three years.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The following unaudited pro forma condensed results give effect to the acquisition of SilverPlatter as if such transaction had occurred at the beginning of each year presented:

	YEAR ENDED DECEMBER 31,	
	1998	1999
Total revenues.....	\$ 4,059,529	\$ 3,403,715
Net loss.....	(2,156,838)	(4,658,834)
Basic net loss per share.....	\$ (0.65)	\$ (1.23)
Diluted net loss per share.....	\$ (0.65)	\$ (1.23)

3. NOTES PAYABLE AND LONG-TERM DEBT -- RELATED PARTIES

Notes payable and long-term debt consists of the following:

	DECEMBER 31,	
	1998	1999
Notes payable-related parties.....	\$ 2,835,000	\$ 1,293,000
Long-term debt-related party.....	\$ 36,477	\$ 12,892
Less current portion.....	(23,585)	(12,892)
	\$ 12,892	\$ --

The Company had a partially secured demand note payable to a vice president and stockholder of the Company, totaling \$60,000 at December 31, 1998 and \$0 at December 31, 1999. The note accrued interest at 12% and was converted into Series B Convertible Preferred Stock on August 23, 1999.

The Company has notes payable to the Chief Executive Officer ("CEO") and principal stockholder totaling \$2,775,000 at December 31, 1998, and \$1,293,000 at December 31, 1999. On April 21, 1999, \$1,250,000 of the notes payable were converted into Common Stock and Series B Convertible Preferred Stock. The remaining \$1,525,000 was converted into a promissory note ("April note") along with \$18,000 of additional indebtedness loaned to the Company by the CEO during 1999. On August 23, 1999, the CEO converted an additional \$250,000 of notes payable into Series B Convertible Preferred Stock. The remaining \$1,293,000 was converted into a new promissory note ("August note") which has identical terms as the April note. The August note is unsecured and accrues interest at a variable rate equal to the lesser of the margin rate of interest at a designated brokerage account or 10.5% and interest is payable monthly. The August note matures on October 23, 2006 or the earliest of: (i) the date determined by the Company's Board of Directors; (ii) the closing of an Initial Public Offering ("IPO") of at least \$30 million; (iii) the sale of the Company; or (iv) the bankruptcy of the Company. The August note is convertible into Series B Convertible Preferred Stock at the option of the CEO, upon the occurrence of: (i) the termination by the Company of the CEO; (ii) any liquidation, dissolution, winding up, consolidation, sale or merger of the Company; or (iii) an IPO.

The Company has an unsecured long-term promissory note payable to the CEO, totaling \$36,477 at December 31, 1998, and \$12,892 at December 31, 1999. The note requires monthly installments of principal and interest of \$2,224 through May 23, 2000. The note accrues interest at 12%.

The Company's weighted average debt outstanding for the years ended December 31, 1998 and 1999 was \$2,423,499 and \$2,000,261, respectively. The effective interest rate on such debt was 12.5% and 10.1% for the years ended December 31, 1998 and 1999, respectively.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

4. INVESTMENTS

At December 31, 1999, the Company held 229,500 shares of ARC Communications, Inc. with a cost of \$127,753 and a fair value of \$86,063.

5. INCOME TAXES

As described in Note 1, the Company terminated its Subchapter S election on October 1, 1998 and became subject to federal income taxes. As a result of the termination of the S election, the Company was required to provide deferred federal income taxes under SFAS 109, "Accounting for Income Taxes." The 1998 provision for income taxes includes the effect of recording a net deferred tax asset and corresponding valuation allowance of \$57,287 as a result of the termination of the S election.

Income tax benefit differs from the amounts computed by applying the federal statutory rate of 34% to the loss before income taxes as follows:

	1997	1998	1999
	-----	-----	-----
Tax benefit at the statutory rate.....	\$(326,436)	\$(540,430)	\$(1,515,177)
State income tax benefit, net of federal benefit...	(57,606)	(63,335)	(177,741)
Other.....	619	2,086	4,382
Tax benefit of losses attributable to shareholders due to S corporation status prior to October 1, 1998.....	326,436	336,301	--
Deferred taxes recorded upon termination of S corporation status.....	--	57,287	--
Increase in valuation allowance.....	56,987	208,091	1,688,536
	-----	-----	-----
	\$ --	\$ --	\$ --
	=====	=====	=====

Pro forma income taxes as if the Company had been a C Corporation for all periods presented have not been reflected in the financial statements because a 100% valuation allowance would have been provided and accordingly there would not have been a tax benefit.

Deferred federal and state income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

	DECEMBER 31,	
	1998	1999
	-----	-----
Deferred tax assets:		
Allowance for doubtful accounts.....	\$ 13,870	\$ 13,914
Differences related to business combinations.....	--	66,726
Accrued liabilities.....	5,604	18,841
Deferred revenue.....	122,649	303,351
Difference related to warrants.....	--	284,370
Net operating loss carryforwards.....	271,332	1,418,589
	-----	-----
Total deferred tax assets.....	413,455	2,105,791
Less: Valuation allowance.....	(380,481)	(2,069,017)
	-----	-----
	32,974	36,774
Deferred tax liability:		
Depreciation.....	(32,974)	(36,774)
	-----	-----
Net deferred tax asset.....	\$ --	\$ --
	=====	=====

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

As of December 31, 1999, the Company has federal and state net operating loss carryforwards of \$3,326,625 and \$7,188,395, respectively, expiring in years 2012 through 2019.

The Company has established a valuation allowance for deferred tax assets at December 31, 1998 and 1999 due to the uncertainty of realizing these assets in the future. The valuation allowance increased \$56,987 during 1997, \$208,091 during 1998 and \$1,688,536 during 1999. No federal or state income tax payments were made during the years ended December 31, 1997, 1998, and 1999.

6. STOCK OPTION PLAN

The Company's 1994 Employee Stock Option Plan (the "Plan") authorizes the grant of options to employees, officers and directors for up to 4,000,000 shares of common stock. Options granted under the Plan have terms of no more than ten years with certain restrictions. The Plan allows the Board of Directors to determine the vesting period of each grant. The vesting period of the options granted ranges from immediate vesting to four years.

The Company accounts for its stock incentive plans in accordance with APB 25. If the alternative method of accounting for stock incentive plans prescribed by SFAS No. 123 had been followed, the Company's net loss and net loss per share would have been:

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
Net loss as reported.....	\$(960,105)	\$(1,589,500)	\$(4,456,404)
Pro forma compensation expense.....	--	80,849	289,426
Pro forma net loss.....	\$(960,105)	\$(1,670,349)	\$(4,745,830)
Pro forma basic and diluted net loss per share.....	\$ (0.29)	\$ (0.51)	\$ (1.26)

The resulting pro forma disclosures may not be representative of that to be expected in future years. The weighted average fair value of options granted was determined using the minimum value option pricing model with the indicated assumptions:

	1997	1998	1999
ASSUMPTIONS (WEIGHTED AVERAGE)			
Risk-free interest rate.....	5.70%	5.70%	6.00%
Expected dividend yield.....	0.0%	0.0%	0.0%
Expected life (in years).....	5	5	5

A progression of activity and various other information relative to stock options is presented in the table below.

	1997		1998		1999	
	COMMON SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	COMMON SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	COMMON SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding -- beginning of period.....	1,170,639	\$0.57	1,170,639	\$0.57	1,650,784	\$1.07
Granted.....	--	--	496,332	2.30	1,383,892	4.29
Exercised.....	--	--	--	--	(427,085)	0.54
Forfeited.....	--	--	(16,187)	2.30	(137,362)	3.26
Outstanding -- end of period.....	1,170,639	0.57	1,650,784	1.07	2,470,229	2.84
Exercisable at end of period.....	1,170,639	0.57	1,196,539	0.61	892,477	1.08

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

In July and August 1999, the CEO exercised options granted in 1995 and purchased 416,250 shares of the Company's Common Stock at an exercise price of \$0.54 per share. In December 1999, the president exercised options granted in 1994 and purchased 3,170 shares of the Company's common stock at an exercise price of \$0.608 per share.

During 1998, the Company modified the terms of an option grant to an employee leaving the employment of the Company by extending the exercise date of the options. At the time of the modification, the Company recognized compensation expense totaling \$128,232 for the difference between the fair market value and the exercise price of the options. During 1999, the Company issued 51,800 stock options to its medical and nursing advisory boards at exercise prices ranging from \$2.34 to \$6.49 with vesting periods ranging from immediate to four years. The Company recognized \$11,760 of expense in connection with these grants.

Shares of Common Stock available for future grants of options totaled 2,349,216 and 1,102,685 at December 31, 1998 and 1999, respectively. Exercise prices per share and various other information for options outstanding at December 31, 1999 are segregated into ranges as follows:

EXERCISE PRICE PER SHARE	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
\$0.54 -- \$0.61.....	743,552	\$0.59	5.10	743,552	\$0.59
\$2.34.....	461,277	2.34	5.57	45,325	2.34
\$4.06.....	1,109,075	4.06	7.67	103,600	4.06
\$6.49.....	156,325	6.48	7.92	--	6.48
	-----			-----	
	2,470,229	2.84	6.52	892,477	1.08
	=====			=====	

During January 2000, options to purchase 432,245 shares of common stock at exercise prices ranging from \$6.49 to \$8.65 were granted.

7. LEASE COMMITMENTS

The Company leases its office facilities in Nashville, TN and Boston, MA under agreements that expire before or during May 2005. The Nashville, TN lease provides for two five-year renewal options. The Company also leases certain office equipment. Total lease expense under all operating leases was \$59,184, \$51,756 and \$210,234 for the years ended December 31, 1997, 1998 and 1999, respectively. The Company also leases certain computer and office equipment and office furnishings from various third parties accounted for as capital leases. Future rental payment commitments at December 31, 1999 under the capital and operating leases, having an initial term of one year or more, are as follows:

	CAPITAL LEASES	OPERATING LEASES
2000.....	\$109,303	\$234,341
2001.....	88,135	140,512
2002.....	47,638	140,848
2003.....	47,638	140,848
2004.....	28,475	126,873
Thereafter.....	--	41,359
	-----	-----
Total minimum lease payments.....	321,189	\$824,781
		=====
Less amounts representing interest.....	(45,507)	

Present value of net minimum lease payments (including \$89,881 classified as current).....	\$275,682	
	=====	

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The carrying value of assets under capital leases, which are included with owned assets in the accompanying balance sheets is \$0, \$29,140 and \$275,596 at December 31, 1997, 1998 and 1999, respectively. Amortization of the assets under the capital leases is included in depreciation expense.

8. LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share:

	YEAR ENDED DECEMBER 31		
	1997	1998	1999
Numerator:			
Net loss.....	\$(960,105)	\$(1,589,500)	\$(4,456,404)
Denominator:			
Weighted-average shares outstanding.....	3,256,307	3,256,307	3,756,556
Net loss per share, basic and diluted.....	\$ (0.29)	\$ (0.49)	\$ (1.19)

For the years ended December 31, 1997, 1998 and 1999, the calculation of weighted average shares excluded options, warrants and convertible preferred stock because such items were anti-dilutive. The equivalent common shares related to such options, warrants and preferred stock were 1,170,639 in 1997, 1,826,362 in 1998 and 9,846,414 in 1999.

9. EMPLOYEE BENEFIT PLAN

The Company has a defined-contribution employee benefit plan incorporating provisions of Section 401(k) of the Internal Revenue Code. Employees of the Company must have attained the age of 21 and have completed six months of service to be eligible to participate in the plan. Under the plan's provisions, a plan member may make contributions, on a tax deferred basis, not to exceed 15% of compensation subject to IRS limitations. The Company does not provide matching contributions.

10. PREFERRED STOCK

The Company is authorized to issue shares of Preferred Stock in one or more series, having the relative voting powers, designations, preferences, rights and qualifications, limitations or restrictions, and other terms as the Board of Directors may fix in providing for the issuance of such series, without any vote or action of the shareholders.

The Company has authorized the issuance of 76,000 shares of Preferred Stock designated as Series A Convertible Preferred Stock, 1,436,961 shares designated as Series B Convertible Preferred Stock. On April 21, 1999, the Company amended its charter increasing the authorized shares of Preferred Stock to 5 million. On August 18, 1999, the Company further amended its charter designating 650,000 shares of Preferred Stock as Series C Convertible Preferred Stock.

Each holder of Preferred Stock is entitled to notice of any shareholders' meeting and shall vote with the holders of Common Stock, except for those matters required by law to be voted upon separately among the holders of Common Stock and Preferred Stock. In all cases where the holders of Preferred Stock and holders of Common Stock are to vote together, the holder of each share of Preferred Stock is entitled to the number of votes equal to the number of shares of Common Stock into which each share of Preferred Stock is convertible. Except as otherwise required by law, the holders of the Preferred Stock have voting rights and powers equal to the voting rights and powers of the Common Stock.

Each share of Series A and B Convertible Preferred Stock is currently convertible into the Company's Common Stock at the conversion rate of 4.28238 shares of Common Stock per share of Series A and B Convertible Preferred Stock. Each share of Series C Convertible Preferred Stock is currently convertible into the Company's Common Stock at the conversion rate of 2.46013 shares of Common Stock per share of Series C Convertible Preferred Stock. These rates are subject to an antidilution adjustment if the

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Company issues or sells shares of Common Stock at a per share price less than \$2.34 for Series A and B Convertible Preferred Stock and at a per share price less than \$4.06 for Series C Convertible Preferred Stock. An adjustment to the conversion rate of the Preferred Stock would increase the voting power of the holders thereof.

Each share of Series A, B and C Convertible Preferred Stock may, at the option of the holder, be converted at any time into fully paid and non-assessable shares of Common Stock. Each share of Preferred Stock shall automatically and immediately be converted into shares of Common Stock at its then effective conversion rate upon the earlier of (i) the closing of an initial public offering of Common Stock pursuant to an effective registration statement under the Securities Act of 1933 raising gross proceeds of at least \$30 million and an offering price per share greater than or equal to \$4.86, or (ii) the date specified by written agreement of the holders of 66 2/3% of the then outstanding shares of Preferred Stock.

In the event the Company declares a dividend, the holders of Preferred Stock shall be entitled to a proportionate share of such dividends as though the holders of the Preferred Stock were the holders of a number of shares of Common Stock into which their respective shares of Preferred Stock are convertible as of the record date fixed for the determination of the holders of Common Stock entitled to receive such dividend.

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of the Preferred Stock will be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of the Common Stock, an amount in cash equal to two (2.00) times the Liquidation Preference Payment. The Liquidation Preference Payment is equal to \$10.00 per share of Preferred Stock plus an amount equal to all dividends declared but unpaid.

In January and February 1999 the Company issued 35,000 shares of Series A Convertible Preferred Stock for \$350,000. In April and May 1999 the Company received commitments to purchase 1,030,501 shares of Series B Convertible Preferred Stock at \$10 per share. On April 21, 1999 and May 10, 1999, the Company issued 527,750 shares of the Series B Convertible Preferred Stock in a private placement to a group of institutional and individual investors in exchange for \$4,877,500 in cash, the conversion of \$250,000 of notes payable to the Company's CEO and the contribution of \$150,000 in professional services. The Company issued 502,750 shares of Series B Convertible Preferred Stock at \$10 per share in August 1999 in exchange for \$4,717,500 in cash and the conversion of \$250,000 of notes payable to the Company's CEO and the conversion of \$60,000 of notes payables to a vice president and stockholder. Also, each holder of Series A and Series B Convertible Preferred Stock had an option to purchase up to an additional 20% of the number of shares purchased in April, May and August 1999, at \$10 per share. Each investor could exercise their option any time prior to April 21, 2000 or upon a subsequent equity financing of at least \$5 million. This financing occurred on September 15, 1999 and therefore these options expired on October 15, 1999. Through December 31, 1999, investors have exercised options and purchased 198,300 shares of Series B Convertible Preferred Stock for cash at \$10 per share.

In August and September 1999, the Company issued 627,406 shares of the Series C Convertible Preferred Stock to a group of institutional and individual investors at \$10 per share.

The Company is required at all times to reserve out of its authorized but unissued shares of Common Stock, a number of its authorized shares of Common Stock sufficient to effect the conversion into Common Stock of the Series A, B and C Convertible Preferred Stock shares from time to time. At December 31, 1998 and 1999, the Company reserved and kept available 175,577 and 7,684,866 shares, respectively, of Common Stock to effect the conversion of the Series A, B and C Convertible Preferred Stock.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

11. STRATEGIC ALLIANCES

The Company periodically enters into strategic alliances with distribution partners, content partners and development partners. Typically, these arrangements provide for payments to these partners based on a percentage of revenues or based on hours of courseware developed. In connection with such arrangements, the Company has entered into agreements with three entities which provide for up front payments of approximately \$475,000 in 2000 and \$187,500 in 2001. Of these amounts, approximately 79% and 100% in 2000 and 2001, respectively, are nonrefundable. The remaining payments are subject to refund if certain milestones are not reached. Additional payments may be required upon delivery of courses or occurrence of certain events.

The Company also entered into a distribution agreement with an investor during 1999. In connection with the distribution agreement, the investor was provided with warrants to purchase 245,032 shares of the Company's common stock at \$4.06 per share. The warrants expire in June 2009. The issuance of the warrants resulted in recognition of \$748,343 of expense. No warrants have been exercised as of December 31, 1999.

The Company also entered into a development agreement in January 2000 with an entity under which the Company paid \$95,000 and committed to pay the entity at least another \$400,000 during 2000 as courses are developed. The fixed commitments related to this contract are included above. In connection with this agreement, the Company received a warrant to purchase 223,834 shares of the entity's common stock at an exercise price of \$4.47 per share.

12. SUBSEQUENT EVENTS

Effective January 3, 2000, the Company acquired substantially all of the assets and liabilities of KnowledgeReview LLC (d/b/a "CMCourses.com") for \$460,000 consisting of \$150,000 (17,343 shares) of the Company's Common Stock and the payment of \$310,000 in cash. All of the Common Stock will be placed in an escrow account for a one year period, subject to any claims. KnowledgeReview LLC owns and operates an Internet web page which provides a search engine that helps physicians locate continuing medical education by specialty and facilitates online registration for such courses. The acquisition will be accounted for as a purchase.

On January 11, 2000, the Company acquired substantially all of the assets and liabilities of Quick Study, Inc. for \$590,000, consisting of \$531,000 (61,397 shares) of the Company's Common Stock and the payment of \$59,000 in cash. In addition, upon achievement of certain future customer revenue levels, the Company may issue up to 34,687 additional shares of Common Stock. A portion of the Common Stock will be placed in an escrow account for a one year period, subject to any claims. In connection with the acquisition, the Company assumed \$112,000 of long-term debt. Quick Study, Inc. is a publisher of CD-ROM and network-based products in the healthcare industry. The acquisition will be accounted for as a purchase.

On January 28, 2000, the Company acquired substantially all of the assets and liabilities of Multimedia Marketing, Inc. d/b/a m3 the Healthcare Learning Company ("m3") for \$7.7 million consisting of \$7.1 million (818,036 shares) of the Company's Common Stock and the payment of \$600,000 in cash. m3 provides interactive, multimedia education and training solutions to hospitals and other healthcare organizations. A portion of the Common Stock will be placed in an escrow account for a one year period, subject to any claims. In connection with the acquisition, the Company assumed \$1.2 million of long-term debt. The acquisition will be accounted for as a purchase.

On January 28, 2000, the Company acquired substantially all of the assets of EMInet, Inc. for \$2.9 million consisting of \$2.3 million (269,902 shares) of the Company's Common Stock and the payment of \$640,000 in cash. A portion of the Common Stock will be placed in an escrow account for a one year period, subject to any claims. In addition, upon the achievement of short-term revenue targets, the Company may issue up to 26,097 additional shares of common stock. EMInet, Inc. sells continuing

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

medical education to emergency medical technicians, primarily via online transactions. The acquisition will be accounted for as a purchase.

The following unaudited pro forma results of operations give effect to the operations of SilverPlatter Education, which was acquired during 1999, and the following acquisitions which have been consummated in 2000: m3; EMINet, Inc; Quick Study, Inc. and KnowledgeReview LLC as if the acquisitions had occurred as of the first day of 1999. The pro forma results of operations do not purport to represent what the Company's results of operations would have been had such transactions in fact occurred at the beginning of the periods presented or to project the Company's results of operations in any future period.

	YEAR ENDED DECEMBER 31, 1999 -----
Revenue.....	\$ 7,235,102
Net loss.....	(9,973,563)
Net loss per share:	
Basic.....	\$ (2.11)
Diluted.....	\$ (2.11)

The Company has filed a Form S-1 for an initial public offering of its common stock with the Securities and Exchange Commission. There can be no assurances that the IPO will be consummated. In connection with the IPO, related party debt of \$1,293,000 (see Note 3) is expected to be converted to series B convertible preferred stock, and outstanding preferred stock is to be converted into common stock.

In February 2000, the Company entered into a four-year Online Education Services Provider Agreement with Columbia Information Systems, Inc., an affiliate of Columbia/HCA Healthcare Corporation "Columbia." In connection with the agreement, the Company issued a warrant to Columbia for 2,182,568 shares at an exercise price of \$7.18.

In February 2000, the Company entered into a five year agreement with Healtheon/WebMD. Under this agreement, the Company will be the exclusive provider of education, continuing education and training services for all healthcare organizations, healthcare professionals and healthcare workers on all Web sites owned or operated by Healtheon/WebMD for five years. The Company will pay Healtheon/WebMD a guaranteed minimum royalty of \$6.0 million per year. We will receive 100% of any revenues from the sale of our products and services until we recover all of our payments to Healtheon/WebMD, and after that we will receive 75% and Healtheon/WebMD will receive 25% of any revenues. If the Company's revenues from this agreement are less than \$30.0 million during the initial five year term the Company can extend the term of the agreement for a nominal payment. Healtheon/WebMD has committed to purchase \$10.0 million of the Company's common stock in a private sale which will be contemporaneous with the IPO. Healtheon/WebMD has also agreed to provide certain marketing and co-branding services to the Company under this agreement.

In February 2000, the Company granted options to purchase 348,725 shares at \$10.00 per share. In February 2000, the Company adopted the HealthStream, Inc. 2000 Stock Incentive Plan. In connection with this plan, 5,000,000 shares have been reserved for issuance. The terms of the plan are substantially similar to the 1994 Employee Stock Option Plan. In February 2000, the Company adopted the Employee Stock Purchase Plan. In connection with this plan, 1,000,000 shares have been reserved for issuance.

On March 7, 2000 the Compensation Committee approved the grant of options to purchase 234,830 shares at \$11.89 per share.

On March , 2000, the Board declared a 1.85 for one common stock split. All share information, option, share and warrant prices and earnings per share have been restated to reflect the stock split. Also, on March , 2000 the Company increased the authorized shares outstanding to 75 million common shares and 10 million preferred shares.

REPORT OF INDEPENDENT AUDITORS

To the Stockholders of SilverPlatter Education, Inc.,
a subsidiary of SilverPlatter Information, Inc.

We have audited the accompanying balance sheets of SilverPlatter Education, Inc., a subsidiary of SilverPlatter Information, Inc., as of December 31, 1997 and 1998, and the related statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SilverPlatter Education, Inc. at December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Nashville, Tennessee
September 17, 1999

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

BALANCE SHEETS

	DECEMBER 31,		JUNE 30
	1997	1998	1999
			(UNAUDITED)
ASSETS			
Current assets:			
Cash.....	\$ 150,151	\$ 9,567	\$ 347,287
Accounts receivable.....	260,903	56,020	23,520
Deferred license fees.....	70,393	34,547	22,444
Prepaid expenses.....	66,849	46,858	34,475
	-----	-----	-----
Total current assets.....	548,296	146,992	427,726
Property and equipment:			
Furniture and fixtures.....	41,788	44,174	44,174
Equipment.....	325,164	296,618	296,618
Leasehold improvements.....	3,131	3,131	3,131
	-----	-----	-----
	370,083	343,923	343,923
Less accumulated depreciation and amortization.....	225,225	267,462	290,364
	-----	-----	-----
	144,858	76,461	53,559
Intangible assets, net.....	166,691	83,344	41,672
Other assets.....	5,040	5,040	--
	-----	-----	-----
Total assets.....	\$ 864,885	\$ 311,837	\$ 522,957
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable.....	\$ 153,914	\$ 80,607	\$ 149,703
Accrued liabilities.....	94,599	51,908	62,011
Due to parent company.....	3,826,679	4,170,574	4,376,565
Deferred revenue.....	1,054,490	490,734	436,601
	-----	-----	-----
Total current liabilities.....	5,129,682	4,793,823	5,024,880
Stockholders' deficit:			
Common stock, \$.01 par value; 200,000 shares authorized; 1,000 shares issued and outstanding at December 31, 1997 and 1998 and June 30, 1999 (unaudited).....	10	10	10
Additional paid-in capital.....	990	990	990
Accumulated deficit.....	(4,265,797)	(4,482,986)	(4,502,923)
	-----	-----	-----
Total stockholders' deficit.....	(4,264,797)	(4,481,986)	(4,501,923)
	-----	-----	-----
Total liabilities and stockholders' deficit...	\$ 864,885	\$ 311,837	\$ 522,957
	=====	=====	=====

See accompanying notes.

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1998	1999
			(UNAUDITED)	
Revenues.....	\$ 2,175,894	\$2,343,435	\$1,291,761	\$835,847
Operating costs and expenses:				
Cost of revenue.....	1,057,538	923,254	524,504	350,988
Selling, general and administrative expenses.....	2,315,524	1,637,370	880,097	504,796
Total operating costs and expenses.....	3,373,062	2,560,624	1,404,601	855,784
Net loss.....	<u>\$ (1,197,168)</u>	<u>\$ (217,189)</u>	<u>\$ (112,840)</u>	<u>\$ (19,937)</u>

See accompanying notes.

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED DECEMBER 31, 1997 AND 1998
AND THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

	COMMON STOCK		ADDITIONAL	ACCUMULATED	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	DEFICIT	STOCKHOLDERS' DEFICIT
	-----	-----	-----	-----	-----
Balance at January 1, 1997.....	1,000	\$10	\$990	\$(3,068,629)	\$(3,067,629)
Net loss.....	--	--	--	(1,197,168)	(1,197,168)
	-----	-----	-----	-----	-----
Balance at December 31, 1997.....	1,000	10	990	(4,265,797)	(4,264,797)
Net loss.....	--	--	--	(217,189)	(217,189)
	-----	-----	-----	-----	-----
Balance at December 31, 1998.....	1,000	10	990	(4,482,986)	(4,481,986)
Net loss.....	--	--	--	(19,937)	(19,937)
	-----	-----	-----	-----	-----
Balance at June 30, 1999 (unaudited).....	1,000	\$10	\$990	\$(4,502,923)	\$(4,501,923)
	=====	====	=====	=====	=====

See accompanying notes.

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1998	1999
OPERATING ACTIVITIES:				
Net loss.....	\$(1,197,168)	\$(217,189)	\$(112,840)	\$ (19,937)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:				
Depreciation and amortization.....	136,501	143,984	71,591	64,574
Changes in operating assets and liabilities:				
Accounts receivable.....	(211,828)	204,883	67,331	32,500
Deferred license fees.....	25,352	35,846	19,302	12,103
Prepaid expenses and other assets.....	(11,821)	19,991	26,372	12,383
Other assets.....	--	--	--	5,040
Accounts payable.....	(118,305)	(73,307)	(19,263)	69,096
Accrued liabilities.....	12,509	(42,691)	11,115	10,103
Due to parent company.....	877,603	359,056	147,887	205,991
Deferred revenue.....	280,289	(563,756)	(267,463)	(54,133)
Net cash (used in) provided by operating activities.....	(206,868)	(133,183)	(55,968)	337,720
INVESTING ACTIVITIES:				
Purchase of property and equipment.....	(115,684)	(7,401)	(5,015)	--
Net cash used in investing activities.....	(115,684)	(7,401)	(5,015)	--
Net increase (decrease) in cash.....	(322,552)	(140,584)	(60,983)	337,720
Cash at beginning of period.....	472,703	150,151	150,151	9,567
Cash at end of period.....	\$ 150,151	\$ 9,567	\$ 89,168	\$ 347,287
NON-CASH TRANSACTIONS:				
Assets transferred to (from) Parent Company, at net book value.....	\$ (250,035)	\$ 15,161	\$ 15,161	\$ --

See accompanying notes.

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

SilverPlatter Education, Inc. (the "Company") was incorporated on December 29, 1992 and is a publisher of CD-ROM and Internet products in the healthcare industry. The Company is based in Norwood, Massachusetts and is a wholly-owned subsidiary of SilverPlatter Information, Inc. (the "Parent"). The Company primarily focuses on the use of multimedia for continuing medical education and also produces specialty-oriented bibliographic databases on CD-ROM for literature searching and clinical reference. The Company's products are offered globally. SilverPlatter Education is accredited by the Accreditation Council for Continuing Medical Education.

UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited balance sheet as of June 30, 1999 and the related unaudited statements of operations, stockholders' deficit, and cash flows for the six months ended June 30, 1998 and 1999, (interim financial statements) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the interim financial statements include all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the interim results.

The interim financial statements should be read in conjunction with the audited financial statements appearing herein. The results of the six months ended 1999 may not be indicative of operating results for the full year.

RECOGNITION OF REVENUE

Subscription revenue is deferred and recognized ratably over the subscription period which is generally 12 months. Revenues derived from the sale of products requiring significant modification or customization are recorded based on the percentage of completion using labor hours. All other service revenues are recognized as the related services are performed.

CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and accounts receivable. At times, cash balances in the Company's accounts may exceed FDIC insurance limits.

The Company sells its systems and services to various companies in the healthcare industry. The Company performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from its customers.

The carrying amounts reported in the balance sheets for cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short maturity of such instruments.

The Company is dependent upon various information providers to provide content for use on the Company's products.

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated on the basis of cost. Depreciation and amortization are provided on the straight-line method over the following estimated useful lives:

	YEARS -----
Furniture and fixtures.....	7
Equipment.....	3
Leasehold improvements.....	3

INTANGIBLE ASSETS

Intangible assets consist primarily of acquired subscription lists and are recorded at cost. Amortization is provided using the straight-line method over three years. Accumulated amortization totaled approximately \$83,300 and \$166,700 at December 31, 1997 and 1998, respectively.

LONG-LIVED ASSETS

Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" requires that companies consider whether indicators of impairment of long-lived assets held for use are present. If such indicators are present, companies determine whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amount, and if so, companies recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value. Management periodically evaluates the ongoing value of property, equipment and intangibles and has determined that there were no indications of impairment for the years ended December 31, 1997 and 1998.

DEFERRED REVENUE

Deferred revenue represents the portion of revenue received where the revenue recognition process is incomplete.

DEFERRED LICENSE FEES

Deferred license fees represent amounts paid in advance to information providers. Such fees are deferred and expensed ratably over the terms of the subscription periods to match the recognition of the related revenue.

ADVERTISING

The Company expenses the costs of advertising as incurred. During 1997 and 1998, advertising expense was approximately \$38,400 and \$1,100, respectively.

USE OF ESTIMATES

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates and such differences could be material to the financial statements.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

INCOME TAXES

Income taxes have been provided in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes."

NEWLY ISSUED ACCOUNTING STANDARDS

In March 1998, the AICPA issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 establishes standards for reporting and presenting in a full set of general purpose financial statements the costs incurred in the development of internal-use computer software. Internal-use software is acquired, internally developed, or modified solely to meet the Company's internal needs without the intent to market externally. The Company adopted SOP 98-1 on January 1, 1999. The adoption of SOP 98-1 had no effect on the Company's financial condition or results of operations.

In December 1998, the AICPA issued SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, with Respect to Certain Transactions." SOP 98-9 requires recognition of revenue using the "residual method" in a multiple-element software arrangement when fair value does not exist for one or more of the delivered elements in the arrangement. Under the "residual method," the total fair value of the undelivered elements is deferred and recognized in accordance with SOP 97-2. The Company is required to implement SOP 98-9 for the year ending December 31, 2000. SOP 98-9 also extends the deferral of the application of SOP 97-2 to certain other multiple-element software arrangements through the year ending December 31, 1999. Management does not expect the adoption of SOP 98-9 to have a significant effect on the Company's financial condition or results of operations.

ALLOCATION OF CERTAIN EXPENSES

The Parent provides various administrative services to the Company including legal assistance, accounting, marketing and advertising services. The Parent allocated these expenses to the Company. The allocation policy applied by the Company is as follows: first on the basis of direct usage when identifiable, with the remainder allocated among the Parent's subsidiaries on the basis of their respective annual sales. In the opinion of management, this method of allocation is reasonable and is consistent with Securities and Exchange Commission Staff Accounting Bulletin No. 55, "Allocation of Expenses and Related Disclosure in Financial Statements of Subsidiaries, Divisions or Lesser Business Components of Another Entity". However, the allocation methodology utilized in preparing the financial statements of the Company may not necessarily reflect the results of operations, cash flows, or financial position of the Company in the future, or what the results of operations, cash flows or financial position would have been had the Company been a separate stand-alone entity. Management is unable to estimate what the administrative expenses would have been if the Company had been on a stand alone basis.

Due to parent company included in the balance sheets represents a net balance as the result of various transactions between the Company and the Parent. There are no terms of settlement or interest charges associated with the account balance. The balance is primarily the result of the Parent funding payroll, other operating, selling, general and administrative expenses of the Company and allocated expenses incurred by the Parent on behalf of the Company.

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

An analysis of transactions in the Due to Parent Company account are as follows:

	YEAR ENDED	
	1997	1998
Balance at beginning of year.....	\$2,699,041	\$3,826,679
Net cash remitted from Parent.....	876,244	161,584
Allocated expenses from the Parent.....	251,394	182,311
Balance at end of year.....	\$3,826,679	\$4,170,574
Average balance during the year.....	\$3,251,330	\$3,896,040

2. INCOME TAXES

For the tax periods presented, the Company filed income tax returns as part of a consolidated group. As a result, the current and deferred income tax amounts were allocated by applying SFAS No. 109 on a separate return basis.

Income tax benefit differs from the amount computed by applying the federal statutory rate of 34% to loss before income taxes as follows:

	DECEMBER 31,	
	1997	1998
Tax benefit at the statutory rate.....	\$(398,537)	\$(73,844)
State income taxes, net of federal benefit.....	(46,903)	(8,722)
Change in valuation allowance.....	445,440	82,566
Total.....	\$ --	\$ --

Deferred federal and state income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows:

	DECEMBER 31,	
	1997	1998
Deferred tax assets:		
Depreciation.....	\$ 18,670	\$ 17,357
Amortization.....	27,857	50,674
Allowance for doubtful accounts.....	3,302	1,921
Net operating loss carryforwards.....	950,264	1,014,245
Total deferred tax assets.....	1,000,093	1,084,197
Less: Valuation allowance.....	(999,946)	(1,082,512)
	147	1,685
Deferred tax liability:		
Prepaid assets.....	(147)	(1,685)
Net deferred tax asset.....	\$ --	\$ --

As of December 31, 1998 the Company had net operating loss carryforwards of \$2,699,065 expiring in years 2008 to 2019.

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The Company has established a valuation allowance for deferred tax assets at December 31, 1997 and 1998 due to the uncertainty of realizing these assets in the future. The valuation allowance increased \$82,566 during 1998.

3. LEASE COMMITMENTS

The Company leased office facilities under an operating lease that expired in February 1999. Subsequent to February 1999, the Company leases its office facilities on a month-to-month basis.

Total rent expense under all operating leases was approximately \$62,125 and \$64,466 for 1997 and 1998, respectively.

4. EMPLOYEE BENEFIT PLAN

Employees of the Company participate in the Parent's employee benefit plan.

The Parent has a defined-contribution employee benefit plan incorporating provisions of Section 401(k) of the Internal Revenue Code. Under the plan's provisions, a plan member may make contributions, on a tax deferred basis, not to exceed 15% of compensation. It is the Company's policy to match employer contributions at a rate of 25% of the first 4% contributed by the employee. The Company incurred expense on behalf of its participants which totaled approximately \$7,400 and \$8,200 in 1997 and 1998, respectively.

5. COMMITMENTS AND CONTINGENT LIABILITIES

The Company, along with three other SilverPlatter International, N.V. (Parent Company of SilverPlatter Information, Inc.) subsidiaries, has guaranteed repayment of indebtedness under promissory notes given by the Parent. The amount outstanding at December 31, 1998 under these promissory notes was \$1,704,928. The guarantee is to remain in full force and effect until the promissory notes are paid in full. The final payment of the promissory notes is for \$558,900 and is due on September 30, 1999.

The Company is a defendant in a legal proceeding in connection with copyright infringements with one of the Company's vendors. The parties are in settlement discussions and the plaintiffs are demanding \$38,000 to settle the case. In the opinion of management, the resolution of this proceeding will not have a material adverse effect on the Company's financial position or results of operations.

6. IMPACT OF YEAR 2000 (UNAUDITED)

Many computer systems in use today were designed and developed using two digits, rather than four, to specify the year. As a result, such systems will recognize the Year 2000 as "00" and may assume that the year is 1900 rather than 2000. This could cause many computer applications to fail completely or to create erroneous results unless corrective measures are taken. The Company recognizes the need to minimize the risk that its operations will be adversely affected by Year 2000 software failures and is in the process of preparing for the Year 2000.

The Parent has evaluated its Year 2000 risk in three separate categories: information technology systems ("IT"), non-IT Systems ("Non-IT") and material third party relationships. The Parent has developed a plan in which the risks in each of these categories are being reviewed and addressed by the appropriate level of management as follows:

IT. IT systems have been divided into three classification: database products, ERL and SPIRS products and internal systems. To date, 169 of the Parent and Company's database products will be ready by the end of 1999. The Parent has performed an analysis and made programming changes to

SILVERPLATTER EDUCATION, INC., A SUBSIDIARY OF
SILVERPLATTER INFORMATION, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

ensure Year 2000 compliance. All of the significant functionality of the Parent and Company's ERL and SPIRS products technology are Year 2000 compliant with the exception of minor or cosmetic problems which will be addressed in subsequent releases. Internal systems are currently 90% Year 2000 ready. The Company has internally-developed sales, accounts receivable and cash receipts software programs which are not Year 2000 compliant. The Company is in the process of modifying these programs to ensure Year 2000 compliance and expects that this process will be completed by October 31, 1999.

Non-IT. Non-IT systems involve embedded technologies, such as microcontrollers or microprocessors. Management believes the Company's Non-IT risks are minimal. Most of the costs of addressing Non-IT risks are included in normal upgrade and replacement expenditures which were planned outside of the Company's Year 2000 review.

Third Party Risk. To help the Company assess the level of Year 2000 exposure and the need for equipment replacement or upgrades, the Parent has contacted the manufacturers and/or installers of the various software products and systems used. The Parent and Company believe that with modifications to existing software, conversions to new software, and replacement or upgrade of equipment, the Year 2000 issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 issue could have a material impact on the operations of the Company.

The Parent and Company obtained written verification from each of its significant vendors in 1998 and 1999 and performed Year 2000 compliance testing on products distributed to each of its significant customers.

The Company and Parent believe that the Year 2000 issue is being appropriately addressed by its material vendors and does not expect the Year 2000 issue to have a material adverse effect on the financial position, results of operations or cash flows of the Company in future periods. The Parent's and Company's statements regarding Year 2000 issues are dependent on many factors, including the ability of the Company's vendors to achieve Year 2000 compliance and the proper functioning of the IT and non-IT systems and development of software, some of which are beyond the Company's control.

Given that no significant issues have arisen based on the assessments to date, the Company has not developed a contingency plan to address the failure of the Company's IT or non-IT systems or the systems of material third parties to be Year 2000 compliant. The Parent and the Company will continue to assess the Year 2000 compliance issue on an on-going basis in an effort to resolve any Year 2000 issue in a timely manner.

The Company has expensed less than \$10,000 of costs related to Year 2000 compliance and expects to incur less than \$10,000 of additional costs. These costs have been financed through the Parent.

As discussed in Note 7, on July 23, 1999, HealthStream, Inc. acquired selected assets of the Company. In connection with this transaction, the Company entered into a services agreement with the Parent to continue to provide certain accounting and information systems support until October 31, 1999. Currently, the Company is transitioning its accounting and information systems support to HealthStream, Inc.'s own Year 2000 compliant accounting software. This transition is expected to be complete before December 31, 1999.

7. SUBSEQUENT EVENT

On July 23, 1999, HealthStream, Inc. acquired certain assets and assumed certain liabilities of the Company for \$1 million.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
m3 The Healthcare Learning Company

We have audited the accompanying balance sheets of MultiMedia Marketing, Inc. d/b/a m3 The Healthcare Learning Company as of December 31, 1998 and 1999 and the related statements of operations, stockholders' deficit, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of m3 The Healthcare Learning Company as of December 31, 1998 and 1999 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ Lane Gorman Trubitt, L.L.P.

Dallas, Texas
January 14, 2000

M3 THE HEALTHCARE LEARNING COMPANY

BALANCE SHEETS

	DECEMBER 31,	
	1998	1999
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 182,333	\$ 208,450
Certificates of deposit.....	198,627	195,848
Accounts receivable -- less allowance for doubtful accounts of \$0 in 1998 and \$14,000 in 1999.....	1,911,751	911,765
Prepaid expenses.....	29,180	4,318
Total current assets.....	2,321,891	1,320,381
Property and equipment -- at cost		
Computer equipment.....	144,480	147,400
Furniture and fixtures.....	22,801	22,802
Capitalized software.....	9,245	9,245
	176,526	179,447
Less accumulated depreciation and amortization.....	(107,765)	(133,903)
	68,761	45,544
Other assets		
Software development costs, net of accumulated amortization.....	127,585	48,339
Debt issue costs and other intangible assets, net of accumulated amortization of \$6,471 in 1998 and \$11,303 in 1999.....	12,004	14,447
	139,589	62,786
	\$ 2,530,241	\$ 1,428,711
	=====	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable.....	\$ 35,694	\$ 60,162
Accrued expenses.....	363,469	273,222
Deferred revenue.....	2,377,034	1,276,505
Total current liabilities.....	2,776,197	1,609,889
Note payable -- long-term.....	727,904	1,164,708
Stockholders' deficit		
Common stock, \$.01 par value; 10,000,000 shares authorized; issued and outstanding 5,029,176 shares in 1998 and 5,263,740 shares in 1999.....	50,292	52,637
Additional paid-in capital.....	1,853,458	1,923,735
Additional paid-in capital -- warrants.....	34,000	36,250
Accumulated deficit.....	(2,911,610)	(3,358,508)
	(973,860)	(1,345,886)
	\$ 2,530,241	\$ 1,428,711
	=====	=====

The accompanying notes are an integral part of these statements.

M3 THE HEALTHCARE LEARNING COMPANY

STATEMENTS OF OPERATIONS

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
Net revenues.....	\$ 899,015	\$2,565,875	\$3,330,408
Costs and expenses			
Cost of revenues.....	101,896	439,061	237,620
General and administrative expenses.....	2,023,371	3,042,808	3,425,970
Total operating costs and expenses.....	2,125,267	3,481,869	3,663,590
Loss from operations.....	(1,226,252)	(915,994)	(333,182)
Other income (expense)			
Interest expense.....	(76,915)	(104,304)	(128,703)
Interest income.....	20,857	53,168	14,987
	(56,058)	(51,136)	(113,716)
Net loss.....	<u>\$ (1,282,310)</u>	<u>\$ (967,130)</u>	<u>\$ (446,898)</u>

The accompanying notes are an integral part of these statements.

M3 THE HEALTHCARE LEARNING COMPANY

STATEMENTS OF STOCKHOLDERS' DEFICIT

YEARS ENDED DECEMBER 31, 1997, 1998 AND 1999

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL		ACCUMULATED DEFICIT	TOTAL
	SHARES	AMOUNT	COMMON STOCK	WARRANTS		
Balance at January 1, 1997.....	4,562,509	\$45,625	\$1,208,125	\$ --	\$ (662,170)	\$ 591,580
Sale of common stock.....	66,667	667	149,333	--	--	150,000
Issuance of warrants to purchase common stock in connection with note payable agreement.....	--	--	--	34,000	--	34,000
Net loss.....	--	--	--	--	(1,282,310)	(1,282,310)
Balance at December 31, 1997.....	4,629,176	46,292	1,357,458	34,000	(1,944,480)	(506,730)
Sale of common stock.....	400,000	4,000	496,000	--	--	500,000
Net loss.....	--	--	--	--	(967,130)	(967,130)
Balance at December 31, 1998.....	5,029,176	50,292	1,853,458	34,000	(2,911,610)	(973,860)
Exercise of stock options...	150,000	1,500	13,500	--	--	15,000
Exercise of stock options...	84,564	845	--	--	--	845
Issuance of warrants to purchase common stock in connection with note payable agreement.....	--	--	--	2,250	--	2,250
Stock option compensation...	--	--	56,777	--	--	56,777
Net loss.....	--	--	--	--	(446,898)	(446,898)
Balance at December 31, 1999.....	5,263,740	\$52,637	\$1,923,735	\$36,250	\$(3,358,508)	\$(1,345,886)

The accompanying notes are an integral part of these statements.

M3 THE HEALTHCARE LEARNING COMPANY

STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	1997	1998	1999
Cash flows from operating activities			
Net loss.....	\$(1,282,310)	\$ (967,130)	\$ (446,898)
Adjustments to reconcile net loss to net cash used in operating activities			
Stock option compensation.....	--	--	56,777
Issuance of stock warrants.....	--	--	2,250
Depreciation.....	32,257	27,937	26,138
Amortization.....	60,892	87,119	91,107
Provision for losses on accounts receivable.....	43,798	111,627	51,001
Changes in assets and liabilities, net:			
Accounts receivable.....	(327,690)	(1,193,888)	948,985
Prepaid expenses.....	(51,615)	30,369	24,862
Accounts payable.....	65,330	(46,646)	24,468
Accrued expenses.....	(181,383)	191,099	(90,247)
Deferred revenue.....	1,167,523	1,027,968	(1,100,529)
Net cash used in operating activities.....	(473,198)	(731,545)	(412,086)
Cash flows from investing activities			
Purchase of certificates of deposit.....	--	(198,627)	(291,221)
Maturity of certificates of deposit.....	--	--	294,000
Software development costs and capitalized software...	(120,003)	(43,081)	--
Purchase of equipment.....	(12,414)	(28,318)	(2,921)
Net cash used in investing activities.....	(132,417)	(270,026)	(142)
Cash flows from financing activities			
Issuance of note payable.....	750,000	--	430,000
Debt issue costs.....	(18,500)	--	(7,500)
Sale of common stock.....	150,000	500,000	15,845
Net cash provided by financing activities.....	881,500	500,000	438,345
Net increase (decrease) in cash and cash equivalents....	275,885	(501,571)	26,117
Cash and cash equivalents at beginning of year.....	408,019	683,904	182,333
Cash and cash equivalents at end of year.....	\$ 683,904	\$ 182,333	\$ 208,450
Supplemental disclosures of cash flow information			
Cash paid during the year for interest.....	\$ 65,000	\$ 97,500	\$ 116,155

The accompanying notes are an integral part of these statements.

M3 THE HEALTHCARE LEARNING COMPANY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

BUSINESS ACTIVITY

m3 The Healthcare Learning Company (the "Company") provides interactive, multimedia education and training solutions to the healthcare industry. The Company serves clients across the entire healthcare continuum, including hospitals of all sizes, physician clinics, surgical centers, post-acute care facilities, MSOs, long-term care centers and public health departments. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

CASH EQUIVALENTS

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains its cash balances at a financial institution located in Dallas, Texas, which at times may exceed insured limits. Cash in excess of operating requirements is invested in an income producing money market mutual fund, which is not insured. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

CERTIFICATES OF DEPOSIT

The Company has two certificates of deposit with a financial institution with original maturities ranging from over three months to less than one year. These investments are stated at cost, as it is the intent of the Company to hold these securities until maturity.

ACCOUNTS RECEIVABLE

Accounts receivable consist of uncollateralized receivables from customers primarily in the healthcare industry. The Company routinely assesses the financial strength of its customers and believes it is not exposed to any significant credit risk.

PROPERTY AND EQUIPMENT

Depreciation and amortization is provided in amounts sufficient to relate the cost of assets to operations over their estimated service lives. Capitalized software consists of costs to purchase and develop software. Major additions and betterments are capitalized while replacements and maintenance and repairs that do not improve or extend the life of the respective assets are expensed. When property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Depreciation and amortization is provided using the double declining balance method over five to seven years. Depreciation and amortization expense charged to operations was \$32,257, \$27,937 and \$26,138 for the years ended December 31, 1997, 1998 and 1999, respectively.

DEBT ISSUE COSTS

Debt issue costs represent amounts incurred by the Company to enable it to enter into the loan agreement described in Note 3. Such amounts are amortized, on a straight-line basis, over 5 years, which is the term of the note. Amortization expense charged to operations was \$2,775, \$3,696 and \$4,832 for the years ended December 31, 1997, 1998 and 1999, respectively. Amortizing debt issue costs using the effective interest method would not result in a material difference in annual amortization.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

SOFTWARE DEVELOPMENT COSTS

Certain software development costs are capitalized upon the establishment of technological feasibility for each product or process and capitalization ceases when the product is available for general release to customers or is put into service. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life and changes in software and hardware technology. Research and development costs related to software development that has not reached technological feasibility are expensed as incurred and totaled \$34,838, \$250,723 and \$197,219 for the years ended December 31, 1997, 1998 and 1999, respectively. Software development costs are amortized utilizing the straight-line method over the estimated economic lives of the related products not to exceed three years. Amortization of capitalized software costs charged to operations totaled \$53,017, \$76,067 and \$79,247 for the years ended December 31, 1997, 1998 and 1999, respectively. Capitalized software development costs were \$127,585 and \$48,339 at December 31, 1998 and 1999, respectively, and net of accumulated amortization of \$296,604 and \$375,851 at December 31, 1998 and 1999, respectively.

REVENUE RECOGNITION

The Company recognizes revenue for the sale of software in accordance with Statement of Position (SOP) 97-2 "Software Revenue Recognition".

The Company records gross revenue for all sales to VHA organizations under an exclusive product agreement. Fees paid to VHA under this agreement are recorded as marketing expense.

DEFERRED REVENUE

Deferred revenue represents the portion of revenue for which the revenue recognition process is incomplete.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING COSTS

Advertising costs are charged to operations when incurred. Advertising expense totaled \$24,245, \$44,318 and \$5,301 for the years ended December 31, 1997, 1998 and 1999, respectively.

LONG-LIVED ASSETS

Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", requires that companies consider whether events or changes in circumstances may indicate that an impairment of long-lived assets held for use are present. If such indications are present, companies determine whether the sum of the estimated undiscounted future cash flows attributable to such assets is less than their carrying amount, and if so, companies recognize an impairment loss based on the excess of the carrying amount of the assets over their fair value. Management periodically evaluates the carrying value of its property and equipment and has determined that there were no indications of impairment as of December 31, 1998 and 1999.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

NEWLY ISSUED ACCOUNTING STANDARDS

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 establishes standards for reporting and presenting in a full set of general purpose financial statements the costs incurred in the development of internal-use computer software. Internal-use software is acquired, internally developed, or modified solely to meet the Company's internal needs without the intent to market externally. The adoption of SOP 98-1 had no material effect on the Company's financial condition or results of operations.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which is effective as amended for fiscal quarters of fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Management of the Company does not expect the adoption of SFAS No. 133 to have a material effect on the Company's financial statements.

In December 1998, the AICPA issued SOP 98-9, "Modification of SOP 97-2 Software Revenue Recognition, with Respect to Certain Transactions". SOP 98-9 requires recognition of revenue using the "residual method" in a multiple-element software arrangement when fair value does not exist for one or more of the delivered elements in the arrangement. Under the "residual method", the total fair value of the undelivered elements is deferred and recognized in accordance with SOP 97-2. The Company is required to implement SOP 98-9 for the year ending December 31, 2000. Adoption of SOP 98-9 is not expected to have a material effect on the Company's financial statements.

2. INCOME TAXES

Deferred tax assets and liabilities are determined based on the difference between financial statement and tax bases of assets and liabilities as measured by the currently enacted tax rates. Deferred tax expense or benefit is the result of the changes in deferred tax assets and liabilities.

Current deferred income taxes result from the differences between financial statement and tax return recognition of accrued expenses. Noncurrent deferred income tax results from the use of accelerated methods of depreciation for income tax purposes, and a net operating loss carryforward. If it is likely that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

The components of deferred taxes in the accompanying balance sheets are summarized below:

	1998	1999
	-----	-----
Deferred tax assets:		
Current.....	\$ 12,582	\$ 10,557
Noncurrent.....	847,374	1,084,090
	-----	-----
Valuation allowance.....	859,956	1,094,647
	(851,481)	(1,084,721)
	-----	-----
Net deferred tax assets.....	8,475	9,926
	-----	-----
Deferred tax liabilities:		
Current.....	--	--
Noncurrent.....	8,475	9,926
	-----	-----
	8,475	9,926
	-----	-----
	\$ --	\$ --
	=====	=====

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The net increase in the valuation allowance was \$ 421,570, \$ 268,005 and \$233,240 for the years ended December 31, 1997, 1998 and 1999, respectively. The Company has a net operating loss carryforward of approximately \$3,188,500 at December 31, 1999 of which \$379,400 will expire in 2010 and \$17,400 in 2011, and \$2,791,700 in 2019.

3. NOTE PAYABLE

On April 3, 1997, the Company issued a note payable to a finance company in the amount of \$750,000. On August 4, 1999, the note payable was amended to the amount of \$1,180,000. The note bears interest at 13%, and is collateralized by substantially all of the Company's assets. Monthly interest payments of \$12,783 are payable until April 30, 2002, at which time the outstanding principal balance, with all accrued interest is due. In connection with this transaction, the Company issued detachable stock warrants to the finance company and a portion of the proceeds has been allocated to these detachable stock warrants. See Note 10 for further discussion of these warrants.

The loan agreement contains various provisions and restrictions including payment of cash dividends; purchase of insurance coverages; payment of taxes and assessments; limitations on indebtedness, guarantees and transactions with affiliates; issuance of stock below fair value; and financial reporting covenants. In 1998, the Company obtained a waiver for the financial reporting covenant. In 1999, the Company obtained a waiver for the exercise of stock options at an exercise price below the current fair value of the common stock.

4. ACCRUED EXPENSES

Accrued expenses consist of the following:

	1998	1999
	-----	-----
Compensation.....	\$ 54,922	\$ 54,787
Marketing fees.....	131,478	--
Sales tax.....	106,628	146,952
Customer advances.....	30,730	30,730
Interest.....	6,815	10,309
Consulting fees.....	22,000	22,000
Other.....	10,896	8,444
	-----	-----
	\$363,469	\$273,222
	=====	=====

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

5. STOCK OPTIONS

The Company has a restricted stock option agreement and a performance-based agreement. Under the restricted stock option agreement, the exercise price of each option is greater than or equal to the fair market value of the Company's stock on the date of the grant and vest over a period of three years. Under the performance-based agreement, vesting is determined annually, contingent upon each year's revenue growth, earnings and employee performance, over the three year period. Vesting for the performance-based agreement is not cumulative.

The following schedule summarizes the changes:

	PERFORMANCE-BASED		RESTRICTED STOCK OPTION	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, January 1, 1997.....	--	\$ --	275,000	\$0.28
Granted.....	250,000	0.01	--	--
Exercised.....	--	--	--	--
Expired/forfeit.....	--	--	--	--
Outstanding, December 31, 1997.....	250,000	0.01	275,000	0.28
Granted.....	--	--	294,000	2.50
Exercised.....	--	--	--	--
Expired/forfeit.....	--	--	--	--
Outstanding, December 31, 1998.....	250,000	0.01	569,000	1.43
Granted.....	--	--	17,000	2.50
Exercised.....	(84,564)	0.01	(150,000)	0.10
Expired/forfeit.....	--	--	(113,000)	2.06
Outstanding, December 31, 1999.....	165,436	\$0.01	323,000	\$1.88

Options exercisable at December 31, 1997, 1998 and 1999 are as follows:

YEAR ENDING	PERFORMANCE-BASED	RESTRICTED STOCK OPTION
December 31, 1997.....	--	41,667
December 31, 1998.....	13,814	83,333
December 31, 1999.....	--	171,665

Following is a summary of the status of options:

YEAR ENDING	WEIGHTED AVERAGE REMAINING LIFE IN YEARS		WEIGHTED AVERAGE FOR VALUE OF OPTIONS GRANTED	
	PERFORMANCE-BASED	RESTRICTED STOCK OPTION	PERFORMANCE-BASED	RESTRICTED STOCK OPTION
December 31, 1997.....	2.25	2.00	\$0.81	\$0.81
December 31, 1998.....	1.25	2.80	0.81	0.81
December 31, 1999.....	0.25	2.45	0.81	0.81

100,000 of the Restricted Stock Options are exercisable at \$0.50 per share; the remaining 223,000 are exercisable at \$2.50 per share.

In connection with the performance based stock options, \$56,777 of compensation expense was recognized during the year ended December 31, 1999.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The Company recognizes and measures compensation costs related to stock options utilizing the intrinsic value-based method. Had compensation expense been determined on the fair value of awards granted, net loss would have been as follows:

	1997	1998	1999
	-----	-----	-----
Net loss as reported.....	\$(1,282,310)	\$(967,130)	\$(446,898)
Pro forma compensation expense, net of taxes (net of recorded compensation expense in 1999 of \$56,777).....	(6,441)	(11,100)	(40)
Pro forma net loss.....	\$(1,288,751)	\$(978,230)	\$(446,938)
	=====	=====	=====

The fair value of each option is estimated with the following assumptions used for grants: risk free interest rate 5.00%; expected life 3 years; divided yield 0%. The fair values may not be indicative of the future benefit, if any, that may be received by the option holder.

6. OPERATING LEASES

The Company conducts its operations from various leased facilities under long-term lease agreements, classified as operating leases, which expire at various dates through March 2003. In the normal course of business, operating leases are generally renewed or replaced by other leases. The Company also leases certain equipment under operating leases.

The following is a schedule of future minimum lease payments required by noncancellable operating leases with initial or remaining terms in excess of one year at December 31, 1999:

YEAR ENDING DECEMBER 31,	TOTAL
-----	-----
2000.....	\$38,840
2001.....	3,192
2002.....	3,192
2003.....	665
Thereafter.....	--

	\$45,889
	=====

Rent expense totaled \$35,461, \$110,275 and \$206,925 which consists of \$-0-, \$66,408 and \$145,195 paid to a related party and \$35,461, \$43,867 and \$61,730 of minimum rentals paid to non related parties for the years ended December 31, 1997, 1998 and 1999, respectively. Related party leases are for a term of one year or less.

7. EMPLOYEE BENEFIT PLAN

The Company sponsors a 401(k) plan to which both the Company and eligible employees may contribute. Company contributions are voluntary and at the discretion of the board of directors. Company contributions totaled \$20,013 for 1999. There were no Company contributions for 1997 and 1998.

8. PRODUCT AGREEMENT

In April 1997, the Company entered into an exclusive product agreement with VHA, Inc. ("VHA") whereby the Company has been selected by VHA to provide technology-delivered learning to VHA organizations. Under the terms of the agreement, the Company pays marketing fees to VHA of 20% of certain defined revenues, subject to certain exceptions and limitations. Marketing expense under this agreement totaled \$26,496, \$245,363 and \$44,135 for the years ended December 31, 1997, 1998 and 1999, respectively.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

9. MAJOR CUSTOMERS

A substantial portion of the Company's revenue is derived from three or fewer clients. During 1997, 1998 and 1999 revenues from these clients aggregated \$441,159, \$486,936 and \$402,846, respectively. At December 31, 1998 and 1999, amounts due from those clients included in accounts receivable were \$545,361 and \$223,892, respectively.

	1997	1998	1999
	-----	-----	-----
Fountain View.....	\$ 93,794	\$ --	\$ --
Integris Health.....	131,450	--	--
Marriot.....	215,915	264,250	--
Texas Eng Extension Service.....	--	222,686	402,846
	-----	-----	-----
	\$441,159	\$486,936	\$402,846
	=====	=====	=====
Marriot.....		\$225,500	\$ --
Texas Eng Extension Service.....		319,861	223,892
		-----	-----
		\$545,361	\$223,892
		=====	=====

10. WARRANT

In connection with the issuance of the note payable agreement described in Note 3, \$34,000 of the proceeds has been allocated to the detachable stock warrants. Upon surrender of a warrant, the holder is entitled to purchase one share of the Company's common stock for \$.01 per share. The Company grants to the holder the right to purchase 138,300 shares of the Company's common stock (the "Base Amount"), provided that in the event that any portion of the indebtedness evidenced by the note is outstanding, the Base Amount is increased 13,830 shares per annum, which amount may be accrued on a monthly basis beginning May 1, 1999 and ending on the date the note is paid in full but in any event no later than April 30, 2002. The warrant is exercisable at any time until April 20, 2002.

11. SUBSEQUENT EVENT (UNAUDITED)

In January 2000, the Company was acquired by HealthStream, Inc. for \$7.7 million.

"MEET THE MANAGEMENT" PRESENTATION FOR
HEALTHSTREAM

Prospective investors will be able to log on to a website maintained by E*OFFERING Corp. at www.eoffering.com, where a prospectus is available for review. Within designated sections of the prospectus, including the table of contents and the Underwriting Section of the prospectus, an embedded hyperlink (click here for "Meet the Management" Presentation) will provide exclusive access to the "Meet the Management" Presentation. This presentation highlights selected information contained elsewhere in the prospectus. This presentation does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the "Risk Factors" and our financial statements and notes to those financial statements, before making an investment decision.

VISUAL 1: DISCLAIMER

Imagery: Company logo.

Visual Text: The "Meet the Management" Presentation is part of our prospectus. This presentation highlights selected information contained elsewhere in this prospectus. This presentation does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the "Risk Factors" and our financial statements and notes to those financial statements, before making an investment decision.

Script: (Robert Frist) The "Meet the Management" Presentation is part of our prospectus. This presentation highlights selected information contained elsewhere in this prospectus. This presentation does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, including the "Risk Factors" and our financial statements and notes to those financial statements, before making an investment decision.

VISUAL 2: INTRODUCTION

Imagery: Border and Company logo. See description of artwork on the page titled Inside Front Cover of the Registration Statement for a description of the image located on the inside front cover of the prospectus.

Script: (Robert Frist) Welcome to the "Meet the Management" Presentation for HealthStream. I'm Robert Frist, Chairman and CEO. I would like to introduce Jeff McLaren, our President and Chief Product Officer, and Arthur Newman, our Chief Financial Officer. We would like to talk to you about HealthStream, a Web-based solution to meet the training and education needs of the healthcare industry.

VISUAL 3: MARKET OPPORTUNITY

Imagery: Border and Company logo. There is an arrow connecting the number of participants in the medical industry to the text highlighting the total amount of money spent annually on training and continuing education.

Visual Text: Title: Market Opportunity. Table: Allied healthcare professionals -- 5,000,000; Registered nurses -- 2,600,000; Non-clinical healthcare workers -- 2,400,000; Active physicians -- 600,000. Arrow points to a summary box containing the following text: Estimated over \$6.0 billion spent annually on ongoing training and continuing education.

Script: (Robert Frist) (see "Business -- Industry Background -- Continuing Education in the Healthcare Industry"): Healthcare services in the U.S. are delivered by over an estimated 5.0 million allied healthcare professionals, 2.6 million registered nurses, 2.4 million non-clinical healthcare workers and 600,000 active physicians. Regulations administered by various state and Federal agencies require ongoing training and continuing education for healthcare professionals and other healthcare workers. For example, physician and nursing licensing boards require up to 20 hours of continuing education per year. Other agencies, including the Occupational and Safety Health Administration, or OSHA, the Healthcare

Financing Administration, or HFCA, and the Joint Commission on Accreditation of Healthcare Organizations, or JCAHO require hospitals and other healthcare providers to provide employees with various types of workplace safety training. We estimate that the healthcare industry spends over \$6.0 billion annually on ongoing training and continuing education, including over \$3.0 billion on continuing education for allied healthcare professionals and for nurses and continuing medical education, or CME, for physicians.

VISUAL 4: MARKET CHARACTERISTICS AND ISSUES

Imagery: Border and Company logo. Three arrows on the left of the page pointing to the right.

Visual Text: Title: Market Characteristics and Issues. Subheading: "Limitations of existing healthcare training programs." To the right of the first arrow will appear the caption, "Inconvenient and costly to attend and may result in lost productivity." To the right of the second arrow will appear the caption, "Limited in terms of breadth of offering and timeliness and may be costly to produce on a per user basis." To the right of the third arrow will appear the caption, "Difficult to review and assess results, track employee compliance and respond to the effectiveness of programs."

Script: (Robert Frist) (see "Business -- Industry Background -- Continuing Education in the Healthcare Industry"): Historically, healthcare professionals have received continuing education and training through offline publications, such as medical journals and CD-ROMs, and by attending conferences and seminars. Although these existing approaches satisfy ongoing training and continuing education requirements, they are limited in the following ways: seminars and instructor-led training may be inconvenient and costly to attend and may result in lost productivity. In addition, ongoing training and continuing education courses offered locally may be limited in terms of breadth of offering and timeliness and may be costly to produce on a per user basis. Furthermore, administrators find it difficult to review and assess results, track employee compliance with certification requirements and respond to the effectiveness of education and training programs. The inefficiencies inherent in traditional methods of providing ongoing training and continuing education, combined with the time constraints and the increased cost pressures in the healthcare industry, have prompted healthcare professionals and organizations to improve information exchange and consider alternative training methodologies.

VISUAL 5: HEALTHSTREAM SOLUTION

Imagery: Border and Company logo. See description of artwork on the page titled Color Foldout of the Registration Statement for a description of the image located on the inside front cover of the prospectus.

Script: (Robert Frist) (see "Summary," "Business -- Industry Background -- Convergence of the Internet and Online Healthcare Education Services" and "-- The HealthStream Solution"): We believe the healthcare ongoing training and continuing education market is particularly well-suited for business-to-business e-commerce and online services. We bring authors and publishers of training and continuing education content together with end users through our Web-based distribution network. We will expand our distribution of courses and services to include two methods. The first method provides Internet access to our courses and education management software on a transactional basis over the Internet on an application services provider, or ASP, basis. Under the second method, we deliver our courses through strategic distribution partners, which we refer to as our Web distribution network. This network currently consists of over 30 distribution partners, including Healthon/WebMD, MedicaLogic, GE Medical Systems, Pointshare, Medsite.com, HealthGate and ChannelHealth (an IDX company).

VISUAL 6: HEALTHSTREAM SOLUTION

Imagery: Border and Company logo. See description of artwork on the page titled Color Foldout of the Registration Statement for a description of the image located on the inside front cover of the prospectus.

Visual Text: Title: HealthStream Solution. Subheading: "Distribution through ASP Model."

Script: (Robert Frist) (see "Business -- HealthStream Services -- Services Distributed Through ASP Model"): Healthcare organizations are responsible for providing both government mandated and internally required training to their employees. We are developing our ASP model to enable these healthcare organizations to provide, assess and manage this training process. Under our ASP model, our online systems are hosted in a central data center that provides administrative access to our customers through Web-based reporting and management tools, rather than through software that is installed and maintained at the customer's site. We will bill our customers on a per transaction and/or subscription fee basis, enabling them to treat their investment in online continuing education and training as an operating expense rather than a capital expense. We anticipate that eliminating the need for a capital outlay may shorten the sales cycle to these customers. In addition, our hosted ASP service is scalable to enable healthcare organizations to monitor and administer the continuing education and training needs of large and geographically dispersed employee bases.

VISUAL 7: HEALTHSTREAM SOLUTION

Imagery: Border and Company logo. See description of artwork on the page titled Color Foldout of the Registration Statement for a description of the image located on the inside front cover of the prospectus.

Visual Text: Title: HealthStream Solution. Subheading: "Distribution through Web Network."

Script: (Robert Frist) (see "Business -- HealthStream Services -- Services Provided through Web Distribution Network" and "-- The HealthStream Solution"): Most healthcare professionals are responsible for meeting their own continuing education requirements. We enable these healthcare professionals to meet their continuing education requirements by obtaining credit through use of our online courseware. We deliver our online courseware to healthcare professionals through multiple, co-marketed Web sites offered in partnerships with health Web sites, academic and medical institutions, pharmaceutical and equipment manufacturers and healthcare providers. For instance, we have entered into a five-year agreement with Healtheon/WebMD to be the exclusive provider of education and training for healthcare organizations, healthcare professionals and healthcare workers on Web sites owned and operated by Healtheon/WebMD. Healthcare professionals and other healthcare workers can sign up to become registered users of our service after accessing our log-in screen at our or any one of our distribution partners' Web sites. Each of these Web sites is based upon our standard template but is customized to match the look and feel of the Web site of the referring distribution partner. We believe our services will provide an online training and continuing education solution for healthcare organizations, end users, distribution partners and content partners.

VISUAL 8: HEALTHSTREAM VALUE PROPOSITION

Imagery: Border and Company logo. Three arrows on the left of the page pointing to the right.

Visual Text: Title: HealthStream Value Proposition. Subheading: "Value to Healthcare Organizations." To the right of the first arrow will appear the caption, "Access to high quality content on a cost-effective basis." To the right of the second arrow will appear the caption, "Allows organizations to contribute to and enhance the content provided." To the right of the third arrow will appear the caption, "Provides the ability to track compliance and measure the effectiveness and results of training."

Script: (Robert Frist) (see "Business -- The HealthStream Solution -- Value to Healthcare Organizations"): We offer healthcare organizations the ability to provide access to high quality content on a cost-effective basis for the ongoing training and continuing education needs of their employees. Our services allow these organizations to contribute to and enhance the content provided through our services and to configure training to meet the specific needs of different groups of employees. In addition, we provide administrators of these organizations the ability to track compliance with certification requirements and measure the effectiveness and results of training.

VISUAL 9: HEALTHSTREAM VALUE PROPOSITION

Imagery: Border and Company logo. Three arrows on the left of the page pointing to the right.

Visual Text: Title: HealthStream Solution. Subheading: "Value to End Users." To the right of the first arrow will appear the caption, "Comprehensive training and continuing education offerings." To the

right of the second arrow will appear the caption, "Cost-effective training and continuing education." To the right of the third arrow will appear the caption, "Convenient access and compelling user experience."

Script: (Robert Frist) (see "Summary -- Our Business" and "Business -- Overview" and "Business -- The HealthStream Solution -- Value to End Users"): We believe we provide one of the largest online libraries of ongoing training and continuing education content covering a range of medical specialties. Through strategic relationships with medical institutions and commercial organizations, we have amassed over 3,000 hours of training and education courses and currently distribute over 1,300 hours of these courses online. Our content comes from a broad range of leading medical education institutions, commercial providers and professional groups such as Vanderbilt University Medical Center, Duke University Medical Center, The Cleveland Clinic Foundation, Scripps Clinic, KnowledgeLinc and American Health Consultants. Moreover, by eliminating the need for travel and expensive in-house programs, we estimate that we can significantly reduce the cost of ongoing training and continuing education. Our end users pay for our services on a per transaction and/or subscription basis, eliminating the need for substantial up-front expenditures. Our online services also allow our end users the freedom to utilize our services when it is convenient for them.

VISUAL 10: HEALTHSTREAM VALUE PROPOSITION

Imagery: Border and Company logo. Three arrows on the left of the page pointing to the right.

Visual Text: Title: HealthStream Value Proposition. Subheading: "Value to Network Distribution Partners." To the right of the first arrow will appear the caption, "Comprehensive training and continuing education solution." To the right of the second arrow will appear the caption, "Premier continuing education healthcare content." To the right of the third arrow will appear the caption, "Recurring traffic opportunity."

Script: (Robert Frist) (see "Business -- Overview" and "Business -- The HealthStream Solution -- Value to Network Distribution Partners"): We offer our network distribution partners an online training and continuing education solution that includes one of the largest libraries of courseware. Most of our distribution partners provide online access to continuing education as an ancillary service to their core businesses. To drive traffic to their Web sites, our network distribution partners want to provide their online users with a compelling ongoing training and continuing education experience. Our solution delivers these services to our network distribution partners. Additionally, we offer our network distribution partners access to content from premier healthcare organizations through our established relationships with medical education and professional institutions and commercial publishers. We believe we will also offer our network distribution partners a predictable source of online traffic due to the recurring nature of regulated training and continuing education requirements. In addition, we believe visits by online users accessing our service through one of our distribution partners' Web sites should be substantially longer than a typical online experience due to the nature of our product offering. This recurring and "sticky" base of traffic will complement the other services provided by our distribution partners.

VISUAL 11: HEALTHSTREAM VALUE PROPOSITION

Imagery: Border and Company logo. Three arrows on the left of the page pointing to the right.

Visual Text: Title: HealthStream Solution. Subheading: "Value to Content Partners." To the right of the first arrow will appear the caption, "Compelling Web distribution network." To the right of the second arrow will appear the caption, "Comprehensive outsourcing solution." To the right of the third arrow will appear the caption, "Significant expertise in content conversion."

Script: (Robert Frist) (see "Business -- The HealthStream Solution -- Value to Content Partners"): We believe we currently offer our content partners one of the largest Web networks for the distribution of training and education for the healthcare community. Through our Web distribution network, our content partners can realize new product sales by targeting a broader audience than they could on their own. We enable our content partners to focus on their core competency of producing and authoring content and to

reallocate resources that may have used to develop their own delivery systems and distribution partnerships. We also offer publishers and authors of training and continuing education content our experience in producing online materials for the healthcare industry. We provide customers with a complete set of proprietary tools which enables them to quickly and inexpensively develop online courseware.

VISUAL 12: HEALTHSTREAM STRATEGY

Imagery: Border and Company logo. HealthStream logo in center of page with five circles filled with text headings connected to the logo as spokes.

Visual Text: Title: HealthStream Strategy. The following text would be inserted into the surrounding five circles:

- Provide healthcare organizations with Web-based access to our courses and education management software on an ASP basis
- Expand and enhance our online training and education library
- Increase the number of partners in our Web distribution network
- Expand our sales and marketing efforts
- Generate additional revenue opportunities

Script: (Robert Frist) (see "Summary -- Our Growth Strategy"): Our objective is to be the leading provider of Web-based training and education solutions for the healthcare industry. The following are the key elements of our growth strategy: First, provide healthcare organizations with Web-based access to our courses and education management software on an ASP basis. Second, expand and enhance our online training and education library. Third, increase the number of partners in our Web distribution network. Fourth, expand our sales and marketing efforts that target healthcare organizations, healthcare professionals and potential content and distribution partners. And lastly, generate additional revenue opportunities by aggregating the performance data collected by our system and offering sponsorship products based on the attractive demographics of our end users.

Now I would like to turn it over to Jeff McLaren, our President and Chief Product Officer, to talk about our products and services.

VISUAL 13: SERVICES

Imagery: Border and Company logo. Company logo with two rectangular boxes below labeled with the headings, "Services Distributed through ASP Model" and "Services Provided through Web Distribution Network"

Visual Text: Title: Services. Each rectangle will include captions listing the following services:

SERVICES DISTRIBUTED THROUGH ASP MODEL	SERVICES PROVIDED THROUGH WEB DISTRIBUTION NETWORK
- - Administrative and management tools	- Online courseware
- - Online courseware	- Webcast events
- - Content conversion and development	- Search engine

Script: (Jeff McLaren) (see "Business -- HealthStream Services"): Thanks, Robert. We provide our Web-based ongoing training and continuing education services to healthcare organizations through our ASP model and individual healthcare professionals through our Web distribution network. Our services for healthcare organizations include: administrative and management tools, online courseware and content conversion and development. Our administrative and management tools will be used by human resources, training and management personnel to manage curriculum and employee population training performance data. The courseware we provide under our ASP model will primarily focus on mandated training content.

Many healthcare organizations provide their employees with organization-specific training. We have full-service capabilities to convert existing course materials to a Web-enabled format or develop custom courseware for these healthcare organizations.

Our services for healthcare professionals include: online courseware, Webcast events, and a search engine. The online courseware available through our network of co-branded web sites and our web site is targeted to healthcare professionals and includes primarily accredited continuing education content. We also offer both live and pre-recorded Webcasts of medical procedures, the viewing of which may be credited toward continuing education requirements. Additionally, through our acquisition of KnowledgeReview we acquired a search engine and several associated domain names through which we offer a method for physicians and other healthcare professionals to search for both online and traditional continuing education products. In addition, we plan to offer products and services that complement our online continuing education and training courses and link sales of our courseware to related books, videotapes, audio tapes, and other educational and reference products produced by our content partners. Back to you Robert.

VISUAL 14: STRATEGIC RELATIONSHIPS AND ACQUISITIONS

Imagery: Border and Company logo. Four arrows on the left of the page pointing to the right.

Visual Text: Title: Strategic Relationships and Acquisitions. Subheading: "Services Distributed through ASP Model." To the right of the first arrow will appear the caption, "m3 the Healthcare Learning Company." To the right of the second arrow will appear the caption, "EMInet." To the right of the third arrow will appear the caption, "Quick Study." To the right of the fourth arrow will appear the caption, "Columbia/HCA Healthcare Corporation."

Script: (Robert Frist) (see "Business--Strategic Relationships and Acquisitions -- Services Distributed through ASP Model"): Thanks, Jeff. In January 2000, we acquired m3 the Healthcare Learning Company which provides us with an established client base of over 450 hospitals and the opportunity to convert these hospitals to our ASP model. In January 2000, we also acquired EMInet, a provider of online continuing education to emergency medical services personnel. This acquisition expands the content offering of our online library and customer base for our services. Additionally, in January 2000, we acquired Quick Study, a provider of over 60 hours of nursing and OSHA content, which we have added to our online library and will deliver to healthcare organizations through our ASP model. In February 2000, we entered into a four-year Online Education Services Provider Agreement pursuant to which we will provide Columbia/HCA with online training and education services and courseware for its doctors, nurses and staff on an ASP basis.

VISUAL 15: STRATEGIC RELATIONSHIPS AND ACQUISITIONS

Imagery: Border and Company logo. Two vertical rectangles with the titles "Content" and "Distribution."

Visual Text: Title: Strategic Relationships and Acquisitions. Subhead: Services Provided Through Web Distribution Network. Each rectangle will include captions listing the following names of the Company's strategic relationships and acquisitions:

CONTENT

- - SilverPlatter Education
 - - Scripps Clinic
 - - Duke University Medical Center
 - - American Health Consultants
 - - Vanderbilt University Medical Center
 - - The Cleveland Clinic Foundation
 - - Challenger Corporation
 - - e-Vitro

DISTRIBUTION

- cmesearch.com
 - Healthon/WebMD
 - MedicalLogic
 - State Medical Associations
 - HealthGate
 - ChannelHealth (an IDX Company)
 - Pointshare
 - GE Medical Systems
 - Medsite.com

Script: (Robert Frist) (see "Business -- Strategic Relationships"): We have entered into strategic relationships with several content partners and 30 distribution partners and continue to aggressively pursue additional strategic relationships. We believe that these strategic relationships along with the acquisition of complementary businesses will enable us to increase our course offerings, expand our product distribution and expand our brand awareness. In addition, our recent acquisitions have expanded our course offerings and provided us with experienced sales personnel. In July 1999, we acquired SilverPlatter Education, a provider of over 100 hours of continuing medical education programs to physicians on CD-ROM and via the Internet. In January 2000, we acquired KnowledgeReview which operates cmesearch.com, a healthcare education search engine which allows physicians and other healthcare professionals to search for online and traditional continuing education. cmesearch.com currently provides listings and information on over 2,000 courses and seminars. Selected content partners include: SilverPlatter Education, Scripps Clinic, Duke University Medical Center, American Health Consultants, Vanderbilt University Medical Center, The Cleveland Clinic Foundation, Challenger Corporation and e-Vitro. Selected distribution partners include: cmesearch.com., Healthon/WebMD, MedicaLogic, State Medical Associations, HealthGate, ChannelHealth (an IDX Company), Pointshare, GE Medical Systems and Medsite.com.

VISUAL 16: COMPETITION

Imagery: Border and Company logo. Eight arrows on the left of the page pointing to the right.

Visual Text: Title: Competition. Subheading "Potential competitors fall into the following categories:" To the right of the first arrow will appear the caption, "Other online training and continuing education providers." To the right of the second arrow will appear the caption, "Web sites targeting medical professionals." To the right of the third arrow will appear the caption, "Traditional medical publishers and continuing education providers." To the right of the fourth arrow will appear the caption, "Academic medical centers." To the right of the fifth arrow will appear the caption, "Software developers that bundle their training systems." To the right of the sixth arrow will appear the caption, "Professional membership organizations." To the right of the seventh arrow will appear the caption, "Companies that market general-purpose computer-managed instruction systems." To the right of the eighth arrow will appear the caption, "Interactive media development companies."

Script: (Robert Frist) (see "Business -- Competition"): The market for the provision of online training and continuing education to the healthcare industry is new and rapidly evolving. We face competitive pressures from numerous actual and potential competitors, including: Other online training and continuing education providers, Web sites targeting medical professionals that currently offer or may develop their own continuing education content in the future; traditional medical publishers and continuing education providers; academic medical centers; software developers that bundle their training systems with industry training content; professional membership organizations; companies that market general-purpose computer-managed instruction systems into the healthcare industry; and, interactive media development companies focused on the healthcare industry.

And with that, I will turn it over to Arthur Newman for an overview of our financial results. Arthur . . .

VISUAL 17: FINANCIAL SUMMARY

Imagery: Border and Company logo. Selected Financial Data.

Visual Text: Title: Financial Summary. "Selected Financial Data" table.

Script: (Arthur Newman) (See "Management's Discussion and Analysis of Financial Condition -- Overview," "-- Results of Operations" and "-- Year Ended December 31, 1998 Compared to Year Ended December 31, 1999"): Thanks, Robert. Revenues currently consist primarily of sales of multimedia development services for training modules and promotional materials for the healthcare industry. Revenues also including licensing fees and royalties from product sales of proprietary training software to healthcare companies as well as transaction fees from sales of continuing education credit from content delivered over

the Internet. We expect that revenues in future periods will be increasingly derived from online services to healthcare organizations and healthcare professionals.

Revenues increased \$852,000 or 49.6% from approximately \$1.7 million for the year ended December 31, 1998 to approximately \$2.6 million for the year ended December 31, 1999. The increase in revenues was due to increased sales and marketing of our T.NAV product and multimedia development services as well as increased development and content production services.

Cost of revenues increased approximately \$1.0 million or 100.4% from approximately \$1.0 million for the year ended December 31, 1998 to approximately \$2.1 million for the year ended December 31, 1999. The increase was primarily attributable to increased volume of business, including approximately \$800,000 of increases in salaries, labor and related benefits.

Product development expenses increased approximately \$1.6 million, or 359.5%, from \$443,000 for the year ended December 31, 1998 to approximately \$2.0 million for the year ended December 31, 1999. As a percentage of revenues, product development expenses increased from 25.8% for the year ended December 31, 1998 to 79.3% for the year ended December 31, 1999. The increase as a percentage of revenues was due to significant upfront product development expenses incurred to implement our online services, including salaries and employee benefits associated with increased content conversion and development and royalties due to content and distribution partners. We anticipate significant additional product development expenses in future periods due to salaries and employee benefits associated with increased content conversion.

Selling, general and administrative expenses increased approximately \$1.5 million, or 101.2%, from approximately \$1.5 million for the year ended December 31, 1998 to approximately \$3.0 million for the year ended December 31, 1999. The increase was primarily due to increased personnel and related benefits costs of approximately \$500,000 associated with new employees, an increase of approximately \$228,000 in advertising, promotional and marketing expenditures, an increase of approximately \$131,000 in professional service fees, an increase of \$213,000 related to amortization of intangible assets, an increase of approximately \$168,000 in travel expenses and facility and depreciation expenses of approximately \$96,000.

Other expense decreased \$122,000 or 36.9% from \$331,000 for the year ended December 31, 1998 to \$209,000 for the year ended December 31, 1999.

Net loss increased approximately \$2.9 million, or 180.4%, from approximately \$1.6 million for the year ended December 31, 1998 to approximately \$4.5 million for the year ended December 31, 1999 due to the factors described above.

Robert . . .

VISUAL 18: END OF PRESENTATION

Imagery: Border and company logo. See description of artwork on the page titled Inside Front Cover of the Registration Statement for a description of the image located on the inside front cover of the prospectus.

Script: (Robert Frist): We hope that this presentation was helpful in understanding the business model of HealthStream and the strategy that our management team intends to execute. We encourage you to refer back to the prospectus for additional support and disclosure as well as to take a look at the "Risk Factors" in detail. Again, thank you for your interest in HealthStream.

(HEALTHSTREAM LOGO)

[I]

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES, AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED MARCH 30, 2000

(HEALTHSTREAM LOGO)

5,000,000 SHARES

COMMON STOCK

We are offering 5,000,000 shares of our common stock. This is our initial public offering and no public market currently exists for our shares. Our common stock has been approved for listing on the Nasdaq National Market under the symbol "HSTM." We anticipate that the initial public offering price will be between \$11.00 and \$13.00 per share.

 INVESTING IN OUR COMMON STOCK INVOLVES RISKS.
 SEE "RISK FACTORS" BEGINNING ON PAGE 5.

	PER SHARE	TOTAL
	-----	-----
Public offering price.....	\$	\$
Underwriting discounts and commissions.....	\$	\$
Proceeds to HealthStream, Inc.....	\$	\$

THE SECURITIES AND EXCHANGE COMMISSION AND STATE SECURITIES REGULATORS HAVE NOT APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

We have granted the underwriters a 30-day option to purchase up to an additional 750,000 shares of common stock to cover over-allotments.

ROBERTSON STEPHENS INTERNATIONAL

CIBC WORLD MARKETS

THE DATE OF THIS PROSPECTUS IS

J.C. BRADFORD & CO.
 , 2000.

[I]

UNDERWRITING

The underwriters named below, acting through their representatives, FleetBoston Robertson Stephens Inc., CIBC World Markets Corp., J.C. Bradford & Co. and E*OFFERING Corp., have severally agreed with us, subject to the terms and conditions of the underwriting agreement, to purchase from us the number of shares of common stock set forth below opposite their respective names. The underwriters are committed to purchase and pay for all shares if any are purchased.

U.S. UNDERWRITERS -----	NUMBER OF SHARES -----
FleetBoston Robertson Stephens Inc.....	
CIBC World Markets Corp.....	
J.C. Bradford & Co.....	
E*OFFERING Corp.....	
INTERNATIONAL UNDERWRITERS -----	
FleetBoston Robertson Stephens International Limited.....	
CIBC World Markets Inc.....	
J.C. Bradford & Co.....	
Total.....	5,000,000 =====

The representatives have advised us that the underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of \$ per share, of which \$ may be reallocated to other dealers. After this offering, the public offering price, concession and reallocation to dealers may be reduced by the representatives. No such reduction shall change the amount of the proceeds to be received by us as set forth on the cover page of this prospectus. The common stock is offered by the underwriters as stated in this document, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part.

Prior to this offering, there has been no public market for the common stock. Consequently, the public offering price for the common stock offered by this prospectus will be determined through negotiations among the representatives and us. Among the factors considered in those negotiations will be prevailing market conditions, certain of our financial information, market valuations of other companies that we and the representatives believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

The underwriters have advised us that they do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

OVER-ALLOTMENT OPTION

We have granted to the underwriters an option, exercisable during the 30-day period after the date of this prospectus, to purchase up to 750,000 additional shares of common stock to cover over-allotments, if any, at the public offering price less the underwriting discount set forth on the cover page of this prospectus. If the underwriters exercise their over-allotment option to purchase any of the additional 750,000 shares of common stock, the underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage as the number of shares to be purchased by each of them bears to the total number of shares of common stock offered in this offering. If purchased, these additional shares will be sold by the underwriters on the same terms as those on which the shares offered in this offering are being sold. We will be obligated, by the over-allotment option, to sell shares to the underwriters to the extent the over-allotment option is exercised. The underwriters may exercise the over-allotment option only to cover over-allotments made in connection with the sale of the shares of common stock offered in this offering.

The following table summarizes the compensation to be paid by us:

	PER SHARE	TOTAL	
		WITHOUT OVER-ALLOTMENT	WITH OVER-ALLOTMENT
Underwriting discounts and commissions paid by us.....	\$	\$	\$
Expenses payable by us.....	\$	\$	\$

INDEMNITY

The underwriting agreement contains covenants of indemnity among the underwriters and us against civil liabilities, including liabilities under the Securities Act, and liabilities arising from breaches of representations and warranties contained in the underwriting agreement.

LOCK-UP AGREEMENTS

Each of our executive officers, directors and our more than one-percent shareholders will agree, for 180 days after the date of this prospectus, subject to specified exceptions, not to offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to any shares of common stock owned as of the date of this prospectus or acquired after the date of this prospectus directly by those holders or with respect to which they have the power of disposition, without the prior written consent of FleetBoston Robertson Stephens Inc. These lock-up agreements will also cover any options or warrants to purchase any shares of common stock, or any securities convertible into or exchangeable for shares of common stock owned by those holders. However, FleetBoston Robertson Stephens Inc. may, in its sole discretion and at any time or from time to time, without notice, release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the representatives and any of our shareholders who will execute a lock-up agreement providing consent to the sale of shares prior to the expiration of the lock-up period.

In addition, we will agree that during the lock-up period we will not, without the prior written consent of FleetBoston Robertson Stephens Inc., subject to some exceptions, consent to the disposition of any shares held by shareholders subject to lock-up agreements prior to the expiration of the lock-up period, or issue, sell, contract to sell, or otherwise dispose of, any shares of common stock, any options or warrants to purchase any shares of common stock or any securities convertible into, exercisable for or exchangeable for shares of common stock other than our sale of shares in this offering, the issuance of our common stock upon the exercise of outstanding options or warrants, and the issuance of options under existing stock option and incentive plans provided that those options do not vest prior to the expiration of the lock-up period. See "Shares Eligible for Future Sale."

LISTING

Our common stock has been approved for listing on the Nasdaq National Market under the symbol "HSTM."

STABILIZATION

The representatives have advised us that, pursuant to Regulation M under the Securities Act of 1933, some persons participating in the offering may engage in transactions, including stabilizing bids, syndicate covering transactions or the imposition of penalty bids, that may have the effect of stabilizing or maintaining the market price of the shares of common stock at a level above that which might otherwise prevail in the open market. A "stabilizing bid" is a bid for or the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A "syndicate covering transaction" is the bid for or purchase of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. A "penalty bid" is an arrangement permitting the representatives to reclaim the selling concession otherwise accruing to an

underwriter or syndicate member in connection with the offering if the common stock originally sold by that underwriter or syndicate member is purchased by the representatives in a syndicate covering transaction and has therefore not been effectively placed by the underwriter or syndicate member. The representatives have advised us that these transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

E*OFFERING Corp. is the exclusive Internet underwriter for this offering. E*OFFERING Corp. has agreed to allocate a portion of the shares that it purchases to E*TRADE Securities, Inc. E*OFFERING Corp. and E*TRADE Securities Inc. will allocate shares to their respective customers in accordance with usual and customary industry practices. A prospectus in electronic format, from which you can link to a "Meet the Management" Presentation through an embedded hyperlink, (click here for "Meet the Management" Presentation), is being made available on the Web site maintained by E*OFFERING Corp., www.eoffering.com. The "Meet the Management" presentation, including the accompanying slides included in the appendix, is part of this prospectus.

Healthon/WebMD has agreed to purchase directly from us an estimated 833,334 shares of our common stock in a separate private sale that will close concurrently with this offering. The price of these shares will be equal to the initial public offering price per share in this offering.

We have requested that the underwriters reserve up to 250,000 shares of common stock to be offered at the initial public offering price to our employees, friends and family of employees and others. The number of shares of common stock available for sale to the general public will be reduced to the extent these individuals purchase the reserved shares. Any reserved shares which are not purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus.

J.C. Bradford & Co., one of the underwriters, acted as our financial advisor in connection with the issuance of our series B preferred stock in April, May and August 1999. J.C. Bradford & Co. received customary fees and expenses in connection with these private placements paid in the form of our series B preferred stock. The shares of common stock into which these shares of series B preferred stock are convertible will be subject to a lock-up agreement for one year from the date of this prospectus. Including the shares received by J.C. Bradford & Co. as payment for its acting as our financial advisor, J.C. Bradford & Co. and affiliates of J.C. Bradford & Co. collectively own shares of our preferred stock representing 435,641 shares of our common stock on an as converted basis. J.C. Bradford & Co. and certain of the other underwriters may act as an underwriter, placement agent or financial advisor in our future financing activities.

Neither members of the National Association of Securities Dealers, Inc. that are acting as underwriters in connection with this offering, nor associated or affiliated persons of such NASD members, will receive 10% or more of the net proceeds of this offering in the aggregate.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than the underwriting discount payable by us in connection with the sale of the common stock being registered. All amounts are estimates except the SEC registration fee and the NASD filing fee. Of these estimated expenses, approximately \$295,000 were paid prior to the offering.

	AMOUNT TO BE PAID -----
SEC registration fee.....	\$ 20,539
NASD filing fee.....	7,975
Nasdaq National Market listing fee.....	5,000
Printing and engraving fees and expenses.....	200,000
Legal fees and expenses.....	275,000
Accounting fees and expenses.....	250,000
Blue sky fees and expenses (including legal fees).....	5,000
Transfer agent fees.....	5,000
Miscellaneous.....	31,486

Total.....	\$800,000 =====

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under the Tennessee Business Corporation Act, there is no specific provision either expressly permitting or prohibiting a corporation from limiting the liability of its directors for monetary damages. Our charter provides that, to the fullest extent permitted by the TBCA, a director will not be liable to the corporation or its shareholders for monetary damages for breach of his or her fiduciary duty as a director.

The TBCA provides that a corporation may indemnify any director or officer against liability incurred in connection with a proceeding if the director or officer acted in good faith or reasonably believed, in the case of conduct in his or her official capacity with the corporation, that the conduct was in the corporation's best interest. In all other civil cases, a corporation may indemnify a director or officer who reasonably believed that his or her conduct was not opposed to the best interest of the corporation. In connection with any criminal proceeding, a corporation may indemnify any director or officer who had no reasonable cause to believe that his or her conduct was unlawful.

In actions brought by or in the right of the corporation, however, the TBCA does not allow indemnification if the director or officer is adjudged to be liable to the corporation. Similarly, the TBCA prohibits indemnification in connection with any proceeding charging improper personal benefit to a director or officer if the director or officer is adjudged liable because a personal benefit was improperly received.

In cases when the director or officer is wholly successful, on the merits or otherwise, in the defense of any proceeding instigated because of his or her status as a director or officer of a corporation, the TBCA mandates that the corporation indemnify the director or officer against reasonable expenses incurred in the proceeding. Notwithstanding the foregoing, the TBCA provides that a court may order a corporation to indemnify a director or officer for reasonable expense if, in consideration of all relevant circumstances, the court determines that the individual is fairly and reasonably entitled to indemnification, whether or not the standard of conduct set forth above was met.

Our bylaws provide that we will indemnify and advance expenses to our directors and officers to the fullest extent permitted by the TBCA. We also maintain insurance to protect any director or officer against any liability and will enter into indemnification agreements with each of our directors.

At present, there is no pending litigation or proceeding involving any director, officer, employee or agent as to which indemnification will be required or permitted under our charter. We are not aware of any threatened litigation or proceeding that may result in a claim for indemnification.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

The Registrant has sold and issued the following unregistered securities since January 1, 1997:

- In October and November 1998 and January and February 1999, an aggregate of 76,000 shares of our series A preferred stock were issued to raise capital, only to accredited investors in private placements under Rule 506 of the Securities Act at \$10.00 per share for total consideration of \$760,000;
- On April 21, 1999, 428,239 shares of our common stock were issued to Robert A. Frist, Jr. upon conversion of \$1 million in debt under Section 3(a)(9) of the Securities Act at \$2.34 per share for total consideration of \$1,000,000;
- On July 23, 1999, 49,202 shares of our common stock were issued to SilverPlatter Information, Inc. for an acquisition of the assets of SilverPlatter Education, Inc. for an aggregate of \$200,000 under Section 4(2) of the Securities Act, in which no public solicitations were made;
- In July and August 1999, Robert A. Frist, Jr. exercised options received under our written 1994 stock option plan for 416,250 shares of our common stock under Rule 701 of the Securities Act at \$0.54 per share for total consideration of \$225,000;
- On August 9, 1999, 4,625 shares of our common stock were issued to Richard Schapiro, for \$18,800 worth of consulting services, in a private placement under Section 4(2) of the Securities Act, in which no public solicitations were made;
- In 1999, an aggregate of 1,157,801 shares of our series B preferred stock were issued to raise capital, only to accredited investors in private placements under Rule 506 of the Securities Act at \$10.00 per share for total consideration of \$11,578,010;
- In April 1999, 15,000 shares of our series B preferred stock were issued to J.C. Bradford & Company under Rule 506 of the Securities Act at \$10.00 per share for total consideration of \$150,000;
- In April and August 1999, 50,000 shares of our series B preferred stock were issued to Robert A. Frist, Jr. upon conversion of \$500,000 in debt under Section 3(a)(9) of the Securities Act at \$10.00 per share;
- In August 1999, 6,000 shares of our series B preferred stock were issued to Scott Portis upon conversion of \$60,000 in debt under Section 3(a)(9) of the Securities Act at \$10.00 per share;
- In August and September 1999, an aggregate of 627,406 shares of our series C preferred stock were issued to raise capital, only to accredited investors in private placements under Rule 506 of the Securities Act at \$10.00 per share for total consideration of \$6,274,060;
- In December 1999, Jeffrey L. McLaren exercised options received under our 1994 stock option plan for 3,170 shares of our common stock under Rule 701 of the Securities Act at \$0.61 per share for total consideration of \$1,928;
- In December 1999, Kelly Stewart exercised options received under our 1994 stock option plan for 7,666 shares of our common stock under Rule 701 of the Securities Act at \$0.61 per share for total consideration of \$4,662.
- In January 2000, 17,343 shares of our common stock were issued to the members of KnowledgeReview, LLC for an acquisition of the assets of KnowledgeReview, LLC, for an aggregate of \$150,000 under Rule 506 of the Securities Act, in which no public solicitations were made;

- In January 2000, 61,397 shares of our common stock were issued to the shareholders of Quick Study, Inc. in connection with the merger of Quick Study into one of our wholly-owned subsidiaries for an aggregate of \$531,008 under Section 4(2) of the Securities Act, in which no public solicitations were made;
- In January 2000, 818,036 shares of our common stock were issued to the shareholders of Multimedia Marketing, Inc. in connection with the merger of Multimedia into one of our wholly-owned subsidiaries for an aggregate of \$7,074,912 under Rule 506 and Section 4(2) of the Securities Act, in which no public solicitations were made; and
- In January 2000, 269,902 shares of our common stock were issued to Emergency Medicine Internetwork, Inc. for an acquisition of the assets of EMInet for an aggregate of \$2,334,288 under Section 4(2) of the Securities Act, in which no public solicitations were made.
- In February 2000, Jeffrey L. McLaren exercised options received under our 1994 stock option plan for 148,714 shares of our common stock under Rule 701 of the Securities Act at \$0.61 per share for total consideration of \$90,434.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits.

NUMBER	DESCRIPTION
**1.1	-- Form of the underwriting agreement among HealthStream, Inc. and the underwriters
**2.1	-- Asset Purchase Agreement, dated July 23, 1999, among SilverPlatter Education, Inc., SilverPlatter Information, Inc. and HealthStream, Inc.
**2.2	-- Agreement and Plan of Merger, dated January 5, 2000, among HealthStream, Inc., HealthStream Acquisition I, Inc., Quick Study, Inc. and each shareholder of Quick Study, Inc.
**2.3	-- Asset Purchase Agreement, dated December 16, 1999, among KnowledgeReview, LLC, Louis Bucelli and Maksim Repik, and HealthStream, Inc.
**2.4	-- Agreement and Plan of Merger, dated January 25, 2000 among HealthStream, Inc., HealthStream Acquisition II, Inc., Multimedia Marketing, Inc., and the stockholders of Multimedia Marketing, Inc.
**2.5	-- Asset Purchase Agreement, dated January 27, 2000, between Emergency Medicine Internetwork, Inc. and HealthStream, Inc.
**3.1	-- Form of Fourth Amended and Restated Charter of HealthStream, Inc.
**3.2	-- Form of Amended and Restated Bylaws of HealthStream, Inc.
*4.1	-- Form of certificate representing the common stock, no par value per share, of HealthStream, Inc.
4.2	-- Article 7 of the Fourth Amended and Restated Charter -- included in Exhibit 3.1
4.3	-- Article II of the Amended and Restated Bylaws -- included in Exhibit 3.2
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*4.8	-- Common Stock Purchase Agreement between HealthStream, Inc. and Healtheon/WebMD Corporation
**5.1	-- Opinion of Bass, Berry & Sims PLC as to the legality of the common stock being offered
**10.1	-- Series A Convertible Preferred Stock Purchase Agreement
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**10.3	-- Series C Convertible Preferred Stock Purchase Agreement
**10.4	-- 1994 Employee Stock Option Plan, effective as of April 15, 1994
**10.5	-- Form of 2000 Stock Incentive Plan

NUMBER	DESCRIPTION
**10.6	-- Form of Indemnification Agreement
**10.7	-- Executive Employment Agreement, dated April 21, 1999, between HealthStream, Inc. and Robert A. Frist, Jr.
**10.8	-- Lease dated March 27, 1995, as amended June 6, 1995 and September 22, 1998, between Cummins Station LLC, as landlord, and NewOrder Media, Inc., as tenant
*+10.9	-- Continuing Education Agreement between HealthStream, Inc. and Vanderbilt University
*+10.10	-- Interactive Content Development and Licensing Agreement between HealthStream, Inc. and Duke University Medical Center
*+10.11	-- Joint Marketing and Licensing Agreement between HealthStream, Inc. and The Cleveland Clinic Center for Continuing Education
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*+10.14	-- Agreement between HealthStream, Inc. and Medsite.Com, Inc.
*+10.15	-- Web Site Linking Agreement between HealthStream, Inc. and IDX Systems Corporation
*+10.16	-- Agreement between HealthStream, Inc. and Phycor, Inc.
*+10.17	-- Marketing Services Agreement between HealthStream, Inc. and HealthGate Data Corp.
*+10.18	-- Continuing Education Services Agreement between HealthStream, Inc. and HealthGate Data Corp.
**10.19	-- Courseware Development Agreement between HealthStream, Inc. and e-Vitro, Inc.
*+10.20	-- Software Licensing and Distribution Agreement between HealthStream, Inc. and Pointshare.
*+10.21	-- Content Licensing Agreement between HealthStream, Inc. and American Health Consultants dated September 20, 1999.
*+10.22	-- Content Licensing Agreement between HealthStream, Inc. and American Health Consultants dated January 6, 2000.
*+10.23	-- Continuing Education Distribution Agreement between HealthStream, Inc. and the Mississippi State Medical Association.
*+10.24	-- Joint Marketing and Distribution Agreement between HealthStream, Inc. and the Medical Association of Georgia.
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*+10.27	-- Joint Marketing and Licensing Agreement between HealthStream, Inc. and Scripps Clinic
*+10.28	-- Joint Marketing and Licensing Agreement between HealthStream, Inc. and KnowledgeLinc, Inc.
**10.29	-- Letter of Agreement between HealthStream, Inc. and Healtheon/WebMD Corporation.
*10.30	-- Form of Employee Stock Purchase Plan
**21.1	-- Subsidiaries of HealthStream, Inc.
*23.1	-- Consent of Ernst & Young LLP
23.2	-- Consent of Bass, Berry & Sims PLC (included in opinion filed as Exhibit 5.1)
*23.3	-- Consent of Lane Gorman Trubitt, L.L.P
**24.1	-- Power of Attorney (included on page II-5)
**27.1	-- Financial Data Schedule (for SEC use only)
**27.2	-- Financial Data Schedule (for SEC use only)

(b) Financial Statement Schedules.

All schedules have been omitted because they are inapplicable or the information is provided in the Company's financial statements, including the notes thereto.

-
- * Filed herewith
 - ** Filed previously
 - + Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions are included in the confidential treatment request filed separately with the Commission.

ITEM 17. UNDERTAKINGS

(1) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 14, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(3) The undersigned registrant hereby undertakes that: (i) for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective; (ii) for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this amendment number 3 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Nashville, State of Tennessee, on March 30, 2000.

HEALTHSTREAM, INC.

By: /s/ ROBERT A. FRIST, JR.

 Robert A. Frist, Jr.
 Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this amendment number 3 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE(S) -----	DATE ----
* ----- Robert A. Frist, Jr.	Chief Executive Officer and Chairman (principal executive officer)	March 30, 2000
* ----- Jeffrey L. McLaren	President and Director	March 30, 2000
* ----- Arthur E. Newman	Chief Financial Officer and Senior Vice President (principal financial and accounting officer)	March 30, 2000
* ----- Charles N. Martin, Jr.	Director	March 30, 2000
* ----- Thompson S. Dent	Director	March 30, 2000
* ----- M. Fazle Husain	Director	March 30, 2000
* ----- John H. Dayani, Sr., Ph.D	Director	March 30, 2000
* ----- James F. Daniell, M.D.	Director	March 30, 2000
* ----- William Stead, M.D.	Director	March 30, 2000
*By: /s/ ROBERT A. FRIST, JR. ----- Robert A. Frist, Jr. Attorney-in-fact		March 30, 2000

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**27.1	-- Financial Data Schedule (for SEC use only)
**27.2	-- Financial Data Schedule (for SEC use only)

(b) Financial Statement Schedules.

All schedules have been omitted because they are inapplicable or the information is provided in the Company's financial statements, including the notes thereto.

-
- * Filed herewith
 - ** Filed previously
 - + Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions are included in the confidential treatment request filed separately with the Commission.

EXHIBIT 4.1

NUMBER		SHARES
COMMON STOCK	HEALTHSTREAM	COMMON STOCK
INCORPORATED UNDER THE LAWS OF THE STATE OF TENNESSEE		SEE REVERSE FOR CERTAIN DEFINITIONS
		CUSIP 42222N 10 3

FULLY-PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, NO PAR VALUE PER SHARE, OF

HealthStream, Inc. transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

IN WITNESS WHEREOF, the Corporation has caused the facsimile signatures of its duly authorized officers to be affixed hereto.

Dated:

/s/

/s/

SECRETARY

PRESIDENT

COUNTERSIGNED AND REGISTERED:
SUNTRUST BANK
TRANSFER AGENT AND REGISTRAR,

BY

AUTHORIZED SIGNATURE

HEALTHSTREAM, INC.

The Corporation will furnish the shareholder information regarding the designations, relative rights, preferences, and limitations applicable to each class and the variations in rights, preferences and limitations determined for each series of stock issued by the Corporation (and the authority of the board of directors to determine variations for future series) upon request in writing and without charge.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common	UNIF GIFT MIN ACT -- _____ Custodian _____
TEN ENT -- as tenants by the entireties	(Cust) _____ (Minor)
JT TEN -- as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE
[_____]

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE)

_____ shares of the Common Stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____, Attorney to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated _____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE(S) GUARANTEED:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-16.

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT is made as of the 14th day of March, 2000 by and between HealthStream, Inc., a Tennessee corporation (the "Company") and the shareholders who purchased the Company's Series A, Series B or Series C Convertible Preferred Stock ("Preferred Stockholders"); GE Medical Systems, a division of the General Electric Company ("GEMS"); CIS Holdings, Inc., an affiliate of Columbia/HCA Healthcare Corporation ("Columbia"); and Healtheon/WebMD Corporation ("Healtheon/WebMD"), each of which is herein referred to as an "Investor" and collectively as the "Investors."

RECITALS

WHEREAS, the Company, the Preferred Shareholders and GEMS are parties to the Investor's Rights Agreement, dated April 21, 1999, as amended on August 11, 1999 (the "Original Agreement");

WHEREAS, the Company entered an Online Services Provider Agreement with Columbia Information Systems, Inc., an affiliate of Columbia ("Services Agreement") and a warrant agreement with CIS Holdings, Inc. ("Columbia Warrant Agreement") both dated February 10, 2000;

WHEREAS, the Company entered a Letter of Agreement with Healtheon/WebMD ("Letter Agreement"), dated February 29, 2000;

WHEREAS, it is a condition to the transactions contemplated by the Services Agreement and the Letter Agreement that CIS Holdings, Inc. and Healtheon/WebMD, respectively, be added as parties to the Original Agreement; and

WHEREAS, to reflect the rights and obligations of all of the parties hereto, the Original Agreement is being amended and restated in its entirety in this Amended and Restated Investors' Rights Agreement.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. REGISTRATION RIGHTS. The Company covenants and agrees as follows:

1.1 Definitions. For purposes of this Section 1:

(a) The term "Act" means the Securities Act of 1933, as amended.

(b) The term "Holder" means any person owning or having the right to acquire Registrable Securities or any assignee thereof in accordance with Section 1.12 hereof.

(c) The term "1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

(d) The term "register," "registered," and "registration" refer to a registration effected by preparing and filing a registration statement or similar document in compliance with the Act, and the declaration or ordering of effectiveness of such registration statement or document.

(e) The term "Registrable Securities" means (i) the Common Stock issuable or issued upon conversion of the Series A, Series B or Series C Convertible Preferred Stock; (ii) any Common Stock of the Company issued or to be issued upon conversion or exercise of the Warrant Agreement dated June 14, 1999 between the Company and GEMS (the "GEMS Warrant Agreement") (or upon conversion of any securities issued upon conversion or exercise of the GEMS Warrant Agreement); (iii) any Common Stock of the Company issued or to be issued upon conversion or exercise of the Columbia Warrant Agreement (or upon conversion of any securities issued upon conversion or exercise of the Columbia Warrant Agreement); (iv) any Common Stock issued to Healtheon/WebMD pursuant to the Letter Agreement; and (v) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of the shares referenced in (i)-(iv) above, excluding in all cases, however, any Registrable Securities sold by a person in a transaction in which his rights under this Section 1 are not assigned.

(f) The number of shares of "Registrable Securities then outstanding" shall be determined by the number of shares of Common Stock outstanding which are Registrable Securities, and the number of shares of Common Stock issuable pursuant to then exercisable or convertible securities which are Registrable Securities.

(g) The term "SEC" shall mean the Securities and Exchange Commission.

1.2 Demand Registration.

(a) At any time after the Company shall have consummated a firm commitment underwritten public offering of the Common Stock of the Company under the Act, the holders of Registrable Securities (i) constituting at least 30% of the total shares of Registrable Securities then outstanding and (ii) having a minimum anticipated offering price of \$5,000,000 may request the Company to register under the Act all or any portion of the shares of Registrable Securities held by such requesting Holder or Holders for sale on Form S-1 in the manner specified in such notice. Notwithstanding anything to the contrary contained herein, the Company shall not be obligated to effect, or to take any action to effect, any such registration pursuant to this Section 1.2:

(i) during the period starting with the date sixty (60) days prior to the Company's good faith estimate of the date of filing of, and ending on a date one hundred eighty (180) days after the effective date of, a Company-initiated registration (but in any event no greater than three hundred sixty (360) days after a request is made under this Section 1.2); provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(ii) if the requesting Holders do not request that such offering be firmly underwritten by underwriters reasonably acceptable to the Company;

(iii) if the Company and the requesting Holders are unable to obtain the commitment of the underwriter described in clause (ii) above to firmly underwrite the offering; or

(iv) if in the good faith judgment of the Board of Directors of the Company, such registration would be seriously detrimental to the Company and the Board of Directors of the Company concludes, as a result, that it is essential to defer the filing of such registration statement at such time, in which case the Company shall furnish to such Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company for such registration statement to be filed in the near future and that it is, therefore, essential to defer the filing of such registration statement, then the Company shall have the right to defer such filing for a period of not more than 180 days after receipt of the request of the requesting holders, and, provided further, that the Company shall not defer its obligation in this manner more than once in any eighteen-month period.

(b) Following receipt of any notice under this Section 1.2, the Company shall immediately notify all holders of Registrable Securities from whom notice has not been received and shall use its best efforts to register under the Act, for public sale in accordance with the method of disposition specified in such notice from requesting holders, the number of shares of Registrable Securities specified in such notice (and in all notices received by the Company from other holders within 15 days after the giving of such notice by the Company). If such method of disposition shall be an underwritten public offering, the holders of a majority of the shares of Registrable Securities to be sold in such offering may designate the managing underwriter of such offering, subject to the approval of the Company which approval shall not be unreasonably withheld or delayed. The Company shall be obligated to register Registrable Securities pursuant to this Section 1.2 on two occasions only; provided, however, that such obligation shall be deemed satisfied only when a registration statement covering all shares of Registrable Securities specified in notices received and not rescinded as aforesaid, for sale in accordance with the method of disposition specified by the requesting Holders, shall have become effective and, if such method of disposition is a firm commitment underwritten public offering, all such shares shall have been sold pursuant thereto.

(c) The Company and any other holders of Common Stock which the Company shall permit to participate shall be entitled to include in any registration statement referred to in this Section 1.2, for sale in accordance with the method of disposition specified by the requesting Holders, provided the Company and any such holder accept the terms of any underwriting agreed by the initiating Holders, shares of Common Stock to be sold by the Company or such other holders for their own account, except as and to the extent that, in the sole discretion of the managing underwriter (if such method of disposition shall be an underwritten public offering), such inclusion would adversely affect the success of the offering of the Registrable Securities to be sold. Except for registration statements on Form S-4, S-8 or any successor thereto, the Company will not file with the SEC any other registration statement with respect to its Common Stock, whether for its own account or that of other stockholders, from the date of receipt of a

notice from requesting holders pursuant to this Section 1.2, until the completion of the period of distribution of the registration contemplated thereby.

1.3 Company Registration. If (but without any obligation to do so) the Company proposes to register (including for this purpose a registration effected by the Company for shareholders other than the Holders) any of its stock or other equity securities under the Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a Company stock plan, a registration on Form S-4 or any other form which does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities or a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities which are also being registered), the Company shall, at such time, promptly give each Holder written notice of such registration. Upon the written request of each Holder given within twenty (20) days after mailing of such notice by the Company in accordance with Section 3.5, the Company shall, subject to the provisions of Section 1.7, cause to be registered under the Act all of the Registrable Securities that each such Holder has requested to be registered.

1.4 Obligations of the Company. Whenever required under this Section 1 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use all reasonable efforts to cause such registration statement to become effective, and upon the request of the Holders of a majority of the Registrable Securities, keep such registration statement effective for a period of up to sixty (60) days or, if earlier, until the Holder of Holders have completed the distribution related thereto.

(b) Prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Act and as may be necessary to keep such registration statement effective for a period of up to 60 days.

(c) Furnish to the Holders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them.

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders.

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement.

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

(g) Cause all such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed.

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities in each case not later than the effective date of such registration.

(i) Furnish, at the request of a majority of the Holders participating in the registration, on the date that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, or, if such securities are not being sold through underwriters, on the date that the registration statement with respect to such securities becomes effective, (i) an opinion, dated as of such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and to the Holders requesting registration of Registrable Securities and (ii) a letter dated as of such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering and reasonably satisfactory to a majority in interest of the Holders requesting registration, addressed to the underwriters, if any, and if permitted by applicable accounting standards, to the Holders requesting registration of Registrable Securities.

1.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 1 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the registration of such Holder's Registrable Securities.

1.6 Expenses of Company Registration. The Company shall bear and pay all expenses incurred in connection with any registration, filing or qualification of Registrable Securities with respect to the registrations pursuant to Sections 1.2, 1.3 or 1.11 for each Holder (which right may be assigned as provided in Section 1.12), including (without limitation) all registration, filing, and qualification fees, printers and accounting fees relating or apportionable thereto and the fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Holders selected by them, but excluding underwriting discounts and selling commissions relating to Registrable Securities.

1.7 Underwriting Requirements. In connection with any offering involving an underwriting of shares of the Company's capital stock, the Company shall not be required under Section 1.3 to include any of the Holders' securities in such underwriting unless they accept the

terms of the underwriting as agreed upon between the Company and the underwriters selected by it (or by other persons entitled to select the underwriters), and then only in such quantity as the underwriters determine in their sole discretion will not jeopardize the success of the offering by the Company. If the total amount of securities, including Registrable Securities, requested by shareholders to be included in such offering exceeds the amount of securities sold other than by the Company that the underwriters determine in their sole discretion is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters determine in their sole discretion will not jeopardize the success of the offering (the securities so included to be apportioned pro rata among the selling shareholders according to the total amount of securities entitled to be included therein owned by each selling shareholder or in such other proportions as shall mutually be agreed to by such selling shareholders) but in no event shall the amount of securities of the selling Holders included in the offering be reduced below thirty percent (30%) of the total amount of securities included in such offering, unless such offering is the initial public offering of the Company's securities in which case the selling shareholders may be excluded if the underwriters make the determination described above and no other shareholder's securities are included. For purposes of the preceding parenthetical concerning apportionment, for any selling shareholder which is a holder of Registrable Securities and which is a partnership or corporation, the partners, retired partners and shareholders of such holder, or the estates and family members of any such partners and retired partners and any trusts for the benefit of any of the foregoing persons shall be deemed to be a single "selling shareholder", and any pro-rata reduction with respect to such "selling shareholder" shall be based upon the aggregate amount of shares carrying registration rights owned by all entities and individuals included in such "selling shareholder," as defined in this sentence.

1.8 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any such registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 1.

1.9 Indemnification. In the event any Registrable Securities are included in a registration statement under this Section 1:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, any underwriter (as defined in the Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Act or the 1934 Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Act, the 1934 Act, or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Act, the 1934 Act, any state securities law or any rule or regulation promulgated under the Act, the 1934 Act or any state securities law; and the Company will pay to each such Holder, underwriter or controlling person, as incurred, any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.9(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, or

action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable in any such case for any such loss, claim, damage, liability, or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by any such Holder, underwriter or controlling person.

(b) To the extent permitted by law, each selling Holder will indemnify and hold harmless the Company, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the Act, any underwriter, any other Holder selling securities in such registration statement and any controlling person of any such underwriter or other Holder, against any losses, claims, damages, or liabilities (joint or several) to which any of the foregoing persons may become subject, under the Act, or the 1934 Act, or other federal or state law, insofar as such losses, claims, damages, or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will pay, as incurred, any legal or other expenses reasonably incurred by any person intended to be indemnified pursuant to this subsection 1.9(b), in connection with investigating or defending any such loss, claim, damage, liability, or action; provided, however, that the indemnity agreement contained in this subsection 1.9(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; provided, that, in no event shall any indemnity under this subsection 1.9(b) exceed the proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 1.9 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 1.9, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties which may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action, if materially prejudicial to its ability to defend such action, shall relieve such indemnifying party of any liability to the indemnified party under this Section 1.9, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 1.9.

(d) If the indemnification provided for in this Section 1.9 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage, or expense referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage, or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the statements or omissions that resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission provided that in no event shall any contribution by a Holder hereunder exceed the proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 1.9 shall survive the completion of any offering of Registrable Securities in a registration statement under this Section 1, and otherwise. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

1.10 Reports Under Securities Exchange Act of 1934. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Act and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration, the Company agrees to:

(a) make and keep public information available, as those terms are understood and defined in SEC Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public;

(b) take such action, including the voluntary registration of its Common Stock under Section 12 of the 1934 Act, as is necessary to enable the Holders to utilize Form S-3 for the sale of their Registrable Securities, such action to be taken as soon as practicable after the end of the fiscal year in which the first registration statement filed by the Company for the offering of its securities to the general public is declared effective;

(c) file with the SEC in a timely manner all reports and other documents required of the Company under the Act and the 1934 Act; and

(d) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the first registration statement filed by the Company), the Act and the 1934 Act (at any time after it has become subject to such reporting

requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after it so qualifies), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form.

1.11 Form S-3 Registration. In case the Company shall receive from any Holder or Holders a written request or requests that the Company effect a registration on Form S-3 and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder's or Holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within 15 days after receipt of such written notice from the Company; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance, pursuant to this section 1.11: (1) if Form S-3 is not available for such offering by the Holders; (2) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public (net of any underwriters' discounts or commissions) of less than \$1,000,000; (3) if the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company, it would be seriously detrimental to the Company and its shareholders for such Form S-3 Registration to be effected at such time, in which event the Company shall have the right to defer the filing of the Form S-3 registration statement for a period of not more than 60 days after receipt of the request of the Holder or Holders under this Section 1.11; provided, however, that the Company shall not utilize this right more than once in any twelve month period; (4) if the Company has within the twelve (12) month period preceding the date of such request, already effected two registrations on Form S-3 for the Holders pursuant to this Section 1.11; or (5) in any particular jurisdiction in which the Company would be required to qualify to do business or to execute a general consent to service of process in effecting such registration, qualification or compliance.

(c) Subject to the foregoing, the Company shall file a registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. All expenses incurred in connection with a registration requested pursuant to Section 1.11, including (without limitation) all registration, filing, qualification, printer's and accounting fees and the reasonable fees and disbursements of counsel for the selling Holder or Holders and counsel for the Company, but excluding any underwriters' discounts or commissions associated with Registrable Securities, shall be borne pro rata by the Holder or Holders

participating in the Form S-3 Registration. Registrations effected pursuant to this Section 1.11 shall not be counted as registrations effected pursuant to Section 1.3.

1.12 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 1 may be assigned (but only with all related obligations) by a Holder to a transferee or assignee of such securities, provided: (a) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; (b) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement, including without limitation the provisions of Section 1.13 below; and (c) such assignment shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Act.

1.13 "Market Stand-Off" Agreement. Each Investor hereby agrees that, during the period of duration specified by the Company and an underwriter of common stock or other securities of the Company, following the date of the first sale to the public pursuant to a registration statement of the Company filed under the Act, it shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by it at any time during such period except common stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only to the first such registration statement of the Company which covers common stock (or other securities) to be sold on its behalf to the public in an underwritten offering;

(b) all officers and directors of the Company and all other persons with registration rights (whether or not pursuant to this Agreement) enter into similar agreements; and

(c) such market stand-off time period shall not exceed (180) days.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Investor (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

Notwithstanding the foregoing, the obligations described in this Section 1.13 shall not apply to a registration relating solely to employee benefit plans on Form S-8 or similar forms which may be promulgated in the future, or a registration relating solely to an SEC Rule 145 transaction on Form S-4 or similar form which may be promulgated in the future.

1.14 Limitation on Subsequent Registration Rights. After the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities, enter into any agreement with any holder or prospective holder of any securities of the Company that would grant such holder registration rights senior to those granted to the Holders hereunder.

1.15 Termination of Registration Rights.

(a) No Holder shall be entitled to exercise any right provided for in this Section 1 after five (5) years following the consummation of the sale of securities pursuant to a registration statement filed by the Company under the Act in connection with the initial firm commitment underwritten offering of its securities to the general public (the "Special Termination Date") provided the Special Termination Date shall be extended as to any Holder or Holders who have, prior to the Special Termination Date, filed a request pursuant to Section 1.2(a) or Section 1.11(b) and such request is being deferred by the Company pursuant to the provisions of Section 1.2(a)(i), Section 1.2(a)(iv) or Section 1.11(b)(3).

(b) In addition, the right of any Holder to request registration or inclusion in any registration pursuant to this Section 1 shall terminate on such date after the closing of the first Company-initiated registered public offering of Common Stock of the Company as all shares of Registrable Securities held or entitled to be held upon conversion by such Holder may immediately be sold under Rule 144 during any 90-day period.

2. COVENANTS OF THE COMPANY.

2.1 Delivery of Financial Statements. The Company shall deliver to each Investor:

(a) as soon as practicable, but in any event within one hundred and twenty (120) days after the end of each fiscal year of the Company, commencing with the fiscal year ended December 31, 1999 (provided fiscal 1999 financial statements may be delivered subsequent to April 30, 2000 but shall be delivered no later than June 30, 2000), an income statement for such fiscal year, a balance sheet of the Company and statement of shareholder's equity as of the end of such year, and a schedule as to the sources and applications of funds for such year, such year-end financial reports to be in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied ("GAAP"), and audited and certified by independent public accountants of nationally recognized standing selected by the Company's Board of Directors;

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, an unaudited profit or loss statement, schedule as to the sources and application of funds for such fiscal quarter and a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the number of common shares issuable upon conversion or exercise of any outstanding securities convertible or exercisable for common shares and the exchange ratio or exercise price applicable thereto, all in sufficient detail as to permit the Investor to calculate its percentage equity ownership in the Company;

(c) as soon as practicable, but in any event thirty (30) days prior to the end of each fiscal year, a budget and business plan for the next fiscal year, prepared on a monthly basis, including balance sheets and sources and applications of funds statements for such months and, as soon as prepared, any other budgets or revised budgets prepared by the Company;

(d) with respect to the financial statements called for in subsections (b) of this Section 2.1, an instrument executed by the Chief Financial Officer or President of the Company and certifying that such financials were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (with the exception of footnotes that may be required by GAAP) and fairly present the financial condition of the Company and its results of operation for the period specified, subject to year-end audit adjustment; and

(e) such other information relating to the financial condition, business, prospects or corporate affairs of the Company as the Investor or any assignee of the Investor may from time to time request, provided, however, that the Company shall not be obligated under this subsection (e) or any other subsection of Section 2.1 to provide information which it deems in good faith to be a trade secret or similar confidential information.

2.2 Inspection. The Company shall permit each Investor, at such Investor's expense, to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances and accounts with its officers, all at such reasonable times as may be requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 2.2 to provide access to any information which it reasonably considers to be a trade secret or similar confidential information.

2.3 Proprietary Information Agreement. The Company shall require all new employees of the Company to continue to execute and deliver a proprietary information agreement.

2.4 First Note. The Company shall not fail to make any monthly payments of interest due Robert A. Frist, Jr. as lender under that certain Promissory Note dated August 23, 1999, in the principal amount of \$1,293,000.00.

2.5 Termination of Covenants. The covenants set forth in Sections 2.1, 2.2 and Section 2.7 shall terminate and be of no further force or effect when the sale of securities pursuant to a registration statement filed by the Company under the Act in connection with the firm commitment underwritten offering of its securities to the general public is consummated in which the gross proceeds are at least \$30 million and the per share price is at least \$9.00.

2.6 IRC Section 305. So long as any shares of Series B Convertible Preferred Stock remain outstanding, the Company will not, without approval of holders of a majority of the Series B Convertible Preferred Stock then outstanding, do any act or thing which would result in taxation of the holders of shares of the Series B Convertible Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (or any comparable provision of the Internal Revenue Code as hereafter from time to time amended).

2.7 C Corporation Status. The Company shall remain a C corporation.

3. MISCELLANEOUS.

3.1 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any shares of Registrable Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

3.2 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Tennessee applicable to contracts made and to be performed wholly within such state.

3.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

3.4 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

3.5 Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or upon deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) days' advance written notice to the other parties.

3.6 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

3.7 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of at least 66 2/3% of the Registrable Securities then outstanding. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Registrable Securities then outstanding, each future holder of all such Registrable Securities, and the Company.

3.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

3.9 Aggregation of Stock. All shares of Registrable Securities held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

3.10 Entire Agreement. This Agreement (including the Exhibits hereto, if any) constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.

[Rest of Page Intentionally Left Blank]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first above written.

HEALTHSTREAM, INC.

By: _____
President

INVESTORS:

MARTIN INVESTMENT PARTNERSHIP III

By: THE MARTIN COMPANIES, INC.
Managing Partner

By: _____
Charles N. Martin, President

COLEMAN SWENSON HOFFMAN BOOTH IV L.P.

By Its General Partner
CSHB Ventures IV L.P.

By Its General Partner

Jay Hoffman

DAUPHIN CAPITAL PARTNERS I, L.P.

By: _____
James Hoover, Principal

JCB HEALTHSTREAM INVESTORS, L.L.C

By: _____
James Graves, Chief Manager

NELSON CAPITAL PARTNERS III, L.P.

By: _____
John K. Harrington

J.C. BRADFORD & CO., L.L.C

By: -----
James Graves, Managing Director

FCA VENTURE PARTNERS II, L.P.

By: -----
Stuart McWhorter

THE JOEL COMPANY

By: -----
Robert Gordon

CUMBERLAND EQUITY PARTNERS

By: -----
Fleming Wilt

SAVVY INVESTMENT PARTNERS

By: -----
Thompson B. Patterson, Jr.

CHANCERY LANE INVESTMENTS, L.P.

By: -----
H. Lee Barfield, General Partner

By: -----
Mary F. Barfield, General Partner

THE SEVEN PARTNERSHIP

By: -----
Thompson Dent

JCB VENTURE PARTNERSHIP IV

By: -----
Robert Doolittle, Chief Manager

MELKUS PARTNERS, LTD.

By: -----
Ken Melkus

Robert A Frist, Jr.

William Frist

Darren Liff

Scott and Carol Len Portis

James Frist

Robert S. Doolittle

David Beard

John Dayani

S. Douglas Smith

Dr. Scott Portis

Barbara Sampson

MORGAN STANLEY VENTURE PARTNERS III, L.P.

by: Morgan Stanley Venture
Partners III, L.L.C
its General Partner
by: Morgan Stanley Venture Capital III, Inc.
its Institutional Managing Member

By: -----

MORGAN STANLEY VENTURE INVESTORS III, L.P.

by: Morgan Stanley Venture
Partners III, L.L.C
its General Partner
by: Morgan Stanley Venture Capital III, Inc.
its Institutional Managing Member

By: -----

THE MORGAN STANLEY VENTURE PARTNERS
ENTREPRENEUR FUND, L.P.

by: Morgan Stanley Venture Partners, L.L.C
its General Partner
by: Morgan Stanley Venture Capital
Fund III, Inc.
its Institutional Managing Member

By: -----

GE CAPITAL EQUITY INVESTMENTS, INC.

By: -----
Name and Title

CARSON/PAUL ASSOCIATES LLC

By: -----
Russell L. Carson

FRIST FAMILY INTERNET PARTNERS

By: -----
Dr. Robert Frist

Carol Frist

JCBCF HEALTHSTREAM PARTNERS LLC

By: -----

James and Sandra Daniell

VANDERBILT UNIVERSITY

By: -----

HEALTHSTREAM PARTNERS

By: -----

Stephen and Linda Rogers

Robert Merriman

Jeff and Carrie McLaren

Dan McLaren

BORNEO PARTNERS

By: -----

Virginia Duncombe

Dr. Scott Portis

SC FUND II, L.P.

By: -----

CIS HOLDINGS, INC.

By: -----

HEALTHION/WEBMD CORPORATION

By: -----

HEALTHSTREAM, INC.

COMMON STOCK
PURCHASE AGREEMENT

THIS COMMON STOCK PURCHASE AGREEMENT (this "Agreement") is made as of the ___ day of March 2000, by and between HealthStream, Inc., a Tennessee corporation (the "Company"), and Healtheon/WebMD Corporation, a Delaware corporation ("Investor").

WHEREAS, Investor wishes to make an investment in the Company and the Company wishes to sell shares of its common stock, no par value per share (the "Common Stock"), to the Investor;

WHEREAS, the Company has filed a registration statement with the Securities and Exchange Commission with respect to the planned initial public offering ("IPO") of shares of its Common Stock (the "Registration Statement"); and

WHEREAS, the Purchaser is an "accredited investor" and wishes to purchase from the Company shares of its Common Stock in a transaction exempt from registration under the Securities Act of 1933, as amended, such purchase to close subject to and simultaneously with the closing of the IPO.

NOW, THEREFORE, the parties hereto agree as follows:

1. PURCHASE AND SALE OF SHARES

1.1 SALE OF SHARES.

Subject to the terms and conditions hereof, at the Closing (as hereinafter defined) the Company hereby agrees to issue and sell to Investor and Investor agrees to purchase from the Company, for the aggregate amount of \$10,000,000, shares of the Company's Common Stock (the "Shares") at a price per share equal to the lowest price at which the Company's Common Stock is sold to the public in the IPO (the "Per Share Purchase Price").

1.2 CLOSING DATE.

The closing of the purchase and sale of the Shares (the "Closing") shall be contingent upon and shall occur simultaneously with the closing of the IPO. The Company will give Investor two (2) business days' written notice of the date of the closing (the "Closing Date"). The Company will notify Investor of the IPO price promptly after it is determined by the pricing committee of the Company's Board of Directors.

1.3 DELIVERY.

At the Closing (i) Investor will deliver to the Company a check or wire transfer funds in the amount of \$10,000,000 (the "Aggregate Purchase Price") and (ii) the Company shall deliver a certificate representing the number of shares equal to the amount of \$10,000,000 divided by the Per Share Purchase Price, registered in the name of Investor. In the event that the Aggregate Purchase Price would result in the issuance of a fractional share, then the Aggregate Purchase Price shall be increased to reflect the issuance of one additional share at the Per Share Purchase Price.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to Investor that as of the date of this Agreement:

2.1 ORGANIZATION; GOOD STANDING, QUALIFICATION.

The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Tennessee, has all requisite corporate power and authority to own and operate its properties and assets and to carry on its business as now conducted and as presently proposed to be conducted, to execute and deliver this Agreement and any other agreement to which the Company is a party the execution and delivery of which is contemplated hereby (the "Ancillary Agreements"), to issue and sell the Common Stock and to carry out the provisions of this Agreement and any Ancillary Agreement. The Company is duly qualified and is authorized to transact business and is in good standing as a foreign corporation in each jurisdiction in which the failure so to qualify would have material adverse effect on its business, properties, prospects, or financial condition.

2.2 AUTHORIZATION.

All action on the part of the Company, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement and any Ancillary Agreement, the performance of all obligations of the Company hereunder and thereunder at the Closing and the authorization, issuance (or reservation for issuance), sale, and delivery of the Common Stock being sold hereunder has been taken or will be taken prior to the Closing, and this Agreement, and any Ancillary Agreement, when executed and delivered, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their respective terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

2.3 VALID ISSUANCE OF COMMON STOCK.

The Common Stock that is being purchased by the Investors hereunder, when issued, sold, and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid, and nonassessable, free and clear of all liens and encumbrances, issued in compliance with all federal and state securities laws, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement, any Ancillary Agreement and under applicable state and federal securities laws. There are no outstanding rights of first refusal or preemptive rights applicable to the Common Stock being sold hereunder.

2.4 GOVERNMENTAL CONSENTS.

No consent, approval, qualification, order or authorization of, or filing with, any local, state, or federal governmental authority is required on the part of the Company in connection with the Company's valid execution, delivery, or performance of this Agreement, the offer, sale or issuance of the Common Stock by the Company, except such filings as have been made prior to the Closing, except any notices of sale required to be filed with the Securities and Exchange Commission under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), or such post-closing filings as may be required under applicable state securities laws, which will be timely filed within the applicable periods therefor.

2.5 OFFERING.

Subject in part to the truth and accuracy of Investor's representations set forth in this Agreement, the offer, sale and issuance of the Common Stock as contemplated by this Agreement are exempt from the registration requirements of the Securities Act, and neither the Company nor any authorized agent acting on its behalf will take any action hereafter that would cause the loss of such exemption.

2.6 MATERIAL INFORMATION.

None of (i) the Registration Statement and prospectus related thereto filed by the Company with the Securities and Exchange Commission on March 8, 2000 (the "March 8 Registration Statement"); (ii) any representation or warranty made herein by the Company; or (iii) any statement contained in any certificate or other instrument furnished or to be furnished by the Company to the Investor in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. The Company shall deliver to the Investor copies of all amendments to the March 8 Registration Statement within two business days after their filing with the Securities and Exchange Commission.

3. REPRESENTATIONS AND WARRANTIES OF INVESTOR.

Investor hereby represent and warrant to the Company that as of the date of this Agreement:

3.1 AUTHORIZATION.

Investor has full power and authority to enter into this Agreement, and that this Agreement, when executed and delivered, will constitute a valid and legally binding obligation of Investor enforceable in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.2 PURCHASE ENTIRELY FOR OWN ACCOUNT.

This Agreement is made with Investor in reliance upon such Investor's representation to the Company, which by such Investor's execution of his Agreement such Investor hereby confirms, that the Common Stock to be purchased by such Investor will be acquired for investment for such Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that such Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, Investor further represents that such Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Common Stock.

3.3 RELIANCE UPON INVESTOR'S REPRESENTATIONS.

Investor understands that the Common Stock is not registered under the Securities Act on the ground that the sale provided for in this Agreement and the issuance of securities hereunder is exempt from registration under the Securities Act pursuant to Section 4(2) thereof, and that the Company's reliance on such exemption is predicated on the Investors' representations set forth herein.

3.4 RECEIPT OF INFORMATION.

Investor believes such Investor has received all the information such Investor considers necessary or appropriate for deciding whether to purchase the Common Stock. Investor further represents that such Investor has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Common Stock and the business, properties, prospects, and financial condition of the Company and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information furnished to such Investor or to which such Investor had access.

3.5 INVESTMENT EXPERIENCE.

Investor represents that such Investor is experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development and acknowledges that such Investor is able to fend for himself, herself or itself, can bear the economic risk of such Investor's investment, and has such knowledge and experience in financial and business matters that such Investor is capable of evaluating the merits and risks of the investment in the Common Stock.

3.6 ACCREDITED INVESTOR.

Investor is an "accredited investor" as such term is defined in Rule 501 under the Securities Act.

3.7 RESTRICTED SECURITIES.

Investor understands that the Common Stock may not be sold, transferred, or otherwise disposed of without registration under the Securities Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Common Stock or an available exemption from registration under the Securities Act, the Common Stock must be held indefinitely. In particular, Investor is aware that the Common Stock may not be sold pursuant to Rule 144 promulgated under the Securities Act unless all of the conditions of that Rule are met. Among the conditions for use of Rule 144 may be the availability of current information to the public about the Company. Such information is not now available and the Company has no present plans to make such information available other than following the IPO.

3.8 LEGENDS.

To the extent applicable, each certificate or other document evidencing any of the Common Stock shall be endorsed with the legends substantially in the form set forth below: (a) The following legend under the Securities Act:

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, OR HYPOTHECATED UNLESS AND UNTIL REGISTERED UNDER SUCH ACT, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(b) Any legend imposed or required by applicable state securities laws.

3.9 NON-LIMITATION.

The foregoing representations and warranties do not in any way limit or modify the representations, warranties and covenants of the Company contained in this Agreement or the rights of Investor to rely thereon. The representations, warranties and covenants of the Company contained in this Agreement shall not be affected by Investor or its agents: (i) investigating, verifying or examining any matters with respect to the Company or the transactions contemplated hereby; (ii) having the opportunity to investigate, verify or examine any matters related to the Company or the transactions contemplated hereby; or (iii) failing to determine or discover any facts which were determinable or discoverable by any such party.

4. CONDITIONS OF INVESTOR'S OBLIGATIONS AT CLOSING.

The obligations of Investor under this Agreement are subject to the fulfillment on or before the closing of each of the following conditions:

4.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company contained in Section 2 shall be true on and as of the date of Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing provided that the representation and warranty contained in Section 2.6 herein will be made in respect to the prospectus provided to investors in the IPO.

4.2 PERFORMANCE.

The Company shall have performed and complied with all agreements, obligations, and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

4.3 COMPLIANCE CERTIFICATE.

The President of the Company shall deliver to the Investor at the Closing a certificate stating that the conditions specified in Sections 4.1 and 4.2 have been fulfilled.

4.4 QUALIFICATIONS.

All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Common Stock pursuant to this Agreement shall be duly obtained and effective as of the Closing.

4.5 PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to Investor, which shall have received all such counterpart original and certified or other copies of such documents as it may reasonably request.

4.6 INVESTORS' RIGHTS AGREEMENT.

The Amended and Restated Investors' Rights Agreement in substantially the form attached hereto as Exhibit B shall have been executed and delivered by the Company, the Investor and all other holders of Registrable Securities (as defined in the Amended and Restated Investors' Rights Agreement).

4.7 CLOSING OF IPO.

The Company shall have consummated the IPO.

4.8 REGISTRATION STATEMENT.

There shall have been no information disclosed in any amendment to the March 8 Registration Statement (i) that Investor reasonably deems to be materially adverse to the business, financial condition, results of operations or prospects of the Company, its properties or assets or (ii) that would cause the representation and warranty contained in Section 2.6 of this Agreement to be untrue.

5. CONDITIONS OF THE COMPANY'S OBLIGATIONS AT CLOSINGS.

The obligations of the Company to Investor under this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions with respect to such Investor.

5.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of Investor contained in Section 3 shall be true on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing.

5.2 QUALIFICATIONS.

All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Stock pursuant to this Agreement shall be duly obtained and effective as of each of the Closings.

5.3 LOCK UP AGREEMENTS.

Investor shall have executed the Lock up Agreements in the form attached hereto as Exhibit A.

6. GENERAL PROVISIONS.

6.1 ENTIRE AGREEMENT.

This Agreement and the documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

6.2 SURVIVAL OF WARRANTIES.

The warranties, representations, and covenants of the Company and Investor contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing.

6.3 SUCCESSORS AND ASSIGNS.

Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including permitted transferees of any shares of Common Stock sold hereunder). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

6.4 GOVERNING LAW.

This Agreement shall be governed by and construed under the laws of the State of Tennessee as applied to agreements among Tennessee residents entered into and to be performed entirely within Tennessee.

6.5 COUNTERPARTS.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.6 TITLES AND SUBTITLES.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.7 NOTICES.

Unless otherwise provided, all notices and other communications required or permitted under this Agreement shall be in writing and shall be mailed by United States first class mail, postage prepaid, sent by facsimile or delivered personally by hand or by a nationally recognized courier addressed to the party to be notified at the address or facsimile number indicated for such person on the signature page hereof, or at such other address or facsimile number as such party may designate by ten (10) days' advance written notice to the other parties hereto. All such notices and other written communications shall be effective on the date of mailing, confirmed facsimile transfer or delivery.

6.8 FINDER'S FEES.

Each party represents that it neither is nor will be obligated for any finder's fee or commission in connection with the purchase by Investor of the Common Stock.

Investor agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finder's fee (and the cost and expenses of defending against such liability or asserted liability) for which the Investor or any of its officers, partners, employees, or representatives is responsible.

The Company agrees to indemnify and hold harmless Investor from any liability for any commission or compensation in the nature of a finder's fee (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees, or representatives is responsible.

6.9 ATTORNEYS' FEES.

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement or any Ancillary Agreement, the prevailing party shall be entitled to reasonable and actually incurred attorneys' fees, costs, and disbursements in addition to any other relief to which such party may be entitled.

6.10 AMENDMENTS AND WAIVERS.

Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Investor.

6.11 SEVERABILITY.

If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

6.12 TENNESSEE SECURITIES LAW.

THE SALE OF THE SECURITIES WHICH ARE THE SUBJECT OF THIS AGREEMENT HAS NOT BEEN QUALIFIED WITH THE SECURITIES DIVISION OF THE TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE OF THE STATE OF TENNESSEE AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION FOR SUCH SECURITIES PRIOR TO SUCH QUALIFICATION IS UNLAWFUL UNLESS THE SALE OF SECURITIES IS EXEMPT FROM QUALIFICATION BY TENNESSEE LAW. THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED, UNLESS THE SALE IS SO EXEMPT.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

HEALTHSTREAM, INC.

By /s/ W. Michael Heekin

Chief Executive Officer

209 10th Ave. South
Suite 450
Nashville, TN 37203

INVESTOR:

HEALTHION/WEBMD
400 The Lenox Building
3399 Peachtree Road, NE
Atlanta, GA 30326

By /s/ Robert A. Frist, Jr.

Its CEO

EXHIBIT A
LOCK UP AGREEMENTS

March __, 2000

HealthStream, Inc.
209 10th Ave. South
Suite 450
Nashville, TN 37203

Ladies and Gentlemen:

The undersigned hereby irrevocably agrees that it will not, directly or indirectly, sell, offer, contract to sell, transfer the economic risk of ownership in, make any short sale, pledge or otherwise dispose of any of the shares of Common Stock of HealthStream, Inc. (the "Company") purchased pursuant to the Common Stock Purchase Agreement of even date herewith ("Common Stock"), without the prior written consent of the Company, for the following periods:

- (i) fifty percent of the shares of Common Stock for one (1) year from the date hereof; and
- (ii) the remaining fifty percent of the shares of Common Stock for two (2) years from the date hereof.

Notwithstanding the foregoing, the undersigned may transfer any or all of the Common Stock (i) to any affiliate of the undersigned; (ii) in connection with the sale of a business unit or the business of the undersigned; or (iii) in a transaction exempt from registration under the Securities Act of 1933, provided that, in each case, the transferee of shares of the Common Stock agrees as a condition to such transfer to be bound by the terms of this letter.

The undersigned understands that the agreements of the undersigned are irrevocable and shall be binding upon the undersigned's legal representatives, successors and assigns. The undersigned agrees and consents to the entry of stop transfer instructions with the Company's transfer agent against the transfer of Common Stock held by the undersigned except in compliance with this agreement.

HEALTHION/WEBMD
400 The Lenox Building
3399 Peachtree Road, NE
Atlanta, GA 30326

By _____

Its _____

FleetBoston Robertson Stephens Inc.
CIBC World Markets Corp.
J.C. Bradford & Co.
E* OFFERING Corp.

As Representatives of the Several Underwriters
c/o FleetBoston Robertson Stephens Inc.
555 California Street, Suite 2600
San Francisco, California 94104

RE: HealthStream, Inc. (the "Company")

Ladies & Gentlemen:

The undersigned is an owner of record or beneficially of certain shares of Common Stock of the Company ("Common Stock") or securities convertible into or exchangeable or exercisable for Common Stock. The Company proposes to carry out a public offering of Common Stock (the "Offering") for which you will act as the representatives (the "Representatives") of the underwriters. The undersigned recognizes that the Offering will be of benefit to the undersigned and will benefit the Company by, among other things, raising additional capital for its operations. The undersigned acknowledges that you and the other underwriters are relying on the representations and agreements of the undersigned contained in this letter in carrying out the Offering and in entering into underwriting arrangements with the Company with respect to the offering.

In consideration of the foregoing, the undersigned hereby agrees that the undersigned will not offer to sell, contract to sell, or otherwise sell, dispose of, loan, pledge or grant any rights with respect to (collectively, a "Disposition") any shares of Common Stock, any options or warrants to purchase any shares of Common Stock or any securities convertible into or exchangeable for shares of Common Stock (collectively, "Securities") now owned or hereafter acquired directly by such person or with respect to which such person has or hereafter acquires the power of disposition, otherwise than (i) as a bona fide gift or gifts, provided the donee or donees thereof agree in writing to be bound by this restriction, (ii) as a distribution to partners or shareholders of such person, provided that the distributees thereof agree in writing to be bound by the terms of this restriction, (iii) with respect to sales or purchases of Common Stock acquired on the open market, (iv) with respect to shares received in the Directed Share Program or (v) with the prior written consent of FleetBoston Robertson Stephens Inc. The foregoing restrictions will terminate after the close of trading of the Common Stock on the 180th day of (and including) the day the Common Stock commenced trading on the Nasdaq National Market (the "Lock-Up" Period). The foregoing restriction has been expressly agreed to preclude the holder of the Securities from engaging in any hedging or other transaction which is designed to or reasonably expected to lead to or result in a Disposition of Securities during the Lock-up Period, even if such Securities would be disposed of by someone other than such holder. Such prohibited hedging or other transactions would include, without limitation, any short sale (whether or not against the box) or any purchase, sale or grant of any right (including, without limitation, any put or call option) with respect to any Securities or with respect to any security (other than a broad-based market basket or index) that included, relates to or derives any significant part of its value from Securities. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of shares of Common Stock or Securities held by the undersigned except in compliance with the foregoing restrictions.

This agreement is irrevocable and will be binding on the undersigned and the respective successors, heirs, personal representatives, and assigns of the undersigned. In the event the Offering has not occurred on or before April 15, 2000 this Lock-Up Agreement shall be of no further force or effect.

Dated

Printed Name of Holder

By:

Signature

Printed Name of Person Signing

(and indicate capacity of person
signing if signing as custodian,
trustee, or on behalf of an entity)

EXHIBIT B
INVESTORS' RIGHTS AGREEMENT

We have omitted certain portions of this document and filed them separately with the commission. These portions are marked with an asterisk (*).

CONTINUING EDUCATION AGREEMENT
BETWEEN
HEALTH STREAM
AND
VANDERBILT UNIVERSITY

This Continuing Education Agreement ("Agreement") is entered into as of July 22, 1999 ("Effective Date") by and between HealthStream, Inc., a Tennessee corporation with its principal place of business at 209 10th Avenue South, Suite 450, Nashville, TN 37203 ("HealthStream") and Vanderbilt University, a Tennessee not-for-profit organization with its principal place of business at 201 Light Hall, Vanderbilt University, Nashville, TN 37240, by and through its School of Medicine and School of Nursing ("Vanderbilt").

WHEREAS, HealthStream is a provider of computer and Web-based education and training services to hospitals and other healthcare organizations;

WHEREAS, HealthStream is a provider of Continuing Education Units for healthcare professionals ("CEU") and Continuing Medical Education for physicians ("CME") courseware and courseware management tools delivered via the Internet, corporate intranets and networks ("HealthStream Sites");

WHEREAS, HealthStream has an array of distribution partners for CEU and CME courses and other online educational courseware;

WHEREAS, current HealthStream distribution partners include AHN.COM and Phycor, with other relationships pending;

WHEREAS, HealthStream has an online course library with several hundred hours of potential CEU and existing CME courseware available for purchase ("HealthStream Courseware");

WHEREAS, Vanderbilt is recognized internationally as a provider of high quality education programs;

WHEREAS, Vanderbilt provides CUE and CME courses in conventional lecture format that might also be made available for access over the Web;

WHEREAS, Vanderbilt has the skills, clinical expertise and knowledge required to create educational Web-based courses for the medical community; and

WHEREAS, HealthStream and Vanderbilt desire to enter into this Agreement.

THEREFORE, HEALTHSTREAM AND VANDERBILT HEREBY AGREE AS FOLLOWS:

1 DEFINITIONS

1.1 "CEU Courses" - Those educational courses that have been reviewed for continuing education units by an institution recognized by an accredited professional organization.

Those completing the courses may receive credit toward continuing education requirements.

- 1.2 "CME Courses" - Those educational courses that have been reviewed for continuing medical education by an Accreditation Council for Continuing Medical Education ("ACCME") accredited institution. Those completing the courses may receive credit toward continuing education requirements.
- 1.3 "Net Revenue" - Gross revenue derived by HealthStream from sales of Vanderbilt Courseware less discounts and credits to customers.
- 1.4 "T.NAV(R)" - A registered trademark of HealthStream and is a computer based training product that delivers and monitors World Wide Web based content.
- 1.5 "Collaborative Course" - Those courses developed into a Web-based format course of study by HealthStream in collaboration with Vanderbilt from source materials originating with Vanderbilt or third party personnel.
- 1.6 "Vanderbilt Course" - Medical and nursing courseware and educational materials provided by Vanderbilt to HealthStream that have been converted to an HTML or other HealthStream recommended Web-based Formats that are substantially ready and able to be deployed for the purpose of providing Web-based CME or CEU courses through HealthStream's T.NAV system on the Internet.
- 1.7 "Vanderbilt Courseware" - The combined body of Vanderbilt Courses and Collaborative Courses submitted to HealthStream under this agreement.
- 1.8 "Vanderbilt Materials" - Medical and nursing courseware and educational materials provided by Vanderbilt to HealthStream, that is substantially not in a format that can be transmitted over the Internet for the purpose of creating Web-based CME or CEU courses and that may be in some or all of the following formats, including, but not limited to: paper, film or Microsoft PowerPoint slides, text materials, Microsoft Word or Corel Word Perfect-based, handouts, overheads and other presentation materials.
- 1.9 "Third Party Materials" - Those non-Web-based format materials delivered to HealthStream from various third party sources that form the basis for a course of study.
- 1.10 "Vanderbilt Pervasive Materials" - Those Vanderbilt Materials whose depiction in Collaborative Courses is substantially identical to their depiction independent of the Collaborative Course.
- 1.11 "Third Party Pervasive Materials" - Those Third Party Materials whose depiction in Collaborative Courses is substantially identical to their depiction independent of the Collaborative Course.
- 1.12 "HealthStream Packaging" - Those graphic, navigation and computer coded elements added to Vanderbilt Materials and/or Third Party Materials to comprise a Collaborative Course. HealthStream Packaging is not said to include Vanderbilt Pervasive Materials or Third Party Pervasive Materials, as these materials are organized and packaged for display without substantial modification.

- 1.13 "Vanderbilt Certification" - Certification of courses for CEU or CME credit by Vanderbilt and branded as Vanderbilt certified courses under the auspices of Vanderbilt's arrangements with the ACCME and other professional educational quality assurance organizations.
- 2 TERMS AND CONDITIONS
- 2.1 Courseware Development. Vanderbilt shall, at its option, develop and provide to HealthStream Vanderbilt Courses and/or Vanderbilt Materials, which HealthStream will sell to a variety of medical professionals (e.g., physicians, nurses, Allied Health professionals) for educational credits via online usage at Web sites hosted and/ or managed by HealthStream.
- 2.1.1. HealthStream will develop, at its option, the Vanderbilt Materials into Web ready courses.
- 2.1.2 All Vanderbilt Courseware will be subject to Vanderbilt editorial board approval prior to distribution by HealthStream. Vanderbilt editorial board approval shall not be unreasonably denied.
- 2.1.3 It is the intent of the parties to identify and develop at least ten (10) courses in each year during the term of this agreement.
- 2.1.4 HealthStream acknowledges that Vanderbilt anticipates providing CEU and CME in novel ways that use information technology to support various learning styles and distribution of learning across the education-work continuum. This Agreement is intended to apply making conventional CEU and CME material available via the Web, not to those novel education strategies and programs.
- 2.2 Compensation. HealthStream will pay to Vanderbilt the following royalties:
- 2.2.1 Collaborative Courses. For Collaborative Courses, HealthStream shall pay to Vanderbilt * of Net Revenue derived from the sales of Collaborative Courses.
- 2.2.2 Vanderbilt Courses. For Vanderbilt Courses, HealthStream shall pay to Vanderbilt * of Net Revenue derived from the sales of Vanderbilt Courses. Nothing herein shall require Vanderbilt to produce or deliver to HealthStream, medical courseware.
- 2.2.3 Payment Schedule. Royalty payments shall be made by HealthStream to Vanderbilt thirty (30) days after the end of the month of the initial course purchase.
- 2.3 Access to Courses by Vanderbilt Personnel. HealthStream will allow Vanderbilt faculty, fellows, residents, students and staff access to its Vanderbilt Courseware free of charge. All other HealthStream courseware shall be available for purchase by Vanderbilt faculty, fellows, residents and staff. HealthStream will compensate Vanderbilt for courseware purchased by Vanderbilt faculty, fellows, residents, students and/or staff by means of either one of the following methods, at Vanderbilt's option: (i) pay Vanderbilt *

- * of all Net Revenue for HealthStream Courseware purchased by Vanderbilt faculty, fellows, residents, and staff; or (ii) provide Vanderbilt faculty, fellows, residents, and staff with a * discount on the cost of HealthStream Courseware.
- 2.4 Reporting. HealthStream will provide Vanderbilt, at no cost to Vanderbilt, with monthly reports of all Net Revenue generated from Vanderbilt Courseware and all Net Revenue generated from HealthStream Courseware purchased by Vanderbilt faculty, staff, fellows, students and residents.
- 2.5 Vanderbilt Consulting. Vanderbilt faculty may elect to develop content architecture for HealthStream for the development of online educational courses. Should HealthStream elect to utilize this content architecture, HealthStream will compensate Vanderbilt for such Vanderbilt developed content architecture on a fee-for-service basis, to be negotiated on a case-by-case basis. At its sole discretion, HealthStream may elect not to utilize Vanderbilt developed content architectures.
- 2.6 Vanderbilt Staff Restrictions. Under no circumstances shall Vanderbilt faculty, fellows, residents, students and/or staff author conventional CEU and CME courseware with HealthStream personnel or any of HealthStream's subsidiaries, outside of this Agreement. HealthStream will not be prohibited from contracting with those Vanderbilt affiliates who are not closely aligned with Vanderbilt.
- 2.7 Advertising and Sponsorship Revenues. From time to time, HealthStream may generate revenue through the sale of advertising on HealthStream Sites.
- 2.7.1 Vanderbilt Contracted Advertisements and Sponsorships. HealthStream shall compensate Vanderbilt * of all Net Revenue generated from advertisements sold and contracted by Vanderbilt for Vanderbilt Courseware on HealthStream Sites. Vanderbilt contracted advertising and sponsorship sales will conform to parameters established by HealthStream.
- 2.7.2 HealthStream Contracted Advertisements and Sponsorships. HealthStream shall compensate Vanderbilt * of all Net Revenue generated from advertisements sold and contracted by HealthStream for Vanderbilt Courseware.
- 2.7.3 Vanderbilt Review. Vanderbilt shall have the right to review and refuse all such advertising associated with Vanderbilt Courseware that is placed on HealthStream Sites.
- 2.8 Third Party Content. At HealthStream's option, Vanderbilt may review and make recommendations to online content originating from other sources and Vanderbilt may elect to review said content for accuracy, provide recommendations for changes, and provide Vanderbilt Certification. HealthStream will compensate Vanderbilt for these reviews on a fee-for-service basis negotiated on a case-by-case basis.
- 2.9 Payment. Royalty payments made by checks shall be made payable to Vanderbilt University and sent to Mr. Stephen Todd, Assistant Director, Financial Management, P.O. Box 30195, Nashville, TN. 37241-0195. All reports required under this Agreement shall be sent to: Mr. Stephen Todd, Assistant Director, Financial Management, CC-2102C Medical Center North, Nashville, TN.37232-2220.

- 2.10 Distribution Partner Approval. HealthStream will remove Vanderbilt Courseware from a HealthStream Site upon notification by Vanderbilt. Objection to a HealthStream Site by Vanderbilt will be limited to those objections based on a reasonable determination that said distribution partner is unsuitable to carry the Vanderbilt brand.

3 LICENSE

- 3.1 In consideration for the above, Vanderbilt grants HealthStream worldwide, exclusive Internet rights as the host and marketing agent for Collaborative Courses developed with HealthStream during the term of this agreement. Vanderbilt grants HealthStream worldwide, non-exclusive Internet rights as the host and marketing agent for Vanderbilt Courses during the term of this agreement.
- 3.2 Course Ownership and Copyright. Vanderbilt shall retain all ownership and copyright interest for all Vanderbilt Courses. HealthStream and Vanderbilt shall have equal ownership and copyright interest for all Collaborative Courses. Ownership and copyright interest in Vanderbilt Materials components of Collaborative Courses shall rest exclusively with Vanderbilt. All copyrights assigned herein shall survive the term of this agreement.

4 OTHER CONDITIONS

4.1 Term and Termination.

- 4.1.1 The term of this Agreement shall be four (4) years and shall commence on July 22, 1999 and terminate on July 21, 2003. This Agreement may be extended for additional one year terms by mutual written assent signed by the parties hereto.
- 4.1.2 If, for any reason, either party fails to satisfactorily fulfill in a timely or proper manner its obligations under this Agreement or breaches any of the promises, terms or conditions of this Agreement, and having been given reasonable notice of and opportunity to cure any such default and not having taken satisfactory corrective action within the time specified by the non-breaching party, the non-breaching party shall have the right to terminate this Agreement by giving written notice to the breaching party of such termination at least fourteen (14) calendar days before the effective date of such termination. Further, either party to this Agreement shall have the right to terminate this Agreement without cause by giving written notice to the other party of such termination at least thirty (30) calendar days before the effective date of such termination. For termination of any type, any other provision to the contrary notwithstanding, the breaching party shall not be relieved of liability to the non-breaching party for damages sustained because of any breach of this Agreement. Fees due under Section 2 and copyright and intellectual property provisions of Section 3 survive termination.
- 4.1.3 The parties warrant they are duly licensed under the relevant laws of their States and agree to abide by all applicable state and/or federal laws and regulations governing the licensure of its operations. The parties further agree to give

prompt notice in writing to the other party in the event of institution of proceedings for suspension or revocation of its license, and to notify the other party in the event of any suspension or revocation of its license within twenty-four (24) hours of its occurrence. This Agreement will immediately terminate upon the revocation or suspension of licensure of either party. Further, either party, at its sole discretion, may terminate this Agreement in the event the other party is given official notice of the institution of proceedings to suspend or revoke its licensure.

4.1.4 In the event that either party shall become insolvent or make a general assignment for the benefit of creditors, then, at the option of either party, this Agreement may be terminated immediately by either party and be of no further force and effect upon notice of such termination.

4.1.5 In the event that either party sells all or substantially all of its assets, there is a sale of a majority ownership of either party, or there occurs a material change in the management or ownership of either party, this Agreement shall terminate or continue at the mutual written consent of the remaining parties.

4.2 Indemnification

4.2.1 HealthStream warrants that its performance of this agreement will not violate or infringe upon the rights of third parties, including but not limited to property, contractual, employment, trade secret, proprietary information and non-disclosure rights, or any United States trademark, copyright or patent right. HealthStream will, at its own expense, defend any suit or proceeding brought against Vanderbilt based on a claim that the HealthStream Packaging infringe upon any copyright, patent, trademark, trade secret, or other intellectual property right, provided that HealthStream is notified promptly in writing and given full and complete authority, information and assistance for the defense of such suit or proceeding. HealthStream may, at its option and expense, either obtain for Vanderbilt the right to continue using the Vanderbilt Courseware containing said HealthStream Packaging free of any claim of infringement or modify such HealthStream Packaging so that affected Vanderbilt Courseware is not subject to a claim of infringement.

4.2.2 Vanderbilt warrants that its performance of this agreement will not violate or infringe upon the rights of third parties, including but not limited to property, contractual, employment, trade secret, proprietary information and non-disclosure rights, or any United States trademark, copyright or patent right. Vanderbilt will, at its own expense, defend any suit or proceeding brought against HealthStream based on a claim that the Vanderbilt Materials infringe upon any copyright, patent, trademark, trade secret, or other intellectual property right, provided that Vanderbilt is notified promptly in writing and given full and complete authority, information and assistance for the defense of such suit or proceeding. Vanderbilt may, at its option and expense, either obtain for HealthStream

the right to continue offering Vanderbilt Courseware containing said Vanderbilt Materials free of any claim of infringement or modify such Vanderbilt Materials so that affected Vanderbilt Courseware is not subject to a claim of infringement.

4.3 Insurance

- 4.3.1 Both parties shall maintain for the term of this Agreement comprehensive general liability insurance, including broad form contractual in a minimum amount of \$1,000,000/\$3,000,000. The coverage shall bear an endorsement precluding cancellation or reduction of coverage.
- 4.3.2 Both parties shall procure and maintain for the term of this Agreement professional liability insurance, in a minimum amount of \$1,000,000/\$3,000,000 in coverage for all of its personnel who may participate in this Agreement. Such coverage shall be for a minimum of five (5) years following expiration or termination of this Agreement and shall provide for a retroactive date no later than the inception date of this Agreement.
- 4.3.3 Each party shall provide the other party with Certificates of Insurance evidencing the above coverage. The coverage shall bear an endorsement precluding cancellation or reduction of coverage.

4.4 Notices. All notices or other communication provided for in this Agreement shall be given to the parties addressed as follows:

HealthStream: Mr. Jeff McLaren
President
HealthStream, Inc.
209 10th Ave S, Suite 450
Nashville, TN 37203

with a copy to: Mr. Robert Laird
Vice President and General Counsel
HealthStream, Inc.
209 10th Ave S, Suite 450
Nashville, TN 37203

Vanderbilt: Mr. Winfred Cox
Director of Finance and Administration
School of Medicine
Vanderbilt University
CCC-3315 Medical Center North
Nashville, TN 37232-2104

with a copy to: Contracts Administration
Medical Center Office
Vanderbilt University
605 Oxford House
1313 21st Avenue South
Nashville, TN 37232-4205

- 4.5 Media. Each party agrees it will not use the other party's name, marks, or logos in any advertising, promotional material, press release, publication, public announcement, or through other media, written or oral, whether to the press, to holders of publicly owned stock without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed. Accurate statements made by either party as to the basic terms of this Agreement are said to have the consent of the other party.
- 4.6 Assignment and Binding Effect. Neither party shall assign, subcontract, or transfer any of its rights or obligations under this Agreement to a third party without the prior written consent of the other party. If an assignment, subcontract, or transfer of rights does occur in accordance with this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors or assigns.
- 4.7 Independent Contractor. Each party shall be considered to be an independent contractor and shall not be construed to be an agent or representative of the other party, and therefore, shall have no liability for the acts or omissions of the other party. In addition, neither party, nor any of its employees, agents, or subcontractors, shall be deemed to be employees or agents of the other party. Therefore, neither party nor any of its employees, agents or subcontractors, shall be entitled to salary, workers compensation, or employee benefits of the other party by virtue of this Agreement.
- 4.8 Written Amendments and Waiver. This Agreement cannot be amended, modified, supplemented or rescinded except in writing signed by the parties hereto.
- 4.9 Governing Law and Jurisdiction. This Agreement shall be governed in all respects by, and be construed in accordance with, the laws of the State of Tennessee. Each party hereby consents to the jurisdiction of all state and federal courts situated in Davidson County, Tennessee, agrees that venue for any such action shall lie exclusively in such courts, and agrees that such courts shall be the exclusive forum for any legal actions brought in connection with this Agreement or the relationships among the parties hereto.
- 4.10 Year 2000 Compliance. HealthStream certifies that it has a comprehensive plan designed to achieve Year 2000 Compliance of its systems ("Compliance Plan"). To the extent the Compliance Plan provides or anticipates that any systems of HealthStream will not be made Year 2000 Compliant, such non-compliance will have no material adverse effect upon the timely provision of the services. For purposes of this section, "Year 2000 Compliance" and "Year 2000 Compliant" shall mean that HealthStream systems, when used in accordance with its associated documentation, will be capable of accurately processing, providing and/or receiving electronic data that contain date representation from, into, and between the years 1999 and 2000 and leap year calculations. To the best of HealthStream's knowledge at the time of signing this Agreement, there shall be no material adverse effect upon its timely provision of services under this Agreement which is attributable to its failure to achieve Year 2000 Compliance for all of its systems.
- 4.11 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein and supersedes any other agreements, restrictions, representations, or warranties, if any, between the parties hereto with regard to the subject matter herein.

restrictions, representations, or warranties, if any, between the parties hereto with regard to the subject matter herein.

- 4.12 Severability. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 4.13 No Waiver. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.
- 4.14 Headings. The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives and thereby become effective on the date specified above.

FOR HEALTHSTREAM

/s/ Jeff McLaren	7/22/99
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Jeff McLaren, President	Date
HealthStream, Inc.	

FOR VANDERBILT UNIVERSITY

/s/ Winfred L. Cox	7/19/99
-----	-----
Winfred L. Cox	Date
Director of Finance & Administration	

/s/ Norman B. Urmy	7/19/99
-----	-----
Norman B. Urmy	Date
Executive Vice President for Clinical Affairs	

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

SUMMARY TERM SHEET FOR
DUKE UNIVERSITY MEDICAL CENTER

Executive Summary Duke University Medical Center ("DUMC") and HealthStream seek to enter into a global partnership arrangement to accomplish a broad base of business opportunities. To accomplish this, a contract will be written identifying broad rules and parameters for this partnership that faculty can work within. Modifications needed on a project by project basis may be made through work plan addenda specific to individual projects. Otherwise, faculty and HealthStream will work within the parameters laid out in this document.

Fee for Service Projects From time to time, Faculty and staff at DUMC have need for work-for-hire and fee for service multimedia projects including but not limited to web sites, CD ROM creation, data base applications and development of online training courses. HealthStream seeks to be the preferred vendor to the DUMC Faculty and staff for these projects.

A) Best Pricing

B) Guarantees

C) Publicizing vendor status

In consideration of this designation, HealthStream will provide DUMC with hourly pricing significantly below HealthStream's normal fees (see attached). Pricing assumes a significant increase in projects in the next 12 months.

Preferred vendor status does not guarantee HealthStream the work. Faculty members may utilize other vendors to achieve lower cost pricing or for work out of scope of HealthStream capabilities.

DUMC will be responsible for publicizing this designation of HealthStream through general press releases, newsletters, and other formal publicity means of reaching DUMC faculty. HealthStream provides regular visits to the DUMC campus to meet with faculty interested in this opportunity.

Marketing HealthStream will provide up to \$* in internal marketing on the DUMC campus to publicize HealthStream's products and services to DUMC physicians, faculty and staff.

HealthStream will provide up to \$* in external marketing of this new partnership.

Confidential HealthStream/Duke University Medical Center 03/22/00

Proprietary CME
Gateway/Distribution

As part of this global partnership, DUMC will utilize HealthStream's CME delivery system and courses as its' online CME platform. Links to HealthStream's site will be provided at <http://www2.mc.duke.edu/depts/som/docme/welcomeframe.html>. A unique, personalized gateway page will be created for DUMC by HealthStream at no charge to ensure visitors recognize this effort as a DUMC product.

Content Development

- A) Live Lecture to Online Courses
- B) Didactic Courses

To assist in this transition, HealthStream will provide the technology and development services to capture 30 live lectures, like those delineated at <http://www2.mc.duke.edu/depts/som/docme/welcomeframe.html> (Duke CME Offerings) at no cost to DUMC. Examples of how live lectures can be captured and put into an online format can be seen at <http://cme.silverplatter.com/>. SilverPlatter Education was acquired by HealthStream in July '99. Those products and services are provided out of HealthStream's Boston office. These products are provided free of charge to the physician community and are underwritten by pharmaceutical and medical device companies. Therefore royalty payments will be based upon advertising revenues received.

HealthStream is also interested in the development of didactic courses with DUMC faculty. All courses developed shall be sold through the HealthStream partner web sites and royalties applied as indicated below.

Site Advertising

- A) Revenue Sharing

Advertising and course sponsorship is available within the training site. DUMC and HealthStream shall share in all advertising revenues through the DUMC proprietary site in accordance with the royalty fee schedule. DUMC may offer this advertising opportunity to their vendors and partners. HealthStream will provide the business package and contracting around the execution of these advertising arrangements.

Confidential

HealthStream/Duke University Medical Center

03/22/00

Ownership DUMC shall retain ownership of the DUMC CME Courses licensed and created under this agreement. HealthStream retains ownership of the Training Navigator(R) system.

Distribution HealthStream will provide distribution of the DUMC CME Courses through HealthStream's current and future Internet and intranet distribution channels.

DUMC will provide distribution of DUMC and HealthStream's CME Courses through DUMC's web site (see above).

Exclusivity For all content authored by DUMC, HealthStream retains the exclusive rights to distribute this content on the Web for the duration of this Agreement.

Pricing HealthStream courses range in price, but currently average approximately \$10 per credit hour. DUMC Faculty and HealthStream will work together to determine appropriate pricing for each new course developed.

Distribution Fees As a distribution partner, DUMC shall receive *% of all CME course purchases through the DUMC gateway site.

Revenue Sharing Projects HealthStream seeks to create, and DUMC seeks to utilize HealthStream to build, projects and products with long term revenue potential. These projects can be designated as one of two types:

A) CME Courses & Projects with advanced fees
 B) CME Courses & Projects with no advanced fees

A) Projects with advanced fees: In certain cases, DUMC will pay to HealthStream development fees as part of a revenue sharing project. These fees will cover some or all of HealthStream's development costs. When HealthStream's development fees are covered, HealthStream will provide royalties back to DUMC of *% of net revenues for sale of the products.

B) Projects with no advanced fees: In certain cases, HealthStream will receive no fees in advance for project development. HealthStream will provide its' development as part of an equity stake in the product. In these situations, HealthStream will provide royalties back to DUMC of *% of net revenues for sale of the product. Royalties will increase to *% after HealthStream has recovered its' development fees. Development fees will be identified at the start of the project.

HealthStream
Sponsored Faculty

As part of this Agreement, HealthStream agrees to sponsor a faculty position to provide leadership to the online education efforts between DUMC and HealthStream. HealthStream agrees to provide a maximum of \$* for one year towards this effort. A job description will be provided by HealthStream at a later date. This position may be renewed for subsequent years by HealthStream after an evaluation of its' success at the end of the first year.

Agreement Term

Thirty-six (36) months from signing; automatically renewed for one-year periods unless notification by either party provided forty-five (45) days in advance.

Fee for Service Development Fees

Function Fees	Usual and Customary Fees/Hour	DUMC
Programming	*	*
Development	*	*
Quality Assurance	*	*

Agreed to by:

/s/ Robert Taber

Robert Taber, Ph.D.
Duke University Medical Center

Agreed to by:

/s/ Robert A. Frist, Jr.

Robert Frist
HealthStream

Gordon Williams
Duke University Medical Center
10/25/99

10/26/99

Date

Date

We have omitted certain portions of this document and filed them separately with the commission. These portions are marked with an asterisk (*).

JOINT MARKETING AND LICENSING AGREEMENT

This Joint Marketing and Licensing Agreement ("Agreement") is made by and between HealthStream, Inc., a Tennessee corporation having its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") and The Cleveland Clinic Center for Continuing Education ("CFCE"), a component of the Cleveland Clinic Educational Foundation, an Ohio Not-for-Profit corporation having its principal place of business at 9500 Euclid Avenue, Cleveland, Ohio 44195.

BACKGROUND

WHEREAS, CFCE has developed and marketed and continues to develop and market a line of products known as the 1998 Cleveland Clinic Intensive Review of Internal Medicine, a CD-ROM based course providing continuing education to physicians;

WHEREAS, HealthStream has developed and marketed and continues to develop and market a computer-based education system known as the Training Navigator(TM) ("T.NAV(R)") that delivers and monitors World Wide Web based content;

WHEREAS, CFCE and HealthStream wish to enter into a cooperative effort to deploy CFCE's educational offerings utilizing HealthStream's T.NAV technology on the World Wide Web;

WHEREAS, HealthStream wishes to acquire a license and CFCE has agreed to grant a license to HealthStream for the delivery of the 1998 Cleveland Clinic Intensive Review of Internal Medicine product, whether now existing or developed by CFCE during the term of this Agreement, by HealthStream's T.NAV;

WHEREAS, CFCE and HealthStream wish to provide appropriate consideration for those efforts that each party has agreed to undertake;

WHEREAS, CFCE and HealthStream each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, CFCE and HealthStream agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of this Agreement, the terms below shall have the following meanings:

- 1.1. "CFCE" means The Cleveland Clinic's Center for Continuing Education, a component of the Cleveland Clinic Educational Foundation. For the purposes of this agreement, components of that Center include the Continuing Medical Education Department, The Media Services Department, and UNITECH Communications.
- 1.2. "Educational Content" means the information contained in the entire library of the CD-ROM version of the 1998 Cleveland Clinic Intensive Review of Internal Medicine product and its incorporated modules including, but not limited to, text and images that are the proprietary property of CFCE that consist of continuing medical education ("CME") in the modules listed in Exhibit A hereto.
- 1.3. "Educational Activity" means a single module of the Education Product, specifically, a self-contained lesson consisting of Educational Content, learning objectives, a post test, and an evaluation. Each individual Educational Activity, when properly completed, is eligible for CME credit.
- 1.4. "Educational Product" means the adaptation of the Educational Content into Educational Activities contained in the 1998 Cleveland Clinic Intensive Review of Internal Medicine CD-ROM, including but not limited to conversion to a format appropriate for delivery over the World Wide Web,

definition of education objective, a post test and an evaluation form for each segment in accordance with CFCE policies and the Accreditation Council for Continuing Medical Education's ("ACCME") Essentials and Guidelines for Accreditation of Sponsors of Continuing Medical Education and Standards for Commercial Support and Enduring Materials attached as Exhibit B hereto.

- 1.5. "Effective Date" means _____, 1999, the date on which both parties to this Agreement have executed same.
- 1.6. "HealthStream" means HealthStream, Inc. and any Subsidiary of HealthStream, Inc.
- 1.7. "Internet" means the international network of computers and computer networks accessible by the public at large of which the World Wide Web is a subset.
- 1.8. "Net Revenue" means gross revenue derived by HealthStream from Transactions Fees.
- 1.9. "Subsidiary" means a company in which, on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by another company, but only so long as such ownership or control exists.
- 1.10. "T.NAV" is a branded trademark of HealthStream and is a computer based training product that delivers and monitors World Wide Web based Content.
- 1.11. "T.NAV Commerce" means HealthStream's proprietary computer based training product that is a derivative product of T.NAV with additional features added by HealthStream in its sole discretion and designated by HealthStream in its sole discretion as "T.NAV v.x.x.c."

ARTICLE 2

LICENSE GRANTS

- 2.1 Subject to the payment of the consideration set forth in Article 3, CFCE grants to HealthStream an exclusive worldwide license to deliver the Educational Product on the World Wide Web.
- 2.2 Upon notice from CFCE that an Educational Activity is no longer appropriate for use because, for example, it contains erroneous or outdated information, or in other ways is no longer appropriate for the awarding of CME credit, HealthStream shall cease to represent that the Educational Activity being so delivered is CME accredited. During the term of this agreement, CFCE shall restructure the CFCE Educational Activity for CME accreditation at its own expense or shall provide an equivalent number of CME hours of content at no expense to HealthStream. After this Agreement terminates, HealthStream may, at its option and expense, seek to have CFCE update the Educational Activity. HealthStream may also seek permission from CFCE to continue to broadcast the Educational Activity without CME credit.
- 2.3 CFCE shall retain the ownership to all Educational Content, including but not limited to, text, images, and audio that have been copyrighted by the CFCE under permissions and releases granted by the authors.
- 2.4 HealthStream shall retain the copyright to the Educational Activities it produces under this agreement.
- 2.5 Any and all rights not expressly granted by either of the parties to the other are reserved by the respective party claiming reservation of that right.

ARTICLE 3

CFCE RESPONSIBILITIES TO HEALTHSTREAM

- 3.1 CFCE will designate a project manager with sufficient experience and training to resolve issues related to the production, review and credentialing issues required by this project.
- 3.2 CFCE agrees to accredit each Educational Activity produced under this Agreement if, in its sole judgment, CFCE policies and the ACCME's Essentials and Guidelines for Accreditation of Sponsors Of Continuing Medical Education And Standards For Commercial Support and Enduring Materials as set forth in Exhibit B hereto have been complied with in all material aspects.
- 3.3 CFCE agrees to provide initial accreditation for each Educational Activity for two (2) years, with one (1) year extensions possible as long as, in CFCE's judgment, the material is still current. At its sole discretion, in accordance with its responsibilities to the ACCME's Essentials and Guidelines for Accreditation of Sponsors Of Continuing Medical Education And Standards For Commercial Support and Enduring Materials as set forth in Exhibit B hereto, CFCE may determine at any time that one or more Educational Activity is no longer appropriate for CME accreditation. In the event the Center for Continuing Education finds one or more Educational Activities of this Educational Product no longer appropriate for CME accreditation, HealthStream agrees to withdraw the Educational Activities, in accordance with Article 2.2.
- 3.4 For each Educational Activity, CFCE shall provide a title, objectives, post test, and an evaluation form in a timely fashion. These components for the first ten (10) Educational Activities shall be provided no later than July 15, 1999; the second ten (10) components shall be provided no later than September 15, 1999, and the remaining components shall be provided no later than October 15, 1999.

ARTICLE 4

HEALTHSTREAM RESPONSIBILITIES TO CFCE

- 4.1 HealthStream will designate a project manager with sufficient experience and training to resolve issues related to the production, review and credentialing issues required by this project.
- 4.2 HealthStream will submit to CFCE a draft paper based version of each Educational Activity it has converted to the Web for review and approval by CFCE. CFCE will have twenty (20) working days to conduct its reviews. Any approvals shall not be unreasonably withheld by CFCE.
- 4.3 HealthStream agrees to make all changes requested by CFCE in a timely manner.
- 4.4 HealthStream will incorporate into each Educational Activity:
- 4.4.1 an accreditation statement to be provided by CFCE;
 - 4.4.2 objectives to be created and provided by CFCE;
 - 4.4.3 faculty disclosure information about actual or potential conflicts of interest to be provided by CFCE;
 - 4.4.4 Educational Activity evaluation to be provided by CFCE; and
 - 4.4.5 a post test to be provided by CFCE.
- 4.5 HealthStream shall be responsible for issuing to qualified physicians a document recognizing the attainment of CME credit. HealthStream shall develop a system to bar issuance of such documentation unless the participating physician has answered seventy-five percent (75%) of the post test questions correctly.
- 4.6 HealthStream shall maintain a database of all users of the Educational Activity and shall provide the following information quarterly to CFCE:

- 4.6.1 number of users of each Educational Activity;
 - 4.6.2 demographic information;
 - 4.6.3 names of physicians who were issued letters of CME accreditation for each Educational Activity; and
 - 4.6.4 results of evaluations.
- 4.7 HealthStream shall submit for CFCE approval the format and content of advertising, if any, so that CFCE can assure the requirements of ACCME Standards For Commercial Support are met. CFCE will have ten (10) working days to review and approve the format and content of such advertising.
- 4.8 HealthStream shall submit for CFCE approval all promotional activities related to this project. CFCE will have ten (10) working days to review and approve such promotional activities.
- 4.9 HealthStream agrees to allow CFCE to acknowledge within each Educational Activity the unrestricted educational grant provided by Novartis Pharmaceutical.

ARTICLE 5

PRICE AND PAYMENT

- 5.1. During the term of this Agreement, HealthStream shall pay to CFCE (Tax ID #: 34 - 0714553):
- 5.1.1. * in Licensing Fees according to the following terms;
 - 5.1.2. * upon execution of this Agreement;
 - 5.1.3. * on August 15, 1999; and
 - 5.1.4. * on the earlier of September 15, 1999 or within thirty (30) days after the delivery by CFCE of the final milestone.
- 5.2. HealthStream will pay a penalty of one percent (1%) per month for any payment more than thirty (30) days past due. Failure of payment more than ninety (90) days past due will be grounds for CFCE to withdraw the license granted in Article 2 herein; in this event, CFCE will retain all paid fees to that date.
- 5.3. Failure by CFCE to deliver the milestones in Section 3.4 herein within ninety (90) days of the specified date will be grounds for HealthStream to rescind this Agreement and CFCE refund the fees paid by HealthStream for any undelivered milestones.

ARTICLE 6

WARRANTIES AND INDEMNITIES

- 6.1. CFCE represents and warrants that:
- 6.1.1 Educational Content meets ACCME accreditation standards;
 - 6.1.2. To the best of its knowledge Educational Content does not infringe any copyright or patent enforceable under the laws of any country;
 - 6.1.3. To the best of its knowledge Educational Content does not violate the trade secret rights of any third party; and
 - 6.1.4. To the best of its knowledge Educational Content represents the then existing reasonable standards of care.
- 6.2. Each party agrees to indemnify, hold harmless, and defend the other from any and all damages, costs, and expenses, including reasonable attorneys' fees, incurred in connection with a claim which constitutes a breach of the warranties set forth in Section 4.1 provided, the charged party is notified promptly in writing of a claim and has sole control over its defense or settlement, and the party not charged provides reasonable assistance in the defense of the same.
- 6.3. CFCE shall have no liability for any claim based on HealthStream's:
- 6.3.1. use or distribution of Educational Content after CFCE's written notice that HealthStream should cease use or distribution of Educational Content due to a claim, or
 - 6.3.2. combination of Educational Content with a non-CFCE program or data if such claim would have been avoided by the exclusive use of Educational Content.
- 6.4. For all claims arising under Section 4.3, HealthStream agrees to indemnify and defend CFCE from and against all damages, costs, and expenses, including reasonable attorneys' fees. In the event CFCE notifies HealthStream that it should cease distribution of Educational Content due to a claim, HealthStream may terminate this Agreement.

ARTICLE 7

INTELLECTUAL PROPERTY PROVISIONS

- 7.1. HealthStream will cause to appear on all marketing or promotional materials concerning the Educational Content, CFCE's copyright, trademark, or patent notices.
- 7.2. The parties agree that ownership for any invention conceived or developed during the course of this Agreement shall vest in accordance with the patent rules governing inventorship.
- 7.3. To the extent that source code is written by either party title shall vest in the party who has written such code.
- 7.4. Each party is responsible for protecting, documenting, and maintaining its own intellectual property. Except as expressly set forth herein, this Agreement does not grant either party any proprietary rights of any type in the other party's materials, services or Content.
- 7.5. Both parties acknowledge that, except as otherwise provided herein, each party owns and retains all right, title and interest in and to its own Content provided to the other party.
- 7.6. HealthStream acknowledges that CFCE owns and retains all right, title and interest in and to Educational Content and all CFCE's products and services arising from the performance of this Agreement.
- 7.7. CFCE acknowledges that HealthStream owns and retains all right, title and interest in and to

T.NAV Commerce, the T.NAV Commerce source code, the T.NAV Commerce object code, any derivatives of T.NAV Commerce and the interface templates designed by HealthStream used to present and deliver the Educational Content.

ARTICLE 8

PROHIBITION AGAINST ASSIGNMENT AND SUBLICENSE

This Agreement, and any rights or obligations hereunder, shall not be assigned or sublicensed (except as permitted in this Article 6) by either party. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to all of a party's assets or substantially all of a party's assets and shall inure to the benefit of and be binding upon successors or purchasers of substantially all of either party's assets. CFCE may, at its sole discretion, enter into an agreement with any vendor, including UNITECH Communications, to fulfill the terms of this agreement. The costs, if any, of such agreements will be borne by CFCE.

ARTICLE 9

TERM OF AGREEMENT

Provided this Agreement has been properly executed by an authorized representative of CFCE and by an officer of HealthStream, the term of this Agreement ("Term") shall run from the Effective Date until three (3) year(s) after the Effective Date, and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice to the non-terminating party. Nothing in this article prohibits CFCE from exercising its responsibilities under the terms of its responsibilities to the ACCME which calls for timely review for accuracy and relevance of all educational activities and for termination of granting CME credit for those activities. (See Section 3.3 herein).

ARTICLE 10

DEFAULT AND TERMINATION

- 10.1 The non-defaulting party may terminate this Agreement in its entirety if any of the following events of default occur:
- 10.1.1 if the defaulting party materially fails to perform or comply with this Agreement or any provision hereof;
 - 10.1.2 if the defaulting party fails to strictly comply with the provisions of Article 11, or makes an assignment in violation of Article 6;
 - 10.1.3 if a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors;
 - 10.1.4 if a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or
 - 10.1.5 if such a petition is filed by any third party, or an application for a receiver of a party is made by anyone and such petition or application is not resolved favorably or discharged to such party within ninety (90) days.

- 10.2 Termination due to a breach of Articles 6 or 11 shall be effective upon notice. In all other cases termination shall be effective sixty (60) days after notice of termination to the defaulting party if the defaults have not been cured within such sixty (60) day period. The rights and remedies of the parties provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

ARTICLE 11

OBLIGATIONS UPON TERMINATION

- 11.1. From and after termination or expiration of this Agreement, HealthStream shall not employ Educational Content or portions thereof which is owned by CFCE, as part or portion of any product that HealthStream may use, sell, assign, lease, license, or transfer to third parties. Both parties shall cease and desist from all use of the other party's name(s) and associated trademark(s) and, upon request, deliver to the other party or its authorized representatives or destroy all material upon which those name(s) and the associated trademarks appear.
- 11.2. Articles 4, 5, 9, 10, 11, 12, 13, Section 14.1, and Article 15 shall survive termination or expiration of this Agreement.

ARTICLE 12

WARRANTIES, LIMITATION OF LIABILITY AND REMEDIES

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES. ANY AND ALL OTHER IMPLIED WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING THOSE FOR MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.), INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 13

NONDISCLOSURE AGREEMENT

- 13.1. HealthStream expressly undertakes to retain in confidence all information and know-how transmitted to HealthStream by CFCE that CFCE has identified as being proprietary and/or confidential or that, by the nature of the circumstances surrounding the disclosure, ought in good faith to be treated as proprietary and/or confidential, and will make no use of such information and know-how except under the terms and during the existence of this Agreement. HealthStream shall not disclose, disseminate or distribute any such confidential information or know how to any third party without CFCE's prior written consent. HealthStream agrees to use the same degree of care to protect CFCE confidential information as HealthStream takes to protect its own confidential information of like importance. However, HealthStream shall have no obligation to maintain the confidentiality of information that:
- 13.1.1. it received rightfully from another party prior to its receipt from CFCE;
 - 13.1.2. CFCE has disclosed to a third party without any obligation to maintain such information in confidence; or
 - 13.1.3. has been or is independently developed by HealthStream.

- 13.2. Further, HealthStream may disclose confidential information as required by governmental or judicial order, provided HealthStream gives CFCE prompt notice of such order and complies with any confidentiality or protective order (or equivalent) imposed on such disclosure. HealthStream shall treat the terms and conditions of this Agreement as confidential; however, HealthStream may disclose such information in confidence to its immediate legal and financial consultants as required in the ordinary course of HealthStream's business. HealthStream's obligation under this Article 12 shall extend to the earlier of such time as the information protected hereby is in the public domain through no fault of HealthStream or five (5) years following termination or expiration of this Agreement. HealthStream shall not disclose any information on CFCE's unannounced products to HealthStream's employees or any third party.
- 13.3. CFCE shall have the same obligations in Sections 11.1 and 11.2 above with respect to HealthStream's information and know-how.
- 13.4. Both parties shall prepare a mutually acceptable press release, if any, to announce this Agreement.

ARTICLE 14

NOTICES AND REQUESTS

All notices, authorizations, and requests in connection with this Agreement shall be deemed given three (3) days after they are deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested, or sent by air express courier, charges prepaid; and addressed as follows:

CFCE: The Cleveland Clinic Center for Continuing Education
 William D. Carey, MD, Director
 TT-31
 9500 Euclid Avenue
 Cleveland, Ohio 44195

With a copy to:

Office of General Counsel
 9500 Euclid Avenue, Mail Code H-18
 Cleveland, OH 44195

HEALTHSTREAM: HealthStream, Inc.
 Robert H. Laird, Jr.
 General Counsel
 209 10th Avenue South
 Suite 450
 Nashville, Tennessee 37203

or to such other address as the party to receive the notice or request so designates by written notice to the other.

ARTICLE 15

CONTROLLING LAW

- 14.1. This Agreement shall be construed and controlled by the laws of the State of Ohio.
- 14.2. Neither this Agreement, nor any terms and conditions contained herein, shall be construed as creating a partnership, joint venture or agency relationship or as granting a franchise as defined in 16 CFR Section 436.2(a). The price and payment described in Article 3 of this Agreement shall be construed as a royalty fee for the rights granted in Article 2 of this Agreement, and not as a franchise fee.

ARTICLE 16

ATTORNEYS' FEES

If either HealthStream or CFCE employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party in any proceeding shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

ARTICLE 17

GENERAL

- 17.1. This Agreement does not constitute an offer by HealthStream and it shall not be effective until signed by both parties. Upon execution by both parties, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and replaces and supplants all prior and contemporaneous communications including the Letter of Intent signed by the parties March 28, 1999. It shall not be modified except by a written agreement signed on behalf of CFCE and HealthStream by their respective duly authorized representatives. Unless agreed to in a separate writing signed by both parties, any statement appearing as a restrictive endorsement on a check or other document which purports to modify a right, obligation or liability of either party shall be of no force and effect.
- 17.2. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 17.3. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.
- 17.4. The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.
- 17.5. Change in Law and Compliance.
- 17.5.1. Change in Law. By entering into this Agreement, the parties specifically intend to comply with all applicable laws, rules and regulations, including (I) the federal anti-kickback statute (42 U.S.C. 1320a-7(b)) and the related safe harbor regulations; and (ii) the Limitation on Certain Physician Referrals, also referred to as the "Stark Law" (42 U.S.C.

1395nn). Accordingly, no part of any consideration paid hereunder is a prohibited payment for the recommending or arranging for the referral of business or the ordering of items or services; nor are the payments intended to induce illegal referrals of business. In the event that any part of this Agreement is determined to violate federal, state, or local laws, rules, or regulations, the parties agree to negotiate in good faith revisions to the provision or provisions which are in violation. In the event the parties are unable to agree to new or modified terms as required to bring the entire Agreement into compliance, either party may terminate this Agreement on sixty (60) days written notice to the other party.

17.5.2. Compliance. By executing this Agreement, to the extent applicable, HealthStream agrees that Cleveland Clinic shall have the right to automatically terminate this Agreement in the event that HealthStream is debarred, excluded, suspended or otherwise determined to be ineligible to participate in federal health care programs (collectively, "Debarred" or "Debarment"). Accordingly, HealthStream shall provide Cleveland Clinic with immediate notice if HealthStream (i) receives notice of action or threat of action with respect to its Debarment during the term of this Agreement; or (ii) becomes Debarred. Upon receipt of such notice from HealthStream, this Agreement shall automatically terminate without further action or notice.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in Section 1.5 above. All signed copies of this Agreement shall be deemed originals.

/S/ William D. Carey

The Cleveland Clinic Foundation
William D. Carey, MD
Vice Chair, Division of Education

/S/ Robert Frist, Jr.

HealthStream, Inc
Robert Frist
Chief Executive Officer.

APPROVED AS TO FORM
OFFICE OF
GENERAL COUNSEL

By /s/ CCF Office of General Counsel

Date 6/8/99

EXHIBIT A
INFORMATION BASE FOR THE EDUCATIONAL PRODUCT

The 1998 Cleveland Clinic Intensive Review of Internal Medicine on CD-ROM

EXHIBIT B

ACCREDITATION COUNCIL FOR CONTINUING MEDICAL EDUCATION ESSENTIALS AND
GUIDELINES FOR ACCREDITATION OF SPONSORS OF CONTINUING MEDICAL
EDUCATION AND STANDARDS FOR COMMERCIAL SUPPORT AND ENDURING MATERIALS

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk(*).

December 31, 1998
Bob Sweeney
Challenger Corporation
5530 Summer Avenue
Memphis, Tennessee 38134

[CHALLENGER CORPORATION logo]

RE: Terms for Strategic Alliance

Dear Bob:

HealthStream, Inc. ("HealthStream") and Challenger Corporation ("Challenger") desire to enter into a Strategic Alliance ("Agreement") whereby the parties will:

- 1) enter into good faith negotiations to merge or otherwise consolidate the corporations between now and April 30, 1999; and
- 2) enter into a distribution and marketing arrangement whereby Challenger grants HealthStream an exclusive worldwide license to all Challenger products for deployment through HealthStream's Web based (Internet or Intranet) distribution channels.

In accordance with the exclusive worldwide license granted by Challenger to HealthStream, Challenger will provide HealthStream with all of its existing products and any new products developed or marketed by Challenger during the license term, including but not limited to:

- - Med-Challenger EM for Emergency Physicians (7 modules; 200 CME hours)
- - Med-Challenger FP for Family Physicians (7 modules; 192 CME hours)
- - Med-Challenger Peds for Pediatricians (6 modules; 159 CME hours)
- - Med-Challenger IM for Internists (5 modules; 143 CME hours)
- - ECG-Challenger (31.25 CME hours)
- - Derm-Challenger (25.5 CME hours)
- - Rad-Challenger (10.25 CME hours)

In consideration for the exclusive worldwide license granted by Challenger to HealthStream, HealthStream shall pay to Challenger * in 3 installments. The first installment of * shall be due and payable to Challenger on January 4, 1999. The second installment of * shall be due and payable to Challenger on February 5, 1999. The third installment of * shall be due and payable to Challenger on March 5, 1999. These amounts shall be non-refundable advances to Challenger on the royalties outlined below. In the event that the terms of a merger or other consolidation between the parties are definitively determined by April 30, 1999, this amount shall be credited toward the purchase price in the event of an acquisition of Challenger by HealthStream or any amounts payable by HealthStream to Challenger in the event of a merger.

Challenger and HealthStream will share the revenue ("Revenue") from this strategic alliance according to the following royalty rates:

- - Individual Transactions - HealthStream shall pay Challenger * of the net Revenue received for each individual transaction paid for by the end user. In any case, the royalty paid shall be

at least * of Challenger's most favored per unit pricing structure on the effective date of this Agreement for its products regardless of the prices HealthStream charges for these products;

- - Sponsorships - HealthStream shall pay Challenger * of the net Revenue received from transactions paid for by a third party and purchased in bulk. In any case, the royalty paid shall be at least * of Challenger's most favored per unit pricing structure on the effective date of this Agreement for its products regardless of the prices HealthStream charges for these products; and

- - Notwithstanding the above, HealthStream may allow users to view portions of any Challenger products* through January 31, 1999. No continuing medical education (CME) credits, however, will be given * .

In the event that a merger or other consolidation between the firms is not consummated by April 30, 1999, the term of this exclusive worldwide license shall be two (2) years with a second-year licensing fee of * paid in twelve (12) equal monthly installments. The first installment of * shall be due and payable to Challenger on January 4, 2000, with subsequent payments due upon the fourth of each month thereafter. Any amounts paid to Challenger under the second year license shall be a non-refundable advance to Challenger on the royalties as outlined above. If the accrued royalties due to Challenger are less than * through November 15, 1999, then HealthStream shall have the unilateral right to cancel the second year license by providing a written notice of intent not to renew prior to December 1, 1999.

This Agreement shall supercede and replace the Joint Marketing Agreement signed between the parties dated October 16, 1998.

Notwithstanding this Agreement, nothing shall interfere with Challenger's agreement with Medical Directions of Tucson, Arizona for Med-Challenger for Internists. Challenger, however, shall not extend this agreement beyond its initial term or otherwise expand the rights granted under this agreement.

If the terms and conditions of this letter are acceptable, please sign and return a copy of this letter so that we can move forward with our discussions.

Sincerely,

HEALTHSTREAM, INC.
By: /s/ Robert A. Frist

Title: Chief Executive

Acknowledged and agreed to this 31st day of December, 1998.

CHALLENGER CORPORATION

/s/ Robert Sweeney

Robert Sweeney
Contracts Officer
Secretary to the Board of Directors
Chief Operating Officer and Executive Vice-President

We have omitted certain portions of this document and filed them separately with the commission. These portions are marked with an asterisk (*).

DEVELOPMENT AND DISTRIBUTION AGREEMENT

This Agreement, effective as of June 14th, 1999, is between GE Medical Systems, a division of General Electric Company, a corporation organized and existing under the laws of the state of New York ("GEMS"), and HealthStream, Inc., a corporation organized and existing under the laws of the state of Tennessee ("HealthStream").

RECITALS

- A. GEMS or its affiliates have purchased 100,000 shares of HealthStream Series B Convertible Preferred Stock pursuant to a Stock Purchase Agreement dated May 10, 1999, in consideration of, in part, the arrangement set forth in this Agreement.
- B. HealthStream owns or has rights to certain computer software and Internet web site content for healthcare professionals' education and training and has developed and markets a computer-based education system called "Training Navigator" ("T.NAV") that delivers and monitors content on the World Wide Web.
- C. GEMS owns or has rights to certain content, satellite broadcast programming and branding and related goods and services which are used in health, medicine, training and education, and which may be used to distribute information about and to promote its other goods and services.
- D. The parties intend to convert or adapt certain GEMS content and programming that is in existence or to be developed for use through T.NAV. GEMS and HealthStream are allowed certain rights hereunder to distribute the HealthStream content and the converted or adapted GEMS content using T.NAV, and the parties are to share Revenue (as defined herein) in connection therewith.
- E. Simultaneous with this Agreement, the parties are entering into a Warrant Purchase Agreement (the "Warrant Agreement") of even date herewith, under which GEMS acquires a warrant to purchase certain stock of HealthStream as set forth therein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises and covenants set forth below, the parties agree as follows:

ARTICLE I DEFINITIONS

Capitalized terms herein shall have the following meanings for purposes of this Agreement:

- 1.1 "Confidential Information" means any information received by a party that is marked "Confidential" or "Proprietary" or, in the case of information that is disclosed orally, is reduced to writing and such writing is delivered to the receiving party confirming the oral disclosure and identifying the oral disclosure as "Confidential." Confidential Information shall

not include any information that the receiving party can demonstrate, by a preponderance of the evidence, was already in its possession of the receiving party at the time of disclosure, is in the public domain other than as consequence of breach by it of its obligation hereunder not to disclose the information, is received from another without an obligation of confidentiality, or is thereafter independently developed by it without the use of any such information.

1.2 "Enhancements" means all GEMS content (including works of authorship, source and object code, and databases) that is converted or adapted for use on T.NAV and approved by GEMS.

1.3 "GEMS Web Site" means the primary web site designated by GEMS or its affiliates, or other GEMS distributors authorized under Section 4.1 below, for distribution by GEMS of HealthStream Content.

1.4 "HealthStream Content" means all interactive courses that HealthStream owns or has the right to distribute (but not including Enhancements).

1.5 "HealthStream Web sites" means the primary web sites designated by HealthStream, and/or HealthStream distributors listed in Exhibit B attached hereto, for distribution by HealthStream of Enhancements.

1.6 "Revenue" means all monetary consideration and the fair market value of all non-monetary consideration charged, not including any sales or value-added taxes, and less any returns or refunds. In the case of Revenue in a currency other than United States dollars, such Revenue shall be converted to United States dollars using the exchange rate in effect on the last day of the calendar quarter during which such Revenue is received.

1.7 "TiP-TV" means the live interactive satellite broadcasts of that name to GEMS-authorized customer sites, also known as "Training-in-Partnership Television."

1.8 "T.NAV" means all present and all future releases, versions and embodiments of the HealthStream products and services currently known as "Training Navigator" or "T.NAV" which delivers and monitors World Wide Web based content.

1.9 "Individual Course Transactions" means purchases of Products other than Non-Individual Course Transactions.

1.10 "Non-Individual Course Transactions" means purchases of Products in a single transaction entailing multiple courses or courses that are in combination with other goods or services.

1.11 "Products" means HealthStream Content and Enhancements singly and jointly.

ARTICLE II
DEVELOPMENT

2.1 Development of Enhancements. The parties will collaborate in the development of Enhancements identified and approved by GEMS, integrating such Enhancements into T.NAV, and deploying two similar, but separately branded in accordance with Section 5.5 below, sets of Products. The Enhancements will be directed toward specific areas of expertise of GEMS, including, but not limited to, radiology, cardiology and women's health, and related educational materials, and GEMS e-commerce applications. The development, implementation and integration of Enhancements will occur in three phrases:

(i) the development of on-line continuing education and continuing medical education examinations after TiP-TV broadcasts on such schedule as the parties may mutually agree;

(ii) the conversion and repurposing into T.NAV of * of existing TiP-TV programming of GEMS identified by the agreement of the parties within thirty (30) days after the effective date of this Agreement, such conversion and repurposing to be accomplished within three months after the effective date of this Agreement; and

(iii) the development of new content as mutually agreed upon by the parties for desired market segments and healthcare professional occupations and specialties, provided that HealthStream shall be under no obligation to incur the costs of developing any content beyond the first *.

2.2 Content Integration. HealthStream, at its expense, will provide all necessary services and support for the conversion of content and features provided by GEMS into Enhancements and the integration of Enhancements into T.NAV, including adding GEMS content, enabling linkage to other GEMS web sites and the customizations listed on Exhibit A hereto.

2.3 Technical Support. HealthStream, at its expense, will provide all necessary technical support and maintenance to the Products, including hosting web sites containing Products. HealthStream shall promptly deliver to GEMS upon its request all reasonably available usage, tracking and similar information related to each such web site.

ARTICLE III
OWNERSHIP

3.1 Ownership of Enhancements. GEMS will own, and HealthStream hereby assigns to GEMS, all Enhancements including all copyrights, trade secret rights and other intellectual property rights thereto, with the unrestricted right to reproduce, use, perform, display, prepare derivative works and distribute such Enhancements, subject to the distribution and other rights of HealthStream under Article IV below.

3.2 Ownership of T.NAV and HealthStream Content. HealthStream shall own, and GEMS hereby assigns to HealthStream, all of T.NAV and HealthStream Content, including all copyrights, trade secret rights and other intellectual property rights thereto, with the unrestricted right to reproduce, use, perform, display, prepare derivative works and distribute T.NAV and HealthStream Content, subject to the distribution and other rights of GEMS under Article IV below.

3.3 Assignments. Each party agrees to take such action as may be reasonably required to effectuate the ownership provisions of this Article III, including without limitation the execution and delivery of instruments of assignment, recordation or registration, and the giving of truthful testimony.

3.4 Enforcement. Each party shall promptly notify the other of any infringement or other violation of which it becomes aware by any third party of any patent, copyright, trade secret, trademark or other intellectual property right related to Products. The party owning such right may enforce such right against such third party, and the other party shall reasonably cooperate with such enforcement at the enforcing party's expense. Any damages or other monetary recovery in the enforcement action shall be retained by the enforcing party.

ARTICLE IV DISTRIBUTION RIGHTS

4.1 Grant by HealthStream. Subject to all the terms and conditions of this Agreement, HealthStream hereby grants to GEMS and its affiliates a worldwide right and license to distribute HealthStream Content through the GEMS Web Site. Any distribution of HealthStream Content by GEMS other than through the GEMS Web Site or by any subdistributors will require the prior written approval of HealthStream.

4.2 Grant by GEMS. Subject to all the terms and conditions of this Agreement, GEMS hereby grants to HealthStream a worldwide right and license to distribute Enhancements through the HealthStream Web sites. Any distribution of Enhancements by HealthStream other than through the HealthStream Web sites will require the prior written approval of GEMS.

ARTICLE V MARKETING

5.1 Product Marketing. Each party will work independently to market the Products, with input from the other party and in accordance with this Article V.

5.2 Cooperation by HealthStream. HealthStream will provide to GEMS all relevant technical, marketing and other information regarding the Products and will provide appropriate artwork for marketing communications regarding the HealthStream Content.

5.3 Cooperation by GEMS. The Products may be included as a part of industry trade shows and exhibitions in which GEMS participates, at GEMS discretion. The Products may be included as a part of GEMS public advertising strategy, at GEMS discretion.

5.4 **Tip-TV Programming Advertising.** During the term of this Agreement, GEMS will promote HealthStream on the GEMS branded offering of the Products in the Tip-TV Broadcast Guide magazine by including a one-quarter page advertisement therefor in each magazine issue. Such advertisement will contain the "Powered by HealthStream, Powered by T.NAV" logo or other HealthStream logo acceptable to GEMS, and shall be at * HealthStream. HealthStream may choose to sponsor Tip-TV programming, subject to program availability. Pricing for such sponsorship will be set at the then current sponsorship market price, less at least a * discount. In exchange for the discounted sponsorship fee, HealthStream will be named as such program's sponsor.

5.5 **Branding.** Each party reserves all rights to any name, marks and logos ("Marks") it may have. GEMS will have the right, but not the obligation, to include its Marks in the Enhancements, and in any HealthStream Content that GEMS distributes. GEMS may prohibit the use in any Enhancements, and in any HealthStream Content that GEMS distributes, of any Marks of any company in competition with GEMS in any goods or services distributed by GEMS. The Products will also include the name of HealthStream, consistent with applicable General Electric Company corporate guidelines including, without limitation, guidelines to avoid confusion of customers, sales forces and others and to produce and maintain market identity. Each use by HealthStream of any Marks of GEMS in any manner, including in all Products and web pages shall be subject to the prior written approval of GEMS. Neither party shall by this Agreement obtain any right, title, or interest in or to any Marks of the other party or its affiliates. Accordingly, neither party shall use any Marks confusingly similar to or likely to cause confusion with the Marks of the other or of any other person or entity. This Section 5.5 shall survive termination of this Agreement. Violation of this Section 5.5 shall entitle the owner of the Mark to seek any legal or equitable remedy it has, whether arising under this Agreement or otherwise.

5.6 **Direct Marketing.** The parties shall each ensure that all communications (including, without limitation, email acknowledgments, transaction invoicing, direct mail campaigns, customer feed back surveys and other electronic and written communications) with individuals, groups, companies or other entities conducting transactions through the GEMS Web site shall have the appropriate GEMS Marks consistent with General Electric Company corporate guidelines.

5.7 **GEMS Web site Infrastructure.** HealthStream shall operate and maintain the HealthStream Content and T.NAV in support of the GEMS Web site, including processing user transactions on the GEMS Web site (including invoicing, billing and processing credit card transactions) and tracking user course history.

5.8 **Web Partners.** GEMS in its sole discretion may introduce HealthStream to its current or potential Web partners for the purpose of creating strategic partnerships and alliances and deploying HealthStream Content using T.NAV into other channels.

ARTICLE VI
REVENUE SHARING

6.1 Individual Course Transactions. During the term of this Agreement, Revenue from Individual Course Transactions shall be shared on a quarterly basis, based upon content and distribution channel, per the following:

CHANNEL CONTENT	COLUMN A GEMS WEB SITE	COLUMN B HEALTHSTREAM WEB SITES
Enhancement	GEMS *	GEMS *
	HealthStream *	HealthStream *
HealthStream Content	GEMS *	GEMS *
	HealthStream *	HealthStream *

6.2 Accelerated Royalty. During the first nine month period following the release by either party of the initial Individual Course Transactions in Enhancements for deployment in T.NAV, HealthStream shall retain an additional * of Revenues related to such Enhancements, regardless of channel.

6.3 Non-Individual Course Transactions. Revenue from Non-Individual Course Transactions which may be developed as part of future GEMS or HealthStream on-line offerings, shall be shared * to GEMS and * to HealthStream; except that during the first nine months following the release by either party of the initial Non-Individual Course Transactions in Enhancements for development in T.NAV, HealthStream shall retain an additional * of Revenue related to such Enhancements, regardless of channel.

6.4 Advertising Revenue. All Revenues collected by HealthStream for advertisements or other promotional material in page views that include any portion of the Enhancements shall be divided * to HealthStream and * to GEMS. All Revenues collected by GEMS for advertisements and other promotional material in page views that include any portion of T.NAV shall be divided * to GEMS and * to HealthStream.

6.5 Pricing. GEMS reserves the right, with advice from HealthStream, to set the * price for HealthStream's distribution of Individual Course Transactions in the Enhancements. HealthStream reserves the right, with advice from GEMS, to set the * price for GEMS' distribution of Individual Course Transactions in the HealthStream Content. In no instance shall pricing for Non-Incidental Course Transactions by either party be less than * of the pricing for Individual Course Transactions, except with the consent of the other party.

ARTICLE VII
ACCOUNTING

7.1 Accounting. Reconciliation of accounts in accordance with the Revenue sharing arrangements set forth in Article VI above shall be made within thirty (30) days after each calendar quarter with respect to Revenues received during such calendar quarter, by each party

delivering to the other party a check for the amount due without offset for any amount due from the other party together with the report described in Section 7.2 below.

7.2 Records. Each party shall keep complete and accurate records showing its Revenues hereunder, for the term of this Agreement and a period of one (1) year thereafter. Each party shall deliver to the other party a written report accompanying each of the payments described in Section 7.1 above setting forth the share of Revenues due to the other party and the calculation thereof.

ARTICLE VIII WARRANTIES AND INDEMNITIES

8.1 Representations and Warranties of HealthStream. HealthStream represents and warrants to GEMS as follows:

- (i) that HealthStream is a validly existing corporation in good standing under the laws of the State of Tennessee;
- (ii) that HealthStream has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder;
- (iii) that HealthStream has full right, power and authority to enter into and perform its obligations under this Agreement, and that HealthStream has the right to grant to and vest in GEMS all rights and licenses set forth in this Agreement, free and clear of any and all claims, rights and obligations whatsoever;
- (iv) that except for any portion of the Products that may be created by GEMS, to the best of HealthStream's knowledge, no part of T.NAV or the Products is or shall be an imitation or copy of, or shall infringe upon, any other materials, or shall violate or infringe upon any common law or statutory rights of any person or entity, including without limitation rights relating to defamation, contract, trademark, patent, copyright, trade secret, privacy or publicity;
- (v) that HealthStream has not sold, assigned, leased, licensed, or in any other way disposed of or encumbered any of the rights or licenses granted to GEMS in this Agreement nor shall HealthStream sell, assign, lease, license or in any other way dispose of or encumber such rights; and
- (vi) to the best of HealthStream's knowledge, all versions of T.NAV and the Products delivered to GEMS under this Agreement shall be free from any specification non-conformities, significant programming errors or defects in workmanship or materials and shall operate and run in a reasonable and efficient business manner (including being free of any Year 2000 defects or non-conformities due to the passage of the year 1999). In the event of any breach of this Section 8.1 (vi), HealthStream shall, at its sole expense, immediately correct the nonconformity or other defect.

8.2 Representations and Warranties of GEMS. GEMS represents and warrants to HealthStream as follows:

(i) that GEMS is a validly existing corporation in good standing under the laws of the State of New York;

(ii) that it has full corporate power and authority to execute and deliver this Agreement and to perform the transactions contemplated hereunder;

(iii) that GEMS has full right, power and authority to enter into and perform its obligations under this Agreement, and that GEMS has the right to grant to and vest in HealthStream all rights and licenses set forth in this Agreement, free and clear of any and all claims, rights and obligations whatsoever; and

(iv) that to the best of GEMS' knowledge, no part of GEMS content shall infringe upon, any other materials, or shall violate or infringe upon any common law or statutory rights of any person or entity, including without limitation rights relating to defamation, contract, trademark, patent, copyright, trade secret, privacy or publicity.

8.3 Indemnity. Each party will indemnify and hold harmless the other from and against any liability, costs or expenses (including attorney fees) based upon any action, claim or assertion inconsistent with the warranties and representations of Section 8.1 or 8.2 above. The indemnified party shall promptly notify the indemnifying party of any such action or assertion and shall cooperate in the defense thereof.

8.4 Insurance. HealthStream will maintain insurance coverage for product liabilities and other claims arising from the Products in the policy amount of \$5 million combined single limit per occurrence and \$5 million in the aggregate (with a self-insured retention of \$10,000 per occurrence and \$50,000 aggregate). During the term of the Agreement, HealthStream covenants to maintain such insurance policy and to take such steps, as necessary, to name GEMS as an additional insured under such insurance policy. Evidence of the existence and amount of the insurance policy shall be provided by HealthStream to GEMS.

8.5 NO OTHER WARRANTIES. THE WARRANTIES EXPRESSED IN THIS ARTICLE VIII ARE IN LIEU OF ALL OTHER WARRANTIES, WHETHER EXPRESSED OR IMPLIED OR ARISING BY PERFORMANCE, CUSTOM OR USAGE IN THE TRADE, AND THE PARTIES HEREBY DISCLAIM ALL OTHER WARRANTIES, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

8.6 No Consequential Damages. Except as expressly set forth herein, in no event shall either party be liable under, or in connection with, this Agreement for any indirect, special, incidental, punitive or consequential losses, expenses or damages whatsoever, including, but not limited to, loss of revenue or profits or increased costs as a result of inability to operate, inability to fulfill contracts with third parties, or similar matters or events. The limitations, exclusions and disclaimers in this Agreement shall apply irrespective of the nature of the cause of the action or

demand, including but not limited to breach of contract, negligence, tort or any other legal theory and shall survive any breach or breaches and/or failure of the essential purpose of this Agreement, or any remedy contained in this Agreement.

ARTICLE IX
CONFIDENTIALITY

9.1 Obligation. Each party agrees that any Confidential Information furnished or disclosed to it by the other party shall be treated as confidential by it and used by it only as expressly authorized herein, that no such Confidential Information shall be disclosed to others by it or its employees without the prior written consent of the disclosing party, and that it shall take all measures to protect the confidentiality of such Confidential Information that it takes to protect its own similar proprietary or confidential information, which shall in no event be less than those required by law to protect the confidentiality and proprietary nature of such information except insofar as:

- (i) expressly provided otherwise herein or in any other written agreement with the disclosing party;
- (ii) such Confidential Information is necessarily disclosed by its use in products manufactured and sold or otherwise disposed of by the disclosing party; or
- (iii) such Confidential Information is necessarily disclosed to bona fide subcontractors of such party provided that such subcontractors agree to maintain such Confidential Information in confidence and to protect such Confidential Information from disclosure to others to the extent of the foregoing requirements of this Section and to limit their use of such Confidential Information to fulfilling their obligations as a subcontractor or supplier.

9.2 Cooperative Development. Without limiting the generality of Section 9.1 above, should any joint development effort be undertaken by the parties involving software owned by GEMS, then GEMS may in its sole discretion make source code for such software available to HealthStream to the extent reasonably necessary for HealthStream to perform the development or maintenance obligations agreed upon by the parties or provided hereunder. HealthStream shall not use such source code or software except in performing such obligations and shall not disclose it to anyone other than its employees who both (i) require access thereto in order to allow HealthStream to perform such obligations and (ii) have agreed in writing to refrain from using or disclosing it other than as permitted hereunder.

9.3 Other Confidentiality Agreement. Except to the extent modified hereunder, all the obligations of the Confidentiality Agreement made as of March 22, 1999 between General Electric Company and HealthStream remain in full force and effect as provided thereunder.

ARTICLE X
TERM AND TERMINATION

10.1 Term. This Agreement shall be for an initial term of two years, automatically renewed for successive one-year periods unless either party delivers written notice of non-renewal at least forty five (45) days prior to the end of the initial term or any renewal term.

10.2 Early Termination. If either party commits a material breach of this Agreement or the Warrant Agreement, then the other party may deliver written notice of such breach to the breaching party. If the breaching party fails to remedy such breach within thirty (30) days after such notice, then the other party may terminate this Agreement by written notice of termination. A material breach shall be deemed to include without limitation any failure to remit in a timely manner amounts due under Article VI above, any violation of the distribution rights under Article IV above, any breach of any of the representations or warranties of Article VIII, any violation of any of the Confidentiality Obligations of Article IX, and any dissolution, insolvency, bankruptcy, appointment of a receiver or trustee, making of an assignment for the benefit of creditors, the commencement of any proceeding (state or federal) relating to the administration of creditors rights generally, or the failure generally to pay debts as they become due.

10.3 Remedies. Upon any termination of this Agreement pursuant to this Article X, each party shall have all rights and remedies available to it hereunder and at law or in equity, it being understood that the exercise of any one remedy is not meant to be exclusive of any other remedy and that all remedies hereunder are intended to be cumulative. Following termination, the terminating party may suspend any and all performance hereunder except as provided under Section 10.4 below.

10.4 Survival and Post-Termination Rights. The provisions of Sections 3.1, 3.2, 3.3, 5.5, 9.1 (to the extent provided in each such Section) and 9.3 shall survive any termination or expiration of this Agreement. No termination or expiration shall in any way terminate or otherwise affect the right of any user, distributor, reseller, or other sublicensee or customer of GEMS' rights with respect to any Enhancements.

ARTICLE XI
MISCELLANEOUS

11.1 Entire Agreement. This Agreement together with the Warrant Agreement constitute the entire agreement and understanding of the parties with regard to the subject matter hereof. This Agreement shall not be modified or supplemented except by a written instrument signed by both parties.

11.2 Notices. Any notice required or permitted under this Agreement shall be deposited in First Class Mail addressed as follows:

If to GEMS:
GE Medical Systems
3000 N. Grandview Blvd., W502
Waukesha, WI 53188
Attention: Jack Albertson

If to HealthStream:

HealthStream, Inc.
209 10th Avenue South
Suite 450
Nashville, TN 37203
Attention: Robert Laird, Vice President and General Counsel

11.3 No Assignment. Except as set forth in this Section 11.3, neither this Agreement nor any rights or obligations hereunder may be assigned or transferred by either party without the written consent of the other party. GEMS may freely assign this Agreement to affiliates of GEMS, may assign this Agreement to non-affiliates of GEMS in connection with a reorganization or sale of the business to which this Agreement pertains, and may assign this Agreement to other non-affiliates of GEMS with the consent of HealthStream which consent shall not be unreasonably withheld. GEMS shall notify HealthStream of any assignment of this Agreement or any rights or obligations hereunder, and the assignee shall agree in writing to assume all obligations of GEMS. Any transaction or series of related transactions pursuant to which any entity or person (including without limitation any of their respective affiliates) first acquires after the effective date of this Agreement, directly or indirectly, an aggregate amount of fifty percent (50%) or more voting control or fifty percent (50%) or more of the equity securities ("Control") of HealthStream (or of any entity directly or indirectly having Control of HealthStream) or by contract or otherwise obtains the right to appoint at least fifty percent (50%) of the Board of Directors of HealthStream (or any entity directly or indirectly having Control of HealthStream), shall be deemed an assignment of rights under this Agreement for purposes of this Section 11.3. Further, any sale, assignment, pledge, hypothecation, or exclusive license of any of the copyrights, patents, trade secret rights or other intellectual property rights in or relating to any of the Products shall be deemed an assignment of this Agreement for purposes of this Section 11.3. Any purported assignment or other transaction in violation of this Section 11.3 shall be null and void and of no force or effect.

11.4 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without reference to any conflict of law principles.

11.5 Arbitration. Any dispute under this Agreement shall initially be mediated in New York, New York pursuant to the Center for Public Resources Model Procedure for Mediation of Business Disputes. Any disputes not so resolved shall be finally resolved by arbitration by a panel of three arbitrators (or such other number as the parties may agree to) in New York, New York, in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The arbitrators may award attorney fees to the prevailing party to the extent they may deem appropriate. The parties hereto waive all rights to trial by jury in any action, suit or proceeding brought to enforce or defend any rights or remedies arising under or in connection with this Agreement, whether grounded in tort, contract or otherwise.

11.6 Confidentiality. No public announcements may be made of the existence or contents of the Agreement except as mutually agreed in writing.

11.7 Relationships of the Parties. Each party is an independent contractor under this Agreement. No party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other party or to bind the other party to any contract, agreement or undertaking with any third party.

11.8 Interpretation. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Captions and headings to sections are included solely for convenience and are not intended to affect the interpretation of any provision of this Agreement. Whenever the words "included", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." References to a person are also to its successors and assigns, and references to any statute are also to all rules, regulations and orders promulgated thereunder. No rule of construction shall be applied to the disadvantage of a party by reason of that party having been responsible for the preparation of this Agreement or any part hereof.

11.9 Force Majeure. In the event an act of the government, war conditions, fire, flood, or other act of God prevents either party from performing in accordance with the provisions of this Agreement, such nonperformance shall be excused and shall not be considered a breach or default for so long as the said conditions prevail.

11.10 Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates set forth below.

GE Medical Systems, a division of General Electric Company

By: /s/ MAF

Title: GM, Business Development

Date: 6/15/99

HEALTHSTREAM, Inc.

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

Title: Chief Executive

Date: June 14, 1999

EXHIBIT A

ENHANCEMENT CUSTOMIZATIONS

1. Left navigation bar light color
2. Left navigation bar dark color
3. The color that is the background of the main logo in the upper left
4. The color for the ad banner section
5. The light color for the catalog listing
6. The dark color for the catalog listing
7. The light color for the Your Menu listing
8. The dark for the Your Menu listing
9. The logo to display in the upper left
10. The name to display in the site (i.e. "Healthstream@ahn.com")
11. The phone number of technical support
12. The email for tech support
13. The address for tech support
14. The first custom link to display
15. The second custom link to display
16. The third custom link to display
17. The fourth custom link to display
18. The fifth custom link to display
19. The people support link to display
20. Code to pre-populate the discount field with (NOT USED yet)
21. Text to display on page for custom link 1
22. Text to display for custom link 2
23. Text to display for custom link 3
24. Text to display for custom link 4
25. Text to display for custom link 5
26. Text to display for the people support link
27. Default background color
28. The path and file to call when doing an auto-logoff
29. The background color for the title bar

EXHIBIT B

HEALTHSTREAM DISTRIBUTORS

AHN.COM (www.ahn.com)

Medsite.com (www.medsite.com, www.medbookstore.com, www.meduniversity.com)

PhyCor, Inc. (PhyCor Online, the corporation's intranet)

Medeon Corporation (www.medeon.com)

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

AGREEMENT

This Agreement ("Agreement") is made by and between HealthStream, Inc., a Tennessee corporation having its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") and Medsite.com, Inc. having its principal place of business at 60 East 13th Street, 5th Floor, New York, NY 10003 ("Medsite").

WHEREAS, Medsite delivers Internet healthcare services over the World Wide Web targeted at the healthcare community and consumers among others;

WHEREAS, HealthStream has developed and marketed and continues to develop and market a computer-based education system known as the Training Navigator(TM) ("T.NAV(R)") that delivers and monitors World Wide Web based content;

WHEREAS, Medsite and HealthStream wish to enter into a cooperative effort to 1) deploy HealthStream Courses and Medsite Courses utilizing T.NAV(R) technology through Medsite and HealthStream distribution channels; 2) market the goods and services incorporated therein; and 3) sell the ad space inventory available therein;

WHEREAS, Medsite wishes to acquire a license for T.NAV(R) Commerce and HealthStream wishes to acquire a distribution license for Medsite Courses;

WHEREAS, Medsite and HealthStream wish to provide appropriate consideration for those efforts that each party has agreed to undertake;

WHEREAS, Medsite and HealthStream each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, Medsite and HealthStream agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of this Agreement, the terms below shall have the following meanings:

- 1.1. "Available Ad Inventory" means any ad inventory unsold from the monthly available at the beginning of the month. Medsite reserves the first rights to Available Ad Inventory.
- 1.2. "Course" means healthcare related Internet based curricula designed to be delivered by T.NAV.
- 1.3. "Education Channel" means the distinct portion on any Medsite managed Web site or service that is dedicated to education, including the MedUniversity.com web site.
- 1.4. "Effective Date" means May 18, 1999, the date on which both parties to this Agreement have executed same.
- 1.5. "HealthStream" means HealthStream, Inc. and any Subsidiary of HealthStream, Inc.
- 1.6. "HealthStream Ad Inventory" means advertising space on any of the pages of HealthStream Courses or Medsite Courses delivered using T.NAV or other content procured by HealthStream.
- 1.7. "HealthStream Courses" means interactive courses using T.NAV Commerce that are the proprietary property of HealthStream (which may include licensed training and education content) including, but not limited to OSHA and JCAHO mandated training, continuing medical education, and office training.
- 1.8. "Internet" means the international network of computers and computer networks accessible by the public at large of which the World Wide Web is a subset.
- 1.9. "Intranet" means an internal network protected from unauthorized users by a firewall and accessible only by individuals within the organization serving the network.

- 1.10. "Medsite" means Medsite.com, Inc. and any affiliated entity of Medsite.
- 1.11. "Medsite Ad Inventory" means advertising space on any of the pages of Medsite's World Wide Web site excluding the HealthStream Ad Inventory.
- 1.12. "Medsite Courses" means interactive courses using T.NAV Commerce that are the proprietary property of Medsite (which may include licensed training and education content) including, but not limited to OSHA and JCAHO mandated training, Continuing Medical Education ("CME"), other professional Continuing Education ("CE"), and office training.
- 1.13. "Net Revenue" means gross revenue derived by Medsite or HealthStream from Transactions Fees, sales of Medsite Ad Inventory and sales of HealthStream Ad Inventory less discounts and credits to customers.
- 1.14. "Retailers" means third parties that may or may not be an affiliated partner of Medsite and whose business is the sale of the Courses to end-users who are eligible to receive the accredited CE credits or similar recognition at the retail price or organizations in the healthcare industry including but not limited to integrated delivery networks, hospitals, long term care facilities, and clinics.
- 1.15. "Subsidiary" means a company in which, on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by another company, but only so long as such ownership or control exists.
- 1.16. "Third Party Content" means interactive content that is the proprietary property of a third party to this Agreement.
- 1.17. "T.NAV(R)" is a registered trademark of HealthStream and is a computer based training product that delivers and monitors World Wide Web based Content.
- 1.18. "T.NAV(R) Commerce" means HealthStream's proprietary computer based training product that is a derivative product of T.NAV(R) with additional features added by HealthStream in its sole discretion and designated by HealthStream in its sole discretion as "T.NAV(R) v.x.x.c."
- 1.19. "Transaction Fees" means fees received by Medsite for healthcare related training courses delivered over the Internet via the T.NAV(R).
- 1.20. "Wholesalers" means third parties whose business is the sale of the Courses over the Internet to retailers at a price less than retail.

ARTICLE 2

STRATEGIC ALLIANCE

- 2.1. During the term of this Agreement, Medsite shall include on the home page of Medsite's Education Channel a logo of the HealthStream trademark and a hyperlink to the HealthStream section of Medsite's World Wide Web site.
- 2.2. The parties will work on a best effort basis to formulate an exchange of equity between the two companies within ninety (90) days of the Effective Date.

ARTICLE 3

LICENSE GRANTS

- 3.1. Subject to the payment of the consideration set forth in Article 4, HealthStream grants Medsite the following licenses:
 - 3.1.1. Non-exclusive worldwide rights to be a Wholesaler and Retailer of HealthStream Courses and MedSite Courses to end users, using the T.NAV Commerce technology, under the royalty structure defined in Article 4.
- 3.2. Subject to the payment of the consideration set forth in Article 4, Medsite grants HealthStream the following licenses:

- 3.2.1. Non-exclusive worldwide rights to provide education services to deliver Courses using T.NAV(R) Commerce, including but not limited to CME and CE, for the Medsite network of Web sites.
 - 3.2.2. Exclusive right to manage content development and management relationships for the parties for Courses delivered using T.NAV(R) Commerce on the Education Channel, unless otherwise agreed to by both parties. Provided however, that managing the content development does not necessarily convey proprietary or ownership rights in the Courses created from this management.
 - 3.2.3. Non-exclusive worldwide rights to distribute Medsite Courses to Retailers using the T.NAV Commerce technology; provided however that MedSite maintains the right of first refusal on the sale to any retail channel.
 - 3.2.4. Non-exclusive worldwide rights to provide other education services on the Education Channel, as agreed by Medsite and HealthStream.
- 3.3. The parties shall mutually agree on ownership of a Course. In the event both parties claim ownership, those factors which shall be determinative include:
- 3.3.1. which party was responsible for identifying the third party content; and
 - 3.3.2. which party provided the introduction and contact for securing access to the content.
- 3.4. Medsite reserves the right to add any content, whether their own or licensed from a third party, to their Internet site or the Internet site of a Medsite affiliate that may or may not be a part of the HealthStream Course material regardless of the course.
- 3.5. Any and all rights not expressly granted by either of the parties to the other are reserved by the respective party claiming reservation of that right.

ARTICLE 4

PRICE AND PAYMENT

- 4.1. Medsite and HealthStream will meet quarterly to review pricing, discounting policy and the rationale behind any discounts granted from the previous quarter for healthcare related training courses, ad space inventory, and Intranet products and services.
- 4.2. During the term of this Agreement, HealthStream shall pay to Medsite:
- 4.2.1. * of all Net Revenue derived from HealthStream * sold by HealthStream.
 - 4.2.2. * of all Net Revenue generated by Healthstream from the sale of Medsite Courses, pursuant to the license granted in Sec. 3.2.3. .
 - 4.2.3. In the event that HealthStream requests, during the development of the Courses, the use of Medsite's assistance, then HealthStream shall pay * per hour for the conversion of content or * per hour for the programming of Courses.
- 4.3. During the term of this Agreement, Medsite shall pay to HealthStream:
- 4.3.1. * of all Net Revenue derived from HealthStream * sold by Medsite.
 - 4.3.2. * of all Net Revenue derived from Transaction Fees from HealthStream Courses or MedSite Courses sold by Medsite.
- 4.4. Medsite agrees to spend at least * marketing and promoting the Education Channel in the twelve-month period following the Effective Date.

- 4.5. Medsite and HealthStream agree to deliver monthly sales statements that detail Net Revenue and payment according to the percentages outlined in this Article 4 to each other within forty five (45) days after the end of each calendar month. These monthly reports shall indicate the total number of Transactions and Ad Inventory for which either party derives revenue. Each party shall submit monthly reports even if no royalties or other amounts are due for such month. A monthly finance charge based on an annual rate of prime plus 2% will be assessed on all amounts that are paid later than forty five (45) days after the end of the last month.
- 4.6. Medsite shall be responsible for any costs associated with the licensing of third party applications such as database licenses which are required for the proper functioning of T.NAV Commerce, hosting and Internet access services necessary for distribution including, but not limited to, the hardware infrastructure to meet additional demand. HealthStream, however, shall be responsible for all taxes based upon its personal property ownership and gross or net income.

ARTICLE 5

INDEMNIFICATION FOR INFRINGEMENT

- 5.1. HealthStream represents and warrants that to the best of its knowledge:
- 5.1.1. T.NAV Commerce does not infringe any copyright or patent enforceable under the laws of any country; and
- 5.1.2. T.NAV Commerce does not violate the trade secret rights of any third party; and
- 5.2. HealthStream agrees to indemnify, hold harmless, and defend Medsite from any and all damages, costs, and expenses, including reasonable attorneys' fees, incurred in connection with a claim which constitutes a breach of the warranties set forth in Section 5.1 and where judgment has been rendered (hereinafter claims under Subsections 5.1.1 and 5.1.2 shall collectively be referred to as "Infringement Judgments"); provided, HealthStream is notified promptly in writing of an Infringement Judgment and has sole control over its defense or settlement, and Medsite provides reasonable assistance in the defense of the same.
- 5.3. HealthStream shall have no liability for any Infringement Judgment based on Medsite's:
- 5.3.1. use or distribution of T.NAV Commerce after HealthStream's written notice that Medsite should cease use or distribution of T.NAV Commerce due to an Infringement Judgment, or
- 5.3.2. combination of T.NAV Commerce with a non-HealthStream program or data if such Infringement Judgment would have been avoided by the exclusive use of T.NAV Commerce.
- 5.4. For all Infringement Judgments arising under Section 5.3, Medsite agrees to indemnify and defend HealthStream from and against all damages, costs, and expenses, including reasonable attorneys' fees. In the event HealthStream notifies Medsite that it should cease distribution of T.NAV Commerce due to an Infringement Judgment, Medsite may terminate this Agreement.

ARTICLE 6

INTELLECTUAL PROPERTY PROVISIONS

- 6.1. Both parties will cause to appear on all marketing or promotional materials concerning the healthcare related training courses, the other party's copyright, trademark, or patent notices.
- 6.2. The parties agree that ownership for any invention conceived or developed during the course of this Agreement shall vest in accordance with the patent rules governing inventorship.

- 6.3. To the extent that source code is written by either party title shall vest in the party who has written such code.
- 6.4. Each party is responsible for protecting, documenting, and maintaining its own intellectual property. Except as expressly set forth herein, this Agreement does not grant either party any proprietary rights of any type in the other party's materials, services or Content.
- 6.5. Both parties acknowledge that, except as otherwise provided herein, each party owns and retains all right, title and interest in and to its own Content provided to the other party.
- 6.6. HealthStream acknowledges that Medsite owns and retains all right, title and interest in and to Medsite's World Wide Web site and all Medsite's products, services and derivatives thereof arising from the performance of this Agreement.
- 6.7. Medsite acknowledges that, except for the license granted to Medsite in Section 3.1 herein, HealthStream owns and retains all right, title and interest in and to T.NAV Commerce, the T.NAV Commerce source code, and the T.NAV Commerce object code.

ARTICLE 7

PROHIBITION AGAINST ASSIGNMENT AND SUBLICENSE

This Agreement, and any rights or obligations hereunder, shall not be assigned or sublicensed (except as permitted in this Article 7) by either party. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to all of a party's assets or substantially all of a party's assets and shall inure to the benefit of and be binding upon successors or purchasers of substantially all of either party's assets.

ARTICLE 8

TERM OF AGREEMENT

Provided this Agreement has been properly executed by an officer of Medsite and by an officer of HealthStream, the term of this Agreement ("Term") shall run from the Effective Date until three (3) year(s) after the Effective Date, and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice to the non-terminating party.

ARTICLE 9

DEFAULT AND TERMINATION

- 9.1. The non-defaulting party may terminate this Agreement in its entirety if any of the following events of default occur:
- 9.1.1. if the defaulting party materially fails to perform or comply with this Agreement or any provision hereof;
 - 9.1.2. if the defaulting party fails to strictly comply with the provisions of Article 12, or makes an assignment in violation of Article 7;
 - 9.1.3. if a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors;
 - 9.1.4. if a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or
 - 9.1.5. if such a petition is filed by any third party, or an application for a receiver of a party is made by anyone and such petition or application is not resolved favorably or discharged to such party within ninety (90) days.

- 9.2. Termination due to a breach of Articles 7 or 12 shall be effective upon notice. In all other cases termination shall be effective sixty (60) days after notice of termination to the defaulting party if the defaults have not been cured within such sixty (60) day period. The rights and remedies of the parties provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

ARTICLE 10

OBLIGATIONS UPON TERMINATION

- 10.1. From and after termination or expiration of this Agreement, Medsite shall not employ T.NAV Commerce or portion thereof which is owned by HealthStream, as part or portion of any product that Medsite may use, sell, assign, lease, license, or transfer to third parties. Provided however, Courses which have been paid for by a customer shall be able to be delivered and fulfilled by MedSite. Both parties shall cease and desist from all use of the other party's name(s) and associated trademark(s) and, upon request, deliver to the other party or its authorized representatives or destroy all material upon which those name(s) and the associated trademarks appear.
- 10.2. Articles 5, 6, 10, 11, 12, 13, 14, Section 15.1, and Article 16 shall survive termination or expiration of this Agreement.

ARTICLE 11

WARRANTIES, LIMITATION OF LIABILITY AND REMEDIES

HealthStream represents and warrants that T.NAV shall operate and perform according to specifications attached hereto as Exhibit A. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES. ANY AND ALL OTHER IMPLIED WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING THOSE FOR MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.), INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 12

NONDISCLOSURE AGREEMENT

- 12.1. HealthStream expressly undertakes to retain in confidence all information and know-how transmitted to HealthStream by Medsite that Medsite has identified as being proprietary and/or confidential or that, by the nature of the circumstances surrounding the disclosure, ought in good faith to be treated as proprietary and/or confidential, and will make no use of such information and know-how except under the terms and during the existence of this Agreement. HealthStream shall not disclose, disseminate or distribute any such confidential information or know how to any third party without Medsite's prior written consent. HealthStream agrees to use the same degree of care to protect Medsite confidential information as HealthStream takes to protect its own confidential information of like importance. However, HealthStream shall have no obligation to maintain the confidentiality of information that:
- 12.1.1. it received rightfully from another party prior to its receipt from Medsite; or
 - 12.1.2. Medsite has disclosed to a third party without any obligation to maintain such information in confidence.
- 12.2. Further, HealthStream may disclose confidential information as required by governmental or judicial order, provided HealthStream gives Medsite prompt notice of such order and complies with any confidentiality or protective order (or equivalent) imposed on such disclosure. HealthStream shall treat the terms and conditions of this Agreement as confidential; however, HealthStream may disclose such information in confidence to its immediate legal and financial consultants as required in the ordinary course of HealthStream's business. HealthStream's obligation under this Article 12 shall extend to the earlier of such time as the information protected hereby is in the public domain through no fault of HealthStream or five (5) years following termination or expiration of this Agreement. HealthStream shall not disclose any information on Medsite's unannounced products to HealthStream's employees or any third party.
- 12.3. Medsite shall have the same obligations in Sections 12.1 and 12.2 above with respect to HealthStream's information and know-how. In addition, Medsite shall treat all T.NAV Commerce materials (including source code) as confidential information and shall not disclose, disseminate, or distribute such materials to any third party without HealthStream's prior written permission.
- 12.4. Both parties shall prepare a mutually acceptable press release, if any, to announce this Agreement.

ARTICLE 13

AUDITS

- 13.1. During the term of this Agreement, the parties hereto agree to keep all usual and proper records and books of account and all usual and proper entries relating to each T.NAV Commerce licensed consistent with generally accepted accounting principles.
- 13.2. HealthStream may cause an audit to be made of the applicable Medsite records that pertain to this Agreement for the sole purpose of verifying royalty reports issued by Medsite to HealthStream and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by HealthStream (other than on a contingent fee basis) and shall be conducted during regular business hours at Medsite's offices and in such a manner as not to interfere with Medsite's normal business activities. Any such audit shall occur no more than once per calendar year and within six (6) months of the end of the calendar year. HealthStream shall pay for any such audit unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, Medsite agrees to pay

HealthStream the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). The auditor shall only disclose the correct data and amounts as called for on the royalty reports.

- 13.3. Medsite may cause an audit to be made of the applicable HealthStream records and facilities for the sole purpose of verifying any reports issued by HealthStream to Medsite, and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by Medsite (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthStream's offices and in such a manner as not to interfere with HealthStream's normal business activities. Any such audit shall be paid for by Medsite unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthStream agrees to pay Medsite for the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). In no event shall audits be made more frequently than annually unless the immediately preceding audit disclosed a Material discrepancy. The auditor shall only disclose the correct data and amounts as called for on the royalty reports.
- 13.4. Any statement shall affect neither the right to examine and audit nor the right to receive an adjustment to the contrary, appearing on checks or otherwise, unless expressly agreed to in writing by the party having such right.
- 13.5. In the event that either party makes any claim with respect to an audit, upon the audited party's written request the party who has requested such audit will make available to the audited party the records and reports pertaining to such audit prepared by the independent auditor who performed such audit.

ARTICLE 14

NOTICES AND REQUESTS

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested, or sent by air express courier, charges prepaid; and addressed as follows:

MEDSITE:	Medsite.com, Inc Attn: Sanjay Pingle 60 E 13th st. 5th floor New York, NY 10003
HEALTHSTREAM:	HealthStream, Inc. Attn: Robert H. Laird, Jr. General Counsel 209 10th Avenue South Suite 450 Nashville, Tennessee 37203

or to such other address as the party to receive the notice or request so designates by written notice to the other.

ARTICLE 15

CONTROLLING LAW

- 15.1. This Agreement shall be construed and controlled by the laws of the State of Tennessee.
- 15.2. Neither this Agreement, nor any terms and conditions contained herein, shall be construed as creating a partnership, joint venture or agency relationship or as granting a franchise as defined in 16 CFR Section 436.2(a). The price and payment described in Article 4 of this Agreement shall be construed as a royalty fee for the rights granted in Article 3 of this Agreement, and not as a franchise fee.

ARTICLE 16

ATTORNEYS' FEES

If either HealthStream or Medsite employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party in any proceeding shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

ARTICLE 17

GENERAL

- 17.1. This Agreement does not constitute an offer by HealthStream and it shall not be effective until signed by both parties. Upon execution by both parties, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and replaces and supplants all prior and contemporaneous communications. It shall not be modified except by a written agreement signed on behalf of Medsite and HealthStream by their respective duly authorized representatives. Unless agreed to in a separate writing signed by both parties, any statement appearing as a restrictive endorsement on a check or other document which purports to modify a right, obligation or liability of either party shall be of no force and effect.
- 17.2. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 17.3. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.
- 17.4. The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.
- 17.5. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter of this Agreement and merges all prior discussions and correspondence between them, and neither of the parties shall be bound by any modification of this Agreement, or by any conditions, definitions, warranties, or representations with respect to the subject matter of this Agreement, other than as expressly provided in this Agreement or as duly set forth on or subsequent to the date hereof in writing and signed by a duly authorized representative of the party to be bound thereby.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in Section 1.5 above. All signed copies of this Agreement shall be deemed originals.

Medsite.com, Inc.

HealthStream, Inc.

By: /s/

By: /s/ Robert A. First, Jr.

Title: Exec. Vice President

Title: Chief Executive

EXHIBIT A

T.NAV COMMERCE SPECIFICATIONS

The Training Navigator(TM) Commerce system manages and delivers web-based course content as defined in 1.5 of this Software Licensing Agreement. The system requires the following hardware and software at a minimum:

	HARDWARD	OS	SOFTWARE
STUDENT PC	MINIMUM 100Mhz Pentium or greater, 32MB RAM, Windows Compatible Sound Card, Network card or 56K Modem; Macintosh PowerPC 66Mhz or greater, 32MB RAM	Windows 3.1, 95/98, NT; Mac 7.5 or greater	Netscape Navigator 3.x or greater, Microsoft Internet Explorer 3.x or greater,
	RECOMMENDED 233Mhz Pentium or greater, 32MB RAM, Windows Compatible Sound Card, Network card or 56K Modem	Win 95/98 or NT 4.x (or greater)	Netscape Navigator 4.x, Microsoft IE 4.x
DATABASE	MINIMUM Pentium 200, 32 MB RAM, 1GB HD, 4X CD, Win 95	Win 95/98	DATABASE: Sybase SQLAnywhere 5.5 Pro
	RECOMMENDED Dual or Quad Pentium II 400, 256 MB RAM, 8X CD, 16GB HD	Win NT Server 4.x	DATABASE: Microsoft SQLServer 6.5
WEB & CONTENT SERVER	MINIMUM Pentium 200, 32 MB RAM, 1GB HD, 4X CD, Win 95	Win 95/98	WEB SERVER: O'Rielly Website 1.1 or Microsoft IIS 4.x MIDDLEWARE: Allaire Cold Fusion 3.x
	RECOMMENDED Dual or Quad Pentium II 400, 256 MB RAM, 8X CD, 4GB HD	Win NT Server 4.x	WEB SERVER: Microsoft IIS 4.0 MIDDLEWARE: Allaire Cold Fusion 3.1

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

WEB SITE LINKING AGREEMENT

This Web Site Linking Agreement is made as of this 2nd day of September, 1999, by and between IDX Systems Corporation, a Vermont corporation with its principal place of business at 1400 Shelburne Road, South Burlington, Vermont, and its present and future parents, subsidiaries and affiliates ("IDX") and HealthStream, Inc., a Tennessee corporation with its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee ("HealthStream").

PRELIMINARY STATEMENT

WHEREAS, IDX is a healthcare information systems company that develops and markets information systems and related services to physicians, hospitals, integrated delivery networks, management services organizations and other healthcare providers. Through its division known as IDX.com, IDX is developing and will sell internet-based content, e-commerce, patient communication, practice management services and clinical tools, among other things, to physicians, including, without limitation, a web-based product currently known as the "Physician Homepage."

WHEREAS, HealthStream develops and markets computer-based continuing medical education courses and materials via the internet.

WHEREAS, IDX and HealthStream desire to enter into this agreement to provide for the joint marketing of their products and services to their respective customers and to authorize IDX to provide a link from the IDX.com Products to access HealthStream's products.

NOW, THEREFORE, IDX and HealthStream agree as follows:

1. WEB SITES AND CONTENT

- 1.1 IDX.com. IDX is the owner of the IDX.com Physician Homepage, a web-based information service containing content and tools for health care providers. IDX is the owner or licensee of the content and tools (the "IDX Content") contained in the Physician Homepage. Except as explicitly granted in this Agreement, HealthStream obtains no right or license to the Physician Homepage or any of the IDX Content associated with the Physician Homepage.
- 1.2 HealthStream. HealthStream is the owner of the Training Navigator(TM) ("T.NAV(R)") and T.NAV(R) iCommerce, web-based training software programs that deliver training and educational courses, including, without limitation, OSHA and JCAHO mandated training, continuing medical education and office training, now existing or developed in the future (collectively, "Courses"), via the internet. HealthStream is the owner or licensee of the Courses. Except as explicitly granted in this Agreement,

IDX obtains no right or license to T.NAV(R), T.NAV(R)iCommerce, the Courses or any other content associated the HealthStream Web Site (as defined below).

2. LINK DEVELOPMENT AND LICENSE

- 2.1 Link License. IDX is hereby granted the right to create and maintain one or more links (the "Links") on the Physician Homebase and any similar product developed or sold by IDX in the future (the "IDX.com Products"). The Links shall allow the user to view Courses and other content ("HealthStream Content") available on HealthStream's web site currently located at www.healthstream.com, or any successor web site (the "HealthStream Web Site"), in a format mutually acceptable to the parties. This license includes the non-exclusive, worldwide right to use, display and perform the T.NAV(R), T.NAV(R)iCommerce software products and the Courses or HealthStream Content, and to authorize users of the IDX.com Products to copy, download and/or print Courses or HealthStream Content, or portions thereof, for their medical practice use, in any media now existing or developed in the future, except as specifically prohibited by notice contained in the Courses or HealthStream Content. The Links shall consist of one or more of HealthStream's Marks (as defined below).
- 2.2 Development of Links. HealthStream shall cooperate with and provide all necessary assistance to IDX in the development and maintenance of the Links and the necessary integration allowing users of the IDX.com Products to view and use Courses on the IDX.com Products, including without limitation, the development of an automated log-on process by which users of the IDX.com Products may access Courses without manually entering a password and registration information collected at the IDX.com Products is passed automatically to HealthStream. Each party shall bear its own costs associated with the development of the Links and any necessary integration tools. HealthStream shall provide a sufficient number of user identifications and passwords as requested by IDX from time to time.
- 2.3 Ownership of Developed Products. Any software interface or other product developed by either of the parties in accordance with Section 2.2 shall be and remain the sole and exclusive property of the developing party. The non-developing party hereby disclaims any right, title or interest in or to such product and shall execute any registration form or instrument that the developing party reasonably deems necessary to confer all right, title and ownership in and to such product to the developing party.

- 2.4 Personalization. In accordance with IDX's requests, HealthStream shall personalize the standard portions of the HealthStream Web Site and T.NAV(R) iCommerce system that appear on the IDX.com Products via the Links and that consist of HealthStream's standard personalized features to reflect the IDX.com Products user interface and brand image. Any non-standard personalization requested by IDX shall be performed in accordance with terms and conditions mutually acceptable to the parties. HealthStream's personalization shall not, however, confer on HealthStream any right, title or interest in the IDX Marks (as defined below), associated IDX trade dress or IDX Content.
- 2.5 Support. Each party shall provide web-based or telephone help desk support for its respective products and services from 8:00 a.m. to 8:00 p.m. eastern time.

3. MARKETING EFFORTS

- 3.1 Joint Promotion Plan. Upon execution of this Agreement, the parties shall issue a joint press release approved by both parties announcing their business relationship. IDX shall also promote the parties' business relationship in an appropriate location on IDX's web site and shall send an announcement of the business relationship in IDX's customer newsletter. Within ninety (90) days of the Effective Date, the parties shall agree to a joint promotion plan including the promotion by HealthStream of the IDX.com Products and by IDX of the HealthStream T.NAV(R)iCommerce product and the Courses as a part of trade shows in which they participate and as a part of HealthStream's and IDX.com's advertising strategies.
- 3.2 Link to IDX.com Home Page. HealthStream shall install and maintain a hypertext link at a mutually agreeable location on the HealthStream Web Site to the IDX.com home page on the World Wide Web.
- 3.3 IDX Marks. IDX hereby grants to HealthStream a non-exclusive license during the term of this Agreement to use its trademarks and service marks (the "IDX Marks") in connection with HealthStream's marketing and linking obligations under this Agreement. HealthStream's use of the IDX Marks shall not confer on HealthStream any right, title or interest in and to the IDX Marks, except for the limited license granted herein, and HealthStream shall not use the IDX Marks in any way that could harm IDX or the goodwill associated with its business and the IDX Marks.
- 3.4 HealthStream Marks. HealthStream hereby grants to IDX a non-exclusive license during the term of this Agreement to use its trademarks and service marks (the "HealthStream Marks") in connection with IDX's marketing and linking rights and obligations under this Agreement. IDX's use of the HealthStream Marks shall not confer on IDX any right, title or interest in

and to the HealthStream Marks, except for the limited license granted herein, and IDX shall not use the HealthStream Marks in any way that could harm HealthStream or the goodwill associated with its business and the HealthStream Marks.

3.5 Demonstration Accounts. HealthStream shall provide IDX with a reasonable number of demonstration accounts so that IDX may demonstrate the T.NAV(R) iCommerce system to prospective customers.

3.6 No Copying or Use. Except as explicitly authorized under this Agreement, neither party shall copy or make any use of the trademarks, service marks or web-site content of the other party.

4. COURSE DEVELOPMENT

4.1 Referral by IDX. IDX may refer certain health care providers or other organizations that have developed continuing medical education or similar training course materials in print, lecture or video format to HealthStream for HealthStream to convert such materials into a web-based format for use as Courses.

4.2 Academic Medical Education (AME) Program. IDX.com and HealthStream agree to form a Development Consortium to promote the online aggregation of academic continuing healthcare education course work. To build this consortium, IDX.com will contribute its existing relationships in the Academic Medical Center market, and HealthStream will contribute its expertise in managing online educational content. As part of the agreement, IDX.com will work with customers to move their continuing education curricula online. HealthStream will create a central repository to facilitate the distribution of continuing education credit to physicians and other healthcare professionals across the United States.

5. PROFILING INFORMATION

HealthStream shall provide IDX with monthly profiling reports describing the Courses and HealthStream Content viewed or accessed by IDX customers accessing the Courses and HealthStream Content via the IDX.com Products and any other information collected by HealthStream as to their use of the HealthStream Web Site. Such profiling reports shall be presented in a format acceptable to both parties.

6. FEES

6.1 IDX Rebate. HealthStream shall pay to IDX * of all Net Revenue charged by HealthStream for Courses or other products or services sold by HealthStream to customers accessing the HealthStream

Web Site via the Links (the "IDX Rebate"). For purposes of this Agreement, "Net Revenues" shall mean gross revenue less discounts, rebates and/or refunds.

- 6.2 Payment Terms. HealthStream shall deliver to IDX monthly sales statements detailing Net Revenues and fees paid to HealthStream pursuant to Section 6.1 herein and shall pay the IDX Rebate and the IDX Referral Fees within forty-five (45) days after the end of each calendar month. A monthly finance charge of 1% per month shall be assessed on all amounts that are paid later than forty-five (45) days after the end of the applicable month.
- 6.3 *. HealthStream warrants to IDX, as of the Effective Date and throughout the term of this Agreement, that the fees paid to IDX under this Agreement are and shall be * the fees paid by HealthStream to * and that the list prices presented by HealthStream to customers that access the HealthStream Web Site via the Links are and shall be * the list prices presented to other HealthStream customers. HealthStream shall promptly notify IDX if another * customer is given a * fee or list price and shall * the fee paid to IDX or price charged to an IDX customer retroactive to the effective date of such * list price for the other distributor or customer, subject to IDX's obligation to comply with any financial or other condition or obligation imposed on such * to obtain *. Upon each anniversary of the execution of this Agreement, HealthStream and IDX shall make a good faith determination whether any other companies * in a similar manner as the then current * and any such companies shall then be included in the term * applicable in this Section 6.3.
- 6.4 Audits. During the term of this Agreement, IDX may cause an audit to be made of the relevant books and records of HealthStream no more than once per year for the sole purpose of verifying royalty reports issued by HealthStream to IDX and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted during regular business hours at HealthStream's offices and in such a manner as not to interfere with HealthStream's normal business activities. IDX shall pay for any such audit unless a discrepancy of more than Five Thousand Dollars (\$5,000) or five percent (5%) of the amount that should have been reported is disclosed (a "Material Discrepancy"). If a Material Discrepancy is disclosed, HealthStream shall pay to IDX the costs associated with the audit not to exceed Five Thousand Dollars (\$5,000). The auditor shall only disclose the correct data and amounts as called for on the monthly sales statements. If IDX makes a claim with

respect to an audit, upon HealthStream's written request, DX shall make available to HealthStream the records and reports pertaining to such audit.

7. WARRANTIES

7.1 Warranties of IDX. IDX represents and warrants to HealthStream that:

- (a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Vermont and has full power and authority to enter into and consummate the transactions contemplated in this Agreement;
- (b) the execution, delivery and performance of this Agreement does not violate the terms of any security agreement, license or any other contract or written instrument to which IDX is bound; and
- (c) to the best of its knowledge, the Physician Homebase and the IDX Content do not, and shall not, infringe any patent, trademark, copyright or misappropriate any trade secret of a third party.

7.2 Warranties of HealthStream. HealthStream represents and warrants to IDX that:

- (a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee and has full power and authority to enter into and consummate the transactions contemplated in this Agreement;
- (b) the execution, delivery and performance of this Agreement does not violate the terms of any security agreement, license or any other contract or written instrument to which HealthStream is bound;
- (c) to the best of its knowledge, the HealthStream Web Site, T.NAV(R), T.NAV(R) iCommerce and the Courses do not infringe any patent, trademark, copyright or misappropriate any trade secret of a third party;
- (d) the HealthStream Web Site, T.NAV(R) and T.NAV(R) iCommerce shall have the functions and features and perform in accordance with any documentation delivered by HealthStream to IDX, HealthStream customers;
- (e) to the best of its knowledge, the information contained in the HealthStream Web Site and the Courses is accurate and complete,

is not misleading and is in accordance with applicable professional standards;

- (f) HealthStream shall maintain appropriate bandwidth, storage space and access speed to permit timely access to the HealthStream Web Site and Courses by all customers; and
- (g) the occurrence in or use by the HealthStream Web Site, T.NAV(R)and T.NAV(R) iCommerce of dates on or after January 1, 2000 (the "Millennial Dates") will not have a material adverse effect on the performance of the HealthStream Web Site, T.NAV(R)and T.NAV(R)iCommerce with respect to date-dependent data, computations, output or other functions (including, without limitation, calculating, computing or sequencing), and the HealthStream Web Site, T.NAV(R)and T.NAV(R)iCommerce will create, store and generate output data related to or including the Millennial Dates without errors or omissions to the extent that other information technology and operating systems, used in combination with the HealthStream Web Site, T.NAV(R)and T.NAV(R) iCommerce, properly exchanges date/time data with it.

8. INDEMNITY

- 8.1 Indemnification by IDX. IDX shall indemnify, defend and hold HealthStream harmless from any and all damages or claims (including reasonable attorneys' fees) arising from a claim that the Physician Homepage or IDX Content infringes a copyright, patent, trademark or misappropriates a trade secret or from a breach of any of IDX's obligations or warranties under this Agreement; provided that IDX is notified promptly in writing of any such claim or breach and has sole control over its defense or settlement, and HealthStream provides reasonable assistance in the defense of the same.
- 8.2 Indemnification by HealthStream. HealthStream shall indemnify, defend and hold IDX harmless from any and all damages or claims (including reasonable attorneys' fees) arising from a claim that the HealthStream Web Site, T.NAV(R), T.NAV(R) iCommerce or Courses infringe a copyright, patent, trademark or misappropriates a trade secret or from a breach of any of HealthStream's obligations or warranties under this Agreement or that the information contained in the HealthStream Web Site and the Courses is accurate and complete, is not misleading and is in accordance with applicable professional standards; provided that HealthStream is notified promptly in writing of any such claim or breach and has sole control over its defense or settlement, and IDX provides reasonable assistance in the defense of the same.

9. DISCLAIMER OF WARRANTIES AND LIMITATION OF LIABILITY

EXCEPT AS EXPLICITLY PROVIDED IN SECTION 7 OF THIS AGREEMENT, NEITHER PARTY MAKES ANY EXPRESS WARRANTY AND BOTH PARTIES DISCLAIM ALL IMPLIED WARRANTIES INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.), INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

10. TERM AND TERMINATION

10.1 Term. The term of this Agreement shall run from the Effective Date until three (3) years after the Effective Date and shall automatically renew for successive one (1) year terms unless either party provides at least ninety (90) days written notice to the other party.

10.2 Termination. At any time during the term of this Agreement, a party may terminate the Agreement as follows:

- (a) upon thirty (30) days written notice if the other party is in material breach of the Agreement and such breach is not cured within the thirty (30) day notice period;
- (b) if a petition for bankruptcy or appointment of a receiver, or similar instrument, is filed by the other party or a third party files such a petition and such petition is not dismissed within ninety (90) days;
- (c) upon the parties' failure to reach mutual agreement as to the format for presentation of Courses and HealthStream Content on the IDX.com Products in accordance with Section 2.1.

10.3 Survival of Certain Provisions. Sections 1, 6.4, 8, 9, 11, 12.5 and 12.7 shall survive the termination of this Agreement.

11. CONFIDENTIALITY

Each party shall preserve and maintain the other party's proprietary interest and the confidentiality of all sales and marketing material and information and other data, documents, intellectual property and materials of the other marked as confidential, known or that should reasonably be known to be confidential, and received by the party, except public domain information, information developed independently by the party, or information acquired from a third party legally

without a confidentiality restriction, and shall not use or divulge the same except as approved by the other party in connection with the party's performance under this Agreement.

12. MISCELLANEOUS

- 12.1 Independent Contractor. None of the provisions of this Agreement is intended to create, nor shall any provision in this Agreement be deemed or construed to create, any relationship between HealthStream and IDX other than that of independent entities contracting with each other under this Agreement solely for the purpose of effecting the provisions of this Agreement. Neither of the parties, nor any of their employees, shall be construed to be the agent, the employer or representative of the other.
- 12.2 Waiver. The failure of either party to enforce at any time any of the provisions hereof shall not be construed to be a waiver of such provisions or of the right of such party thereafter to enforce any such provisions.
- 12.3 Assignment. Neither party shall assign, or transfer any rights or obligations, under this Agreement either in whole or in part, without the prior written consent of the other party, which shall not be unreasonably withheld; provided that either party may, without prior written consent, assign this Agreement to any parent, subsidiary or affiliate in connection with a business reorganization or to another entity in connection with a merger, sale of all or substantially all of its assets, so long as such entity is not a competitor of the other party.
- 12.4 Force Majeure. Neither party shall be liable for any loss or damage sustained by the other party because of any delay in performance or noncompliance with any provision of this Agreement that results from an act, event, omission, or cause beyond its reasonable control and without its fault or negligence, including but not limited to failure of suppliers, shortage of raw materials, or other industrial disturbances, civil commotion, riots, wars, fires, explosions, floods earthquakes, volcanic eruptions, embargoes, or acts of civil or military authority.
- 12.5 Notices. All notices in this Agreement shall be in writing and shall be deemed to have been given when delivered personally, or at the time received if sent by registered or certified United States mail, return receipt requested, postage prepaid, by Federal Express or similar delivery service for overnight delivery, and addressed to the other party as follows or at such address as such party from time to time may indicate by written notice to the other party:

If to IDX: IDX Systems Corporation
 1400 Shelburne Road
 P.O. Box 1070

Burlington, VT 05402-1070
Attn.: General Manager, IDX.com

With a copy to: General Counsel

If to HealthStream: HealthStream, Inc.
209 10th Avenue South
Suite 450
Nashville, TN 37203
Attn.: Robert H. Laird, Jr., General Counsel

12.6 Entire Agreement. This Agreement is the complete agreement regarding this distribution relationship and replaces any prior oral or written communications between the parties.

12.7 Governing Law. This Agreement shall be construed and controlled by the laws of the State of Vermont.

12.8 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to law, the remaining provisions of this Agreement will remain in full force and effect. Without limiting the generality of the preceding sentence, if any remedy set forth in this Agreement is determined to have failed of its essential purpose, then all other provisions of this Agreement, including the limitation of liability and exclusion of damages shall remain in full force and effect.

IDX SYSTEMS CORPORATION

HEALTHSTREAM, INC.

By: /s/ Pamela Pure

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

Printed Name: Pamela Pure

Printed Name: /s/ Robert A. Frist, Jr.

Title: Vice President of Marketing

Title: CEO

Date: 9/2/99

Date: 9/2/99

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk(*).

[HealthStream Logo]

March 8, 1999

Ron Loeppke, MD, MPH
Vice-President and Chief Medical Officer
PhyCor, Inc.
30 Burrton Hills Boulevard - Suite 500
Nashville, TN 37215

Dear Dr. Loeppke:

Per our recent conversations, we would like to pursue the "link" strategy to launch a formal relationship between HealthStream and PhyCor. Under this arrangement, HealthStream will provide PhyCor with access to HealthStream's continuing medical education Web site, through a link from within PhyCor Online. In accordance with this non-exclusive worldwide license granted by HealthStream to PhyCor, HealthStream will provide this service at no charge to PhyCor.

HealthStream shall provide access to its current content library of over 760 hours of continuing medical education. HealthStream will update this library as it acquires new content. HealthStream will offer PhyCor's physicians CME at its list prices and will investigate the technical requirements for providing discounts to PhyCor physicians through this link. HealthStream's current CME library includes:

- - Med-Challenger EM for Emergency Physicians (7 modules; 200 CME hours)
- - Med-Challenger FP for Family Physicians (7 modules; 192 CME hours)
- - Med-Challenger Peds for Pediatricians (6 modules; 159 CME hours)
- - Med-Challenger IM for Internists (5 modules; 143 CME hours)
- - ECG-Challenger (31.25 CME hours)
- - Derm-Challenger (25.5 CME hours)
- - Rad-Challenger (10.25 CME hours)

Since the current plan to link the two resources involves a third party distributor, AHN.COM, and limits our ability to distinguish PhyCor physicians from the general population, revenue opportunities for PhyCor are limited in scope. Under this arrangement, we can offer PhyCor a * earn back and a * discount for PhyCor physicians on each transaction completed by PhyCor physicians. We will calculate and report participation and revenues quarterly. In consideration of this earn back, HealthStream will retain the right to represent itself as the premier provider of Continuing Medical Education (CME) on PhyCor Online.

The term of this Agreement shall be three (3) years from the date of this agreement and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice to the non-terminating party.

If the terms and conditions of this letter are acceptable, please sign and return a copy of this letter so that we may move forward with this project.

Sincerely,

HEALTHSTREAM, INC.

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

Title: Chief Executive

Acknowledged and agreed to this 8th day of March, 1999.

PHYCOR

/s/ Ron Loeppke, MD

Ron Loeppke, MD, MPH
Vice-President and Chief Medical Officer

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

MARKETING SERVICES AGREEMENT
BETWEEN HEALTHSTREAM & HEALTHGATE DATA CORP.

This Software Licensing Agreement ("Agreement") is entered into by and between HealthStream, Inc., a Tennessee corporation having its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") and HealthGate Data Corp., a Delaware corporation having its principal place of business at 25 Corporate Drive, Suite 310, Burlington, Massachusetts 01803 ("HealthGate").

WHEREAS, HealthStream is a provider of computer and Web-based education and training services organizations and individuals within the healthcare industry;

WHEREAS, HealthStream is a provider of healthcare and education courseware and courseware management tools delivered via the Internet, corporate intranets and networks;

WHEREAS, HealthGate enables hospitals and health systems to provide their users with access to healthcare content for professionals, patients, and consumers under its CHOICE(TM) brand name for their Web sites on the Internet and on their corporate intranets;

WHEREAS, HealthGate and HealthStream have entered into a cooperative effort to provide HealthStream branded, hosted and managed educational offerings via HealthGate's distribution channels; market said educational offerings; and sell the ad space inventory available within said educational offerings;

WHEREAS, HealthGate and HealthStream wish to provide appropriate consideration for those efforts that each party has agreed to undertake;

WHEREAS, HealthGate and HealthStream each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, HealthGate and HealthStream agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the terms below shall have the following meanings:

- 1.1. "CHOICE(TM)" means HealthGate's suite of products that provide healthcare content to hospitals and health systems for use on their Web sites and intranets. CHOICE(TM) is a trademark of HealthGate.
- 1.2. "Effective Date" means September 29, 1999, the date on which both parties to this Agreement have executed same.
- 1.3. "HealthGate" means HealthGate Data Corp. and any affiliated entity of HealthGate. HealthGate is said to be a HealthStream Site via the execution of this Agreement.
- 1.4. "HealthGate Sites" means the various branded Internet sites licensing products and services from HealthGate, including its CHOICE(TM) product.
- 1.5. "HealthStream" means HealthStream, Inc. and any Subsidiary of HealthStream, Inc.
- 1.6. "HealthStream Services" means HealthStream branded, hosted and managed healthcare educational offerings delivered via HealthStream Sites.
- 1.7. "HealthStream Sites" means those HealthStream managed and hosted Internet sites that deliver educational and other content via the T.NAV(R). HealthStream Sites may be available via the World Wide Web or through a private Intranet.
- 1.8. "Internet" means the international network of computers and computer networks accessible by the public at large of which the World Wide Web is a subset.
- 1.9. "Intranet" means an internal network protected from unauthorized users by a firewall and

accessible only by individuals within the organization serving the network.

- 1.10. "Joint Site" means one or more Internet sites available from HealthGate Sites containing HealthStream Services. The Joint Sites are also said to be a subset of HealthStream Sites. Joint Sites will contain branding from both HealthStream and HealthGate.
- 1.11. "Marketing Initiatives" means those significant HealthGate marketing activities that prominently include mention and promotion of HealthStream and the Joint Site services. Marketing Initiatives include but are not limited to the following: trade shows and exhibitions, seminars, direct mailing campaigns, third party publication advertisement campaigns, online banner advertisement campaigns. HealthGate and HealthStream will jointly determine the scope, total cost and cost allocation of Marketing Initiatives funded by both parties. Notwithstanding other considerations, HealthStream financial participation in each Marketing Initiative will be determined in part by the extent of Joint Site and HealthStream promotion in said Marketing Initiative.
- 1.12. "Subsidiary" means a company in which, on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by another company, but only so long as such ownership or control exists.
- 1.13. "T.NAV(R)" means HealthStream's computer based training product that delivers and monitors World Wide Web based Content. T.NAV(R) is available in multiple configurations, each containing common core functionality with unique features applicable for a given application's distribution and access requirements, e.g. Internet eCommerce, Intranet, local area networks, etc. T.NAV(R) is a registered trademark of HealthStream. T.NAV(R) is also branded as Training Navigator(TM), a trademark of HealthStream.

ARTICLE 2 RESPONSIBILITIES AND STRATEGIC RIGHTS GRANTS

- 2.1. During the term of this Agreement, HealthGate shall:
- 2.1.1. Promote the Joint Site as a part of HealthGate's public advertising strategy. HealthGate and HealthStream will jointly develop a specific promotion plan within ninety (90) days of the Effective Date that will include a minimum of one (1) Marketing Initiative per month. HealthGate will include the use of the HealthStream trademark logo on all HealthGate marketing materials that reference the services provided by the Joint Site. All such Marketing Initiatives will be jointly approved by HealthStream and HealthGate.
- 2.1.2. * marketing expenditures of * per * specifically promoting the Joint Site's products and services. In addition, HealthGate will * payments to HealthStream of * per * to underwrite the delivery of continuing education credits to healthcare professionals, which credits will be provided at no cost to those healthcare professionals, during the term of this Agreement.
- 2.2. During the term of this Agreement, HealthStream shall:
- 2.2.1. Assign a partner manager to the HealthGate account who will be responsible for maintaining communication with HealthGate personnel regarding site functionality, marketing, and other business issues.
- 2.2.2. Financially participate in at least one Marketing Initiative per quarter.

ARTICLE 4 INTELLECTUAL PROPERTY PROVISIONS

- 4.1. Both parties will cause to appear on all marketing or promotional materials concerning the Joint Site, the other party's copyright, trademark, or patent notices.
- 4.2. The parties agree that ownership for any invention conceived or developed during the course of

this Agreement shall vest in accordance with the patent rules governing inventorship.

- 4.3. Each party is responsible for protecting, documenting, and maintaining its own intellectual property. Except as expressly set forth herein, this Agreement does not grant either party any proprietary rights of any type in the other party's materials, services, software code or content.

ARTICLE 5
PROHIBITION AGAINST ASSIGNMENT AND SUBLICENSE

This Agreement, and any rights or obligations hereunder, shall not be assigned or sublicensed (except as permitted in this Article 5) by either party. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to all of a party's assets or substantially all of a party's assets and shall inure to the benefit of and be binding upon successors or purchasers of substantially all of either party's assets.

ARTICLE 6
TERM OF AGREEMENT

Provided this Agreement has been properly executed by an officer of HealthGate and by an officer of HealthStream, the term of this Agreement ("Term") shall run from the Effective Date until two (2) years after the Effective Date, and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice to the non-terminating party.

ARTICLE 7
DEFAULT AND TERMINATION

- 7.1. The non-defaulting party may terminate this Agreement in its entirety if any of the following events of default occur:
- 7.1.1. If the defaulting party materially fails to perform or comply with this Agreement or any provision hereof;
 - 7.1.2. If the defaulting party makes an assignment in violation of Article 5;
 - 7.1.3. If a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors;
 - 7.1.4. If a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or
 - 7.1.5. If such a petition is filed by any third party, or an application for a receiver of a party is made by anyone and such petition or application is not resolved favorably or discharged to such party within ninety (90) days.
- 7.2. Termination due to a breach of Articles 5 shall be effective upon notice. In all other cases termination shall be effective sixty (60) days after notice of termination to the defaulting party if the defaults have not been cured within such sixty (60) day period. The rights and remedies of the parties provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

ARTICLE 8
OBLIGATIONS UPON TERMINATION

- 8.1. From and after termination or expiration of this Agreement, both parties shall discontinue the operation of the Joint Site, cease and desist from all use of the other party's name(s) and associated trademark(s), and, upon request, deliver to the other party or its authorized representatives or destroy all material upon which those name(s) and the associated trademarks appear.

- 8.2. Articles 3, 4, 8, 9, 10, 11, Section 13.1, and Article 14 shall survive termination or expiration of this Agreement.

ARTICLE 9
WARRANTIES, LIMITATION OF LIABILITY AND REMEDIES

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES. ANY AND ALL OTHER IMPLIED WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING THOSE FOR MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.), INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 10
AUDITS

- 10.1. During the term of this Agreement, the parties hereto agree to keep all usual and proper records and books of account and all usual and proper entries relating to Marketing Initiatives consistent with generally accepted accounting principles.
- 10.2. HealthStream may cause an audit to be made of the applicable HealthGate records that pertain to this Agreement for the sole purpose of verifying Marketing Initiative reports issued by HealthGate to HealthStream and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by HealthStream (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthGate's offices and in such a manner as not to interfere with HealthGate's normal business activities. Any such audit shall occur no more than once per calendar year and within six (6) months of the end of the calendar year. HealthStream shall pay for any such audit unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthGate agrees to pay HealthStream the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). The auditor shall only disclose the correct data and amounts as called for on the royalty reports.
- 10.3. HealthGate may cause an audit to be made of the applicable HealthStream records and facilities for the sole purpose of verifying any Marketing Initiative reports issued by HealthStream to HealthGate, and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by HealthGate (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthStream's offices and in such a manner as not to interfere with HealthStream's normal business activities. Any such audit shall be paid for by HealthGate unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthStream agrees to pay HealthGate for the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). In no event shall audits be made more frequently than annually unless the immediately preceding audit disclosed a Material discrepancy. The auditor shall only disclose the correct data and amounts as called for on the royalty reports.
- 10.4. Any statement shall affect neither the right to examine and audit nor the right to receive an adjustment to the contrary, appearing on checks or otherwise, unless expressly agreed to in writing by the party having such right.
- 10.5. In the event that either party makes any claim with respect to an audit, upon the audited party's

written request the party who has requested such audit will make available to the audited party the records and reports pertaining to such audit prepared by the independent auditor who performed such audit.

ARTICLE 11
NOTICES AND REQUESTS

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested, or sent by air express courier, charges prepaid; and addressed as follows:

HEALTHGATE: HealthGate Data Corp.
Attn: Rick Lawson
President
25 Corporate Drive, Suite 310
Burlington, Massachusetts 01803

HEALTHSTREAM: HealthStream, Inc.
Attn: Robert H. Laird
209 10th Avenue South
Suite 450
Nashville, Tennessee 37203

or to such other address as the party to receive the notice or request so designates by written notice to the other.

ARTICLE 12
MEDIA

Each party agrees it will not use the other party's name, marks, or logos in any advertising, promotional material, press release, publication, public announcement, or through other media, written or oral, whether to the press, to holders of publicly owned stock without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed. Accurate statements made by either party as to the basic terms of this Agreement are said to have the consent of the other party

ARTICLE 13
CONTROLLING LAW

- 13.1. This Agreement shall be construed and controlled by the laws of the State of Tennessee.
- 13.2. Neither this Agreement, nor any terms and conditions contained herein, shall be construed as creating a partnership, joint venture or agency relationship or as granting a franchise as defined in 16 CFR Section 436.2(a).

ARTICLE 14
ATTORNEYS' FEES

If either HealthStream or HealthGate employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party in any proceeding shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

ARTICLE 15
GENERAL

- 15.1. This Agreement does not constitute an offer by HealthStream and it shall not be effective until signed by both parties. Upon execution by both parties, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and replaces and supplants all prior and contemporaneous communications. It shall not be modified except by a written agreement signed on behalf of HealthGate and HealthStream by their respective duly authorized representatives. Unless agreed to in a separate writing signed by both parties, any statement appearing as a restrictive endorsement on a check or other document which purports to modify a right, obligation or liability of either party shall be of no force and effect.
- 15.2. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 15.3. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.
- 15.4. The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in Section 1.2 above. All signed copies of this Agreement shall be deemed originals.

/s/ Robert A. Frist, Jr.

HealthStream, Inc.
Robert A. Frist, Jr.
Chief Executive Officer

/s/ Mary B. Miller

HealthGate Data Corp.
Mary B. Miller
Chief Financial Officer

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

CONTINUING EDUCATION SERVICES AGREEMENT
BETWEEN HEALTHSTREAM & HEALTHGATE DATA CORP.

This Continuing Education Services Agreement ("Agreement") is entered into by and between HealthStream, Inc., a Tennessee corporation having its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") and HealthGate Data Corp., a Delaware corporation having its principal place of business at 25 Corporate Drive, Suite 310, Burlington, Massachusetts 01803 ("HealthGate").

WHEREAS, HealthStream is a provider of computer and Web-based education and training services organizations and individuals within the healthcare industry;

WHEREAS, HealthStream is a provider of healthcare and education courseware and courseware management tools delivered via the Internet, corporate intranets and networks;

WHEREAS, HealthStream has developed and marketed and continues to develop and market a computer-based education system known as the Training Navigator(R) ("T.NAV(R)") that delivers and monitors World Wide Web based content;

WHEREAS, HealthGate enables hospitals and health systems to provide their users with access to healthcare content for professionals, patients, and consumers under its CHOICE(TM) brand name for their Web sites On the Internet and on their corporate intranets;

WHEREAS, HealthGate and HealthStream wish to enter into a cooperative effort to provide HealthStream branded, hosted and managed educational offerings via HealthGate's distribution channels; market said educational offerings, and sell the ad space inventory available within said educational offerings;

WHEREAS, HealthGate and HealthStream wish to provide appropriate consideration for those efforts that each party has agreed to undertake;

WHEREAS, HealthGate and HealthStream each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, HealthGate and HealthStream agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the terms below shall have the following meanings:

- 1.1. "ACCME" means the Accreditation Council for Continuing Medical Education.
- 1.2. "Ad Inventory" means the advertising space on any of the pages in the Joint Site.
- 1.3. "Available Ad Inventory" means any Ad Inventory unsold from the monthly available at the beginning of the month.
- 1.4. "CEU Courses" means those educational courses that have been reviewed for continuing education units by an institution recognized by an accredited professional organization. Those individuals completing the courses may receive credit toward continuing education requirements.
- 1.5. "CHOICE(TM)" means HealthGate's suite of products that provide healthcare content to hospitals and health systems for use on their Web sites and intranets. CHOICE(TM) is a trademark of HealthGate.
- 1.6. "CME Courses" means those educational courses that have been reviewed for continuing medical education by an ACCME accredited institution. Those individuals completing the courses may receive credit toward continuing education requirements.
- 1.7. "Course" means healthcare related Internet based curricula designed to be delivered by T.NAV(R) through HealthStream Sites.

- 1.8. "Effective Date" means September 15, 1999, the date on which both parties to this Agreement have executed same.
- 1.9. "HealthGate" means HealthGate Data Corp. and any affiliated entity of HealthGate. HealthGate is said to be a HealthStream Site Partner via the execution of this Agreement.
- 1.10. "HealthGate Courses" means Courses that are licensed to HealthGate or are the proprietary property of HealthGate including training and education content including, but not limited to OSHA and JCAHO mandated training, continuing medical education, and office training.
- 1.11. "HealthGate Sites" means the various branded Internet sites licensing products and services from HealthGate, including its CHOICE(TM) product.
- 1.12. "HealthStream" means HealthStream, Inc. and any Subsidiary of HealthStream, Inc.
- 1.13. "HealthStream Courses" means Courses that are licensed to HealthStream or are the proprietary property of HealthStream including training and education content including, but not limited to OSHA and JCAHO mandated training, continuing medical education, and office training.
- 1.14. "HealthStream Server Facility" means those facilities either maintained by HealthStream, whether by subcontract with HealthStream Service Associates or via independent means, where HealthStream Sites are hosted and connected to the World Wide Web and other private networks. A HealthStream Server Facility will be comprised of software, server computers and connectivity hardware required to deliver HealthStream Sites.
- 1.15. "HealthStream Service Associates" means those companies that assist HealthStream in delivering HealthStream Services. HealthStream Service Associates include, but are not limited to, customer support companies, credit card collections companies and Internet service provider companies.
- 1.16. "HealthStream Services" means HealthStream branded, hosted and managed healthcare educational offerings delivered via HealthStream Sites.
- 1.17. "HealthStream Sites" means those HealthStream managed and hosted Internet sites that deliver educational and other content via the T.NAV(R). HealthStream Sites may be available via the World Wide Web or through a private Intranet.
- 1.18. "HealthStream Site Partners" means those entities managing healthcare-related World Wide Web sites that partner with HealthStream in delivering a HealthStream Site for the use of HealthStream Site Partner clients.
- 1.19. "Internet" means the international network of computers and computer networks accessible by the public at large of which the World Wide Web is a subset.
- 1.20. "Intranet" means an internal network protected from unauthorized users by a firewall and accessible only by individuals within the organization serving the network.
- 1.21. "Joint Site" means one or more Internet sites available from HealthGate Sites containing HealthStream Services. The Joint Sites are also said to be a subset of HealthStream Sites. Joint Sites will contain branding from both HealthStream and HealthGate.
- 1.22. "Linked Site" means the World Wide Web site operated by HealthStream Site Partners that links to a HealthStream Site. HealthStream attempts to provide each Linked Site with a distinct Personalization.
- 1.23. "Marketing Initiatives" means those significant HealthGate marketing activities that prominently include mention and promotion of HealthStream and the Joint Site services. Marketing Initiatives include but are not limited to the following: trade shows and exhibitions, seminars, direct mailing campaigns, third party publication advertisement campaigns, online banner advertisement campaigns. HealthGate and HealthStream will jointly determine the scope, total cost and cost allocation of Marketing Initiatives funded by both parties. Notwithstanding other considerations, HealthStream financial participation in each Marketing Initiative will be determined in part by the extent of Joint Site and HealthStream promotion in said Marketing Initiative.
- 1.24. "Net Revenue" means gross revenue derived by HealthGate or HealthStream from Transactions Fees and sales of Ad Inventory less any discounts, refunds, rebates, or returns.

- 1.25. "Personalization" means the unique graphic features of a HealthStream Site, as distinguished from other HealthStream Sites. Personalization is enabled via features of the T.NAV(R) that are designed to best match each HealthStream Site's appearance to its corresponding Linked Site. The scope and specification of T.NAV(R)'s Personalization capability will change over time as T.NAV(R) is advanced to best meet the needs of HealthStream Site Partners. Exhibit A outlines the scope of T.NAV(R)'s present Personalization capabilities.
- 1.26. "Subsidiary" means a company in which, on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by another company, but only so long as such ownership or control exists.
- 1.27. "Third Party Courses" means interactive content that is licensed to a third party to this Agreement or is the proprietary property of a third party to this Agreement
- 1.28. "T.NAV(R)" means HealthStream's computer based training product that delivers and monitors World Wide Web based Content. T.NAV(R) is available in multiple configurations, each containing common core functionality with unique features applicable for a given application's distribution and access requirements, e.g. Internet eCommerce, Intranet, local area networks, etc. T.NAV(R) is a registered trademark of HealthStream. T.NAV(R) is also branded as Training Navigator(TM), a trademark of HealthStream.
- 1.29. "Transaction" means those purchases of HealthStream Courses, HealthGate Courses, or Third Party Courses by customers of the Joint Site.
- 1.30. "Transaction Fees" means fees received by HealthStream for Transactions.

ARTICLE 2
RESPONSIBILITIES AND STRATEGIC RIGHTS GRANTS

- 2.1. During the term of this Agreement, HealthGate shall:
- 2.1.1. Include on the home page(s) of those HealthGate Sites through which the HealthStream Courses are available a logo of the HealthStream trademark and a hyperlink to the Joint Site.
- 2.1.2. Promote the Joint Site as a part of HealthGate's public advertising strategy. HealthGate and HealthStream will jointly develop a specific promotion plan within ninety (90) days of the Effective Date that will include a minimum of one (1) Marketing Initiative per month. HealthGate will include the use of the HealthStream trademark logo on all HealthGate marketing materials that reference the services provided by the Joint Site. All such Marketing Initiatives will be jointly approved by HealthStream and HealthGate.
- 2.1.3. Have HealthStream's content development services made available to HealthGate's clients on a commercially reasonable best efforts basis, upon mutually agreeable terms. A referral fee outlined in Section 4.3.1 shall be paid to HealthGate by HealthStream for these services.
- 2.2. During the term of this Agreement, HealthStream shall:
- 2.2.1. Host and maintain the Joint Site on its World Wide Web servers. The Joint Site will be a subset of HealthStream Sites residing at a HealthStream Server Facility. The Joint Site will be operational on or before one month following the Effective Date.
- 2.2.2. Provide customer support and customer account collections services for the Joint Site, either independently or via HealthStream Service Associates.
- 2.2.3. Assign a partner manager to the HealthGate account who will be responsible for maintaining communication with HealthGate personnel regarding site functionality, marketing, and other business issues.
- 2.2.4. Include on the home page of the Joint Site a logo of the HealthGate trademark and a hyperlink to the HealthGate Sites.
- 2.2.5. Provide one (1) distinct Personalization for each HealthGate Site. The scope of each

personalization is defined in Exhibit A. Each distinct Personalization will become a Joint Site.

- 2.2.6. Have a right of first refusal to provide development services to Third Party Course providers with whom HealthGate contracts to place content within the Joint Sites, upon mutually agreeable terms.
- 2.2.7. Refrain from communicating via e-mail with individual members of the Joint Sites without prior approval from HealthGate.

ARTICLE 3 LICENSE GRANTS

- 3.1. Subject to the agreement of the providers of the HealthGate Courses, HealthGate grants HealthStream worldwide, non-exclusive Internet rights as the host and marketing agent for HealthGate Courses during the term of this agreement.
- 3.2. Subject to the payment of the consideration set forth in Article 4, HealthStream grants HealthGate the right to sell Ad Inventory in the Joint Site. HealthStream will have the first right to Available Ad Inventory.
- 3.3. Both parties to this Agreement shall have equal rights to the client-specific data associated with the Joint Site. Rights to said data will be subject to privacy provisions guaranteed by HealthStream to Joint Site customers.
- 3.4. Any and all rights not expressly granted by either of the parties to the other are reserved by the respective party claiming reservation of that right.

ARTICLE 4 PRICE AND PAYMENT

- 4.1. HealthGate and HealthStream will meet as necessary to review pricing, discounting policy and the rationale behind any discounts granted from the previous quarter for healthcare related training courses, ad space inventory, and Intranet products and services. HealthStream has discretion over Course and * pricing.
- 4.2. During the term of this Agreement, HealthGate shall pay to HealthStream * of all Net Revenue derived from * sold and collected by HealthGate.
- 4.3. During the term of this Agreement, HealthStream shall pay to HealthGate:
 - 4.3.1. A referral fee equal to * of the Net Revenue derived from content development services described in Section 2.1.3;
 - 4.3.2. * of all Net Revenue derived from Transaction Fees from HealthStream Courses and Third Party Courses procured by HealthStream;
 - 4.3.3. * of all Net Revenue derived from Transaction Fees from HealthGate Courses and Third Party Courses procured by HealthGate;
 - 4.3.4. * of all Net Revenue derived from Ad Inventory sold by HealthStream.
- 4.4. HealthStream shall * to HealthGate * payments of * per *, payable in * equal installments, for the purposes of sponsoring the HealthGate Sites, during the term of this Agreement.
- 4.5. HealthGate and HealthStream agree to deliver monthly statements detailing Joint Site Net Revenue collected by each party and all payments due according to the percentages outlined in this Article 4 within forty-five (45) days after the end of each calendar month. These monthly reports shall indicate the total number of Transactions and Ad Inventory for which either party derives revenue, the details of said reports are outlined in Exhibit B. Each party shall submit monthly reports even if no royalties or other amounts are due for such month. A monthly finance

charge based on an annual rate of prime plus 2% will be assessed on all amounts that are paid later than forty five (45) days after the end of the last month.

ARTICLE 5
INDEMNIFICATION FOR INFRINGEMENT

- 5.1. HealthStream represents and warrants that to the best of its knowledge:
- 5.1.1. T.NAV(R) does not infringe any copyright or patent enforceable under the laws of any country.
- 5.1.2. T.NAV(R) does not violate the trade secret rights of any third party.
- 5.2. HealthStream agrees to indemnify, hold harmless, and defend HealthGate from any and all damages, costs, and expenses, including reasonable attorneys' fees, incurred in connection with a claim which constitutes a breach of the warranties set forth in Section 5.1 and where judgment has been rendered (hereinafter claims under Subsections 5.1.1 and 5.1.2 shall collectively be referred to as "Infringement Judgments"); provided, HealthStream is notified promptly in writing of an Infringement Judgment and has sole control over its defense or settlement, and HealthGate provides reasonable assistance in the defense of the same.
- 5.3. HealthStream warrants that to the best of its knowledge its performance of this Agreement will not violate or infringe upon the rights of third parties, including but not limited to property, contractual, employment, trade secret, proprietary information and non-disclosure rights, or any United States trademark, copyright or patent right. HealthStream will, at its own expense, defend any suit or proceeding brought against HealthGate based on a claim that the HealthStream Courses infringe upon any copyright, patent, trademark, trade secret, or other intellectual property right, provided that HealthStream is notified promptly in writing and given full and complete authority, information and assistance for the defense of such suit or proceeding. HealthStream may, at its option and expense, either obtain the right to continue usage of affected HealthStream Courses free of any claim of infringement, modify such HealthStream Courses so that affected HealthStream Courses is not subject to a claim of infringement, or remove the affected HealthStream Courses from the Joint Site.
- 5.4. HealthGate represents and warrants that to the best of its knowledge:
- 5.4.1. CHOICE(TM) does not infringe any copyright or patent enforceable under the laws of any country.
- 5.4.2. CHOICE(TM) does not violate the trade secret rights of any third party.
- 5.5. HealthGate agrees to indemnify, hold harmless, and defend HealthStream from any and all damages, costs, and expenses, including reasonable attorneys' fees, incurred in connection with a claim which constitutes a breach of the warranties set forth in Section 3.3 and where judgment has been rendered (hereinafter claims under Subsections 3.3.1 and 3.3.2 shall collectively be referred to as "Infringement Judgments"); provided, HealthGate is notified promptly in writing of an Infringement Judgment and has sole control over its defense or settlement, and HealthStream provides reasonable assistance in the defense of the same.
- 5.6. HealthGate warrants that to the best of its knowledge its performance of this agreement will not violate or infringe upon the rights of third parties, including but not limited to property, contractual, employment, trade secret, proprietary information and non-disclosure rights, or any United States trademark, copyright or patent right. HealthGate will, at its own expense, defend any suit or proceeding brought against HealthStream based on a claim that the HealthGate Courses infringe upon any copyright, patent, trademark, trade secret, or other intellectual property right, provided that HealthGate is notified promptly in writing and given full and complete authority, information and assistance for the defense of such suit or proceeding. HealthGate may, at its option and expense, either obtain the right to continue usage of affected HealthGate Courses free of any claim of infringement, modify such HealthGate Courses so that affected HealthGate Courses is not subject to a claim of infringement, or remove the affected HealthGate Courses from the Joint Site.

ARTICLE 6
INTELLECTUAL PROPERTY PROVISIONS

- 6.1. Both parties will cause to appear on all marketing or promotional materials concerning the Joint Site, the other party's copyright, trademark, or patent notices.
- 6.2. The parties agree that ownership for any invention conceived or developed during the course of this Agreement shall vest in accordance with the patent rules governing inventorship.
- 6.3. Each party is responsible for protecting, documenting, and maintaining its own intellectual property. Except as expressly set forth herein, this Agreement does not grant either party any proprietary rights of any type in the other party's materials, services, software code or Content.
- 6.4. Both parties acknowledge that, except as otherwise provided herein, each party owns and retains all right, title and interest in and to its own Courses provided each party for use on the Joint Site.
- 6.5. HealthStream acknowledges that HealthGate owns and retains all right, title and interest in and to the HealthGate Sites and all HealthGate's products, services and derivatives thereof arising from the performance of this Agreement.
- 6.6. HealthGate acknowledges that, subject to the license granted to HealthGate in Section 3.1 herein, HealthStream owns and retains all right, title and interest in and to T.NAV(R) and HealthStream Sites.

ARTICLE 7
PROHIBITION AGAINST ASSIGNMENT AND SUBLICENSE

This Agreement, and any rights or obligations hereunder, shall not be assigned or sublicensed (except as permitted in this Article 7) by either party. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to all of a party's assets or substantially all of a party's assets and shall inure to the benefit of and be binding upon successors or purchasers of substantially all of either party's assets.

ARTICLE 8
TERM OF AGREEMENT

Provided this Agreement has been properly executed by an officer of HealthGate and by an officer of HealthStream, the term of this Agreement ("Term") shall run from the Effective Date until two (2) years after the Effective Date, and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice to the non-terminating party.

ARTICLE 9
DEFAULT AND TERMINATION

- 9.1. The non-defaulting party may terminate this Agreement in its entirety if any of the following events of default occur:
- 9.1.1. If the defaulting party materially fails to perform or comply with this Agreement or any provision hereof;
- 9.1.2. If the defaulting party fails to strictly comply with the provisions of Article 12, or makes an assignment in violation of Article 7;
- 9.1.3. If a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors;
- 9.1.4. If a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or
- 9.1.5. If such a petition is filed by any third party, or an application for a receiver of a party is

made by anyone and such petition or application is not resolved favorably or discharged to such party within ninety (90) days.

- 9.2. Termination due to a breach of Articles 7 or 12 shall be effective upon notice. In all other cases termination shall be effective sixty (60) days after notice of termination to the defaulting party if the defaults have not been cured within such sixty (60) day period. The rights and remedies of the parties provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

ARTICLE 10
OBLIGATIONS UPON TERMINATION

- 10.1. From and after termination or expiration of this Agreement, both parties shall discontinue the operation of the Joint Site, cease and desist from all use of the other party's name(s) and associated trademark(s), and, upon request, deliver to the other party or its authorized representatives or destroy all material upon which those name(s) and the associated trademarks appear.
- 10.2. Articles 5, 6, 10, 11, 12, 13, 14, Section 16.1, and Article 17 shall survive termination or expiration of this Agreement.

ARTICLE 11
WARRANTIES, LIMITATION OF LIABILITY AND REMEDIES

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES. ANY AND ALL OTHER IMPLIED WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING THOSE FOR MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.), INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 12
NONDISCLOSURE AGREEMENT

- 12.1. HealthStream expressly undertakes to retain in confidence all information and know-how transmitted to HealthStream by HealthGate that HealthGate has identified as being proprietary and/or confidential or that, by the nature of the circumstances surrounding the disclosure, ought in good faith to be treated as proprietary and/or confidential, and will make no use of such information and know-how except under the terms and during the existence of this Agreement. HealthStream shall not disclose, disseminate or distribute any such confidential information or know how to any third party without HealthGate's prior written consent. HealthStream agrees to use the same degree of care to protect HealthGate confidential information as HealthStream takes to protect its own confidential information of like importance. However, HealthStream shall have no obligation to maintain the confidentiality of information that:
- 12.1.1. Is received rightfully from another party prior to its receipt from HealthGate;
 - 12.1.2. HealthGate has disclosed to a third party without any obligation to maintain such information in confidence; or
 - 12.1.3. Has been or is independently developed by HealthStream.
- 12.2. Further, HealthStream may disclose confidential information as required by governmental or judicial order, provided HealthStream gives HealthGate prompt notice of such order and complies with any confidentiality or protective order (or equivalent) imposed on such disclosure. HealthStream shall treat the terms and conditions of this Agreement as confidential; however, HealthStream may disclose such information in confidence to its immediate legal and financial consultants as required in the ordinary course of HealthStream's business. HealthStream's obligation under this Article 12 shall extend to the earlier of such time as the information protected

hereby is in the public domain through no fault of HealthStream or five (5) years following termination or expiration of this Agreement. HealthStream shall not disclose any information on HealthGate's unannounced products to HealthStream's employees or any third party.

- 12.3. HealthGate shall have the same obligations in Sections 12.1 and 12.2 above with respect to HealthStream's information and know-how. In addition, HealthGate shall treat all T.NAV(R) materials (including source code if obtained) as confidential information and shall not disclose, disseminate, or distribute such materials to any third party without HealthStream's prior written permission.
- 12.4. Both parties shall prepare a mutually acceptable press release, if any, to announce this Agreement.

ARTICLE 13 AUDITS

- 13.1. During the term of this Agreement, the parties hereto agree to keep all usual and proper records and books of account and all usual and proper entries relating to Transactions and sales of Ad Inventory consistent with generally accepted accounting principles.
- 13.2. HealthStream may cause an audit to be made of the applicable HealthGate records that pertain to this Agreement for the sole purpose of verifying royalty reports issued by HealthGate to HealthStream and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by HealthStream (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthGate's offices and in such a manner as not to interfere with HealthGate's normal business activities. Any such audit shall occur no more than once per calendar year and within six (6) months of the end of the calendar year. HealthStream shall pay for any such audit unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthGate agrees to pay HealthStream the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). The auditor shall only disclose the correct data and amounts as called for on the royalty reports.
- 13.3. HealthGate may cause an audit to be made of the applicable HealthStream records and facilities for the sole purpose of verifying any reports issued by HealthStream to HealthGate, and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by HealthGate (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthStream's offices and in such a manner as not to interfere with HealthStream's normal business activities. Any such audit shall be paid for by HealthGate unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthStream agrees to pay HealthGate for the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). In no event shall audits be made more frequently than annually unless the immediately preceding audit disclosed a Material discrepancy. The auditor shall only disclose the correct data and amounts as called for on the royalty reports.
- 13.4. Any statement shall affect neither the right to examine and audit nor the right to receive an adjustment to the contrary, appearing on checks or otherwise, unless expressly agreed to in writing by the party having such right.
- 13.5. In the event that either party makes any claim with respect to an audit, upon the audited party's written request the party who has requested such audit will make available to the audited party the records and reports pertaining to such audit prepared by the independent auditor who performed such audit.

ARTICLE 14
NOTICES AND REQUESTS

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested, or sent by air express courier, charges prepaid; and addressed as follows:

HealthGate: HealthGate, Inc.
 Attn: Rick Lawson
 Vice President
 25 Corporate Drive, Suite 310
 Burlington, Massachusetts 01803

HEALTHSTREAM: HealthStream, Inc.
 Attn: Robert H. Laird
 209 10th Avenue South
 Suite 450
 Nashville, Tennessee 37203

or to such other address as the party to receive the notice or request so designates by written notice to the other.

ARTICLE 15
MEDIA

Each party agrees it will not use the other party's name, marks, or logos in any advertising, promotional material, press release, publication, public announcement, or through other media, written or oral, whether to the press, to holders of publicly owned stock without the prior written consent of the other party. Such consent shall not be unreasonably withheld or delayed. Accurate statements made by either party as to the basic terms of this Agreement are said to have the consent of the other party.

ARTICLE 16
CONTROLLING LAW

- 16.1 This Agreement shall be construed and controlled by the laws of the State of Tennessee.
- 16.2 Neither this Agreement, nor any terms and conditions contained herein, shall be construed as creating a partnership, joint venture or agency relationship or as granting a franchise as defined in 16 CFR Section 436.2(a). The price and payment described in Article 4 of this Agreement shall be construed as a royalty fee for the rights granted in Article 3 of this Agreement, and not as a franchise fee.

ARTICLE 17
ATTORNEYS' FEES

If either HealthStream or HealthGate employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party in any proceeding shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

ARTICLE 18
GENERAL

- 18.1 This Agreement does not constitute an offer by HealthStream and it shall not be effective until

signed by both parties. Upon execution by both parties, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and replaces and supplants all prior and contemporaneous communications. It shall not be modified except by a written agreement signed on behalf of HealthGate and HealthStream by their respective duly authorized representatives. Unless agreed to in a separate writing signed by both parties, any statement appearing as a restrictive endorsement on a check or other document which purports to modify a right, obligation or liability of either party shall be of no force and effect.

- 18.2 If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 18.3 No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.
- 18.4 The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in Section 1.8 above. All signed copies of this Agreement shall be deemed originals.

/s/ Robert A. Frist, Jr.

HealthStream, Inc.
Robert A. Frist, Jr.
Chief Executive Officer

/s/ Mary B. Miller

HealthGate Data Corp.
Mary B. Miller
Chief Financial Officer

EXHIBIT
PERSONALIZATION ITEMS

HealthStream's online education Web site and T.NAV iCommerce systems can be personalized to reflect Distributor's brand image. The following items are standard elements of that Personalization:

1. Left navigation bar light color
2. Left navigation bar dark color
3. The color that is the background of the main logo in the upper left
4. The color for the ad banner section
5. The light color for the catalog listing
6. The dark color for the catalog listing
7. The light color for the Your Menu listing
8. The dark for the Your Menu listing
9. The logo to display in the upper left
10. The name to display in the site (i.e. "Healthstream@ahn.com")
11. The phone number of technical support
12. The email for tech support
13. The address for tech support
14. The first custom link to display
15. The second custom link to display
16. The third custom link to display
17. The fourth custom link to display
18. The fifth custom link to display
19. The people support link to display
20. Code to pre-populate the discount field
21. Text to display on page for custom link 1
22. Text to display for custom link 2
23. Text to display for custom link 3
24. Text to display for custom link 4
25. Text to display for custom link 5
26. Text to display for the people support link
27. Default background color
28. The path and file to call when doing an auto-logoff
29. The background color for the title bar

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

SOFTWARE LICENSING AND DISTRIBUTION AGREEMENT

This Software Licensing and Distribution Agreement ("Agreement") is made by and between HealthStream, Inc., a Tennessee corporation having its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") and Pointshare having its principal place of business at 1300 114th Ave. SE, Suite 100, Bellevue, WA 98004 ("Distributor").

BACKGROUND

WHEREAS, Distributor delivers Internet healthcare services targeted at the healthcare community and consumers among others;

WHEREAS, HealthStream has developed and marketed and continues to develop and market a computer-based education system known as the Training Navigator(TM) ("T.NAV(R)") that delivers and monitors World Wide Web based content;

WHEREAS, Distributor and HealthStream wish to enter into a cooperative effort to 1) deploy HealthStream branded educational offerings utilizing T.NAV(R) technology and Distributor's distribution channels; 2) market the goods and services incorporated therein; and 3) sell course sponsorships;

WHEREAS, Distributor wishes to acquire a license and HealthStream has agreed to grant a license to Distributor for the utilization of T.NAV(R) iCommerce with Distributor's Internet healthcare services;

WHEREAS, Distributor and HealthStream wish to provide appropriate consideration for those efforts that each party has agreed to undertake;

WHEREAS, Distributor and HealthStream each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, Distributor and HealthStream agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of this Agreement, the terms below shall have the following meanings:

- 1.1. "Distributor" means Pointshare and any affiliated entity of Distributor.
- 1.2. "Course" means healthcare related Internet based curricula designed to be delivered by T.NAV(R).
- 1.3. "Effective Date" means July 12, 1999, the date on which both parties to this Agreement have executed same.
- 1.4. "Sponsorship Revenue" means payments by third party organizations to provide courses free to Pointshare users.
- 1.5. "HealthStream Courses" means interactive courses that are the proprietary property of HealthStream including training and education content, including, but not limited to, OSHA and JCAHO mandated training, continuing medical education, and office training.
- 1.6. "Internet" means the international network of computers and computer networks accessible by the public at large of which the World Wide Web is a subset.
- 1.7. "Intranet" means an internal network protected from unauthorized users by a firewall and accessible only by individuals within the organization serving the network.
- 1.8. "HealthStream" means HealthStream, Inc. and any Subsidiary of HealthStream, Inc.
- 1.9. "Net Revenue" means gross revenue derived by Distributor or HealthStream from Transactions Fees less discounts, rebates, and/or refunds.

- 1.10. "Subsidiary" means a company in which, on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by another company, but only so long as such ownership or control exists.
- 1.11. "Third Party Content" means interactive content that is the proprietary property of a third party to this Agreement.
- 1.12. "T.NAV(R)" is a branded trademark of HealthStream and is a computer based training product that delivers and monitors World Wide Web based Content.
- 1.13. "T.NAV(R) iCommerce" means HealthStream's proprietary computer based training product that is a derivative product of T.NAV(R) with additional features added by HealthStream in its sole discretion and designated by HealthStream in its sole discretion as "T.NAV(R)v.x.x.c."
- 1.14. "Transaction Fees" means fees received by HealthStream for healthcare related training courses delivered over the Internet via the T.NAV(R) on Distributor's World Wide Web Site.

ARTICLE 2

STRATEGIC RIGHTS GRANTS

- 2.1 During the term of this Agreement, Distributor shall:
 - 2.1.1 Include on the home page of Distributor's World Wide Web site a logo of the HealthStream trademark and a hyperlink to the HealthStream section of Distributor's World Wide Web site; and
 - 2.1.2 Promote the HealthStream service as a part of industry trade shows and exhibitions in which Distributor participates and as a part of Distributor's public advertising strategy. Distributor will provide HealthStream with a specific promotion plan within ninety (90) days of the Effective Date that will include a minimum of one (1) event per quarter.
- 2.2 During the term of this Agreement, HealthStream shall:
 - 2.2.1 Include on the partners page of its World Wide Web site a logo of the Distributor trademark and a hyperlink to the Distributor's World Wide Web site; and
 - 2.2.2 Provide standard Personalization for Distributor, as defined in Exhibit A; and
 - 2.2.3 Enable Distributor to participate in co-marketing campaigns, at HealthStream's discretion.

ARTICLE 3

LICENSE GRANTS

- 3.1 Subject to the payment of the consideration set forth in Article 4, HealthStream grants the Distributor non-exclusive worldwide license rights for T.NAV(R) iCommerce to deliver healthcare related training courses over the Internet.
- 3.2 Any and all rights not expressly granted by either of the parties to the other are reserved by the respective party claiming reservation of that right.

ARTICLE 4

PRICE AND PAYMENT

- 4.1 During the term of this Agreement, HealthStream shall pay to Distributor:

- 4.1.1 * of all Net Revenue derived from Transaction Fees;
 - 4.1.2. * of all Net Revenue derived from Sponsorship Revenue sold by Distributor.
 - 4.1.3. * of all Net Revenue derived from Sponsorship Revenue sold by HealthStream.
- 4.2 Distributor and HealthStream agree to deliver monthly sales statements that detail Net Revenue and payment according to the percentages outlined in this Article 4 to each other within forty five (45) days after the end of each calendar month. These monthly reports shall indicate the total number of Transactions and Sponsorships for which either party derives revenue. Each party shall submit monthly reports even if no royalties or other amounts are due for such month. A monthly finance charge based on an annual rate of prime plus 2% will be assessed on all amounts that are paid later than forty five (45) days after the end of the last month.
- 4.3. In the event that Distributor hosts T.NAV(R) on its own server, Distributor shall be responsible for any costs associated with the licensing of third party applications such as database licenses which are required for the proper functioning of T.NAV(R) Commerce, hosting and Internet access services necessary for distribution including, but not limited to, the hardware infrastructure to meet additional demand. HealthStream, however, shall be responsible for all taxes based upon its personal property ownership and gross or net income.
- 4.4. Distributor and HealthStream will meet as necessary to review pricing, discounting policy and the rationale behind any discounts granted for Courses and Intranet products and services.

ARTICLE 5

INDEMNIFICATION FOR INFRINGEMENT

- 5.1. HealthStream represents and warrants that to the best of its knowledge:
- 5.1.1. T.NAV(R) iCommerce does not infringe any copyright or patent enforceable under the laws of any country; and
 - 5.1.2. T.NAV(R) iCommerce does not violate the trade secret rights of any third party; and
- 5.2. HealthStream agrees to indemnify, hold harmless, and defend Distributor from any and all damages, costs, and expenses, including reasonable attorneys' fees, incurred in connection with a claim which constitutes a breach of the warranties set forth in Section 5.1 and where judgment has been rendered (hereinafter claims under Subsections 5.1.1 and 5.1.2 shall collectively be referred to as "Infringement Judgments"); provided, HealthStream is notified promptly in writing of an Infringement Judgment and has sole control over its defense or settlement, and Distributor provides reasonable assistance in the defense of the same.
- 5.3. HealthStream shall have no liability for any Infringement Judgment based on Distributor's:
- 5.3.1. use or distribution of T.NAV(R) iCommerce after HealthStream's written notice that Distributor should cease use or distribution of T.NAV(R) iCommerce due to an Infringement Judgment, or
 - 5.3.2. combination of T.NAV(R) iCommerce with a non-HealthStream program or data if such Infringement Judgment would have been avoided by the exclusive use of T.NAV(R) iCommerce.
- 5.4. For all Infringement Judgments arising under Section 5.3, Distributor agrees to indemnify and defend HealthStream from and against all damages, costs, and expenses, including reasonable attorneys' fees. In the event HealthStream notifies Distributor that it should cease distribution of T.NAV(R) iCommerce due to an Infringement Judgment, Distributor may terminate this Agreement.

ARTICLE 6

INTELLECTUAL PROPERTY PROVISIONS

- 6.1. Both parties will cause to appear on all marketing or promotional materials concerning the healthcare related training courses, the other party's copyright, trademark, or patent notices.
- 6.2. The parties agree that ownership for any invention conceived or developed during the course of this Agreement shall vest in accordance with the patent rules governing inventorship.
- 6.3. To the extent that source code is written by either party title shall vest in the party who has written such code.
- 6.4. Each party is responsible for protecting, documenting, and maintaining its own intellectual property. Except as expressly set forth herein, this Agreement does not grant either party any proprietary rights of any type in the other party's materials, services or Content.
- 6.5. Both parties acknowledge that, except as otherwise provided herein, each party owns and retains all right, title and interest in and to its own Content provided to the other party.
- 6.6. HealthStream acknowledges that Distributor owns and retains all right, title and interest in and to Distributor's World Wide Web site and all Distributor's products, services and derivatives thereof arising from the performance of this Agreement.
- 6.7. Distributor acknowledges that, except for the license granted to Distributor in Section 3.1 herein, HealthStream owns and retains all right, title and interest in and to T.NAV(R) iCommerce, the T.NAV(R) iCommerce source code, and the T.NAV(R) iCommerce object code.

ARTICLE 7

PROHIBITION AGAINST ASSIGNMENT AND SUBLICENSE

This Agreement, and any rights or obligations hereunder, shall not be assigned or sublicensed (except as permitted in this Article 7) by either party. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to all of a party's assets or substantially all of a party's assets and shall inure to the benefit of and be binding upon successors or purchasers of substantially all of either party's assets.

ARTICLE 8

TERM OF AGREEMENT

Provided this Agreement has been properly executed by an officer of Distributor and by an officer of HealthStream, the term of this Agreement ("Term") shall run from the Effective Date until one (1) year after the Effective Date, and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice to the non-terminating party.

ARTICLE 9

DEFAULT AND TERMINATION

- 9.1. The non-defaulting party may terminate this Agreement in its entirety if any of the following events of default occur:
- 9.1.1. if the defaulting party materially fails to perform or comply with this Agreement or any provision hereof;
- 9.1.2. if the defaulting party fails to strictly comply with the provisions of Article 12, or makes an assignment in violation of Article 7;

- 9.1.3. if a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors;
 - 9.1.4. if a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or
 - 9.1.5. if such a petition is filed by any third party, or an application for a receiver of a party is made by anyone and such petition or application is not resolved favorably or discharged to such party within ninety (90) days.
- 9.2. Termination due to a breach of Articles 7 or 12 shall be effective upon notice. In all other cases termination shall be effective sixty (60) days after notice of termination to the defaulting party if the defaults have not been cured within such sixty (60) day period. The rights and remedies of the parties provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

ARTICLE 10

OBLIGATIONS UPON TERMINATION

- 10.1. From and after termination or expiration of this Agreement, Distributor shall not employ T.NAV(R) iCommerce or portion thereof which is owned by HealthStream, as part or portion of any product that Distributor may use, sell, assign, lease, license, or transfer to third parties. Both parties shall cease and desist from all use of the other party's name(s) and associated trademark(s) and, upon request, deliver to the other party or its authorized representatives or destroy all material upon which those name(s) and the associated trademarks appear.
- 10.2. Articles 5, 6, 10, 11, 12, 13, 14, Section 15.1, and Article 16 shall survive termination or expiration of this Agreement.

ARTICLE 11

WARRANTIES, LIMITATION OF LIABILITY AND REMEDIES

HealthStream represents and warrants that T.NAV(R) shall operate and perform according to specifications attached hereto as Exhibit A. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES. ANY AND ALL OTHER IMPLIED WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING THOSE FOR MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.), INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 12

NONDISCLOSURE AGREEMENT

- 12.1. HealthStream expressly undertakes to retain in confidence all information and know-how transmitted to HealthStream by Distributor that Distributor has identified as being proprietary and/or confidential or that, by the nature of the circumstances surrounding the disclosure, ought in good faith to be treated as proprietary and/or confidential, and will make no use of such information and know-how except under the terms and during the existence of this Agreement. HealthStream shall not disclose, disseminate or distribute any such confidential information or know how to any third party without Distributor's prior written consent. HealthStream agrees to use the same degree of care to protect Distributor confidential information as HealthStream takes to protect its own confidential information of like importance. However, HealthStream shall have no obligation to maintain the confidentiality of information that:

Distributor and HealthStream Media
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- 12.1.1. it received rightfully from another party prior to its receipt from Distributor;
 - 12.1.2. Distributor has disclosed to a third party without any obligation to maintain such information in confidence; or
 - 12.1.3. has been or is independently developed by HealthStream.
- 12.2. Further, HealthStream may disclose confidential information as required by governmental or judicial order, provided HealthStream gives Distributor prompt notice of such order and complies with any confidentiality or protective order (or equivalent) imposed on such disclosure. HealthStream shall treat the terms and conditions of this Agreement as confidential; however, HealthStream may disclose such information in confidence to its immediate legal and financial consultants as required in the ordinary course of HealthStream's business. HealthStream's obligation under this Article 12 shall extend to the earlier of such time as the information protected hereby is in the public domain through no fault of HealthStream or five (5) years following termination or expiration of this Agreement. HealthStream shall not disclose any information on Distributor's unannounced products to HealthStream's employees or any third party.
- 12.3. Distributor shall have the same obligations in Sections 12.1 and 12.2 above with respect to HealthStream's information and know-how. In addition, Distributor shall treat all T.NAV(R) iCommerce materials (including source code) as confidential information and shall not disclose, disseminate, or distribute such materials to any third party without HealthStream's prior written permission.
- 12.4. Both parties shall prepare a mutually acceptable press release, if any, to announce this Agreement.

ARTICLE 13

AUDITS

- 13.1. During the term of this Agreement, the parties hereto agree to keep all usual and proper records and books of account and all usual and proper entries relating to each T.NAV(R) iCommerce licensed consistent with generally accepted accounting principles.
- 13.2. HealthStream may cause an audit to be made of the applicable Distributor records that pertain to this Agreement for the sole purpose of verifying royalty reports issued by Distributor to HealthStream and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by HealthStream (other than on a contingent fee basis) and shall be conducted during regular business hours at Distributor's offices and in such a manner as not to interfere with Distributor's normal business activities. Any such audit shall occur no more than once per calendar year and within six (6) months of the end of the calendar year. HealthStream shall pay for any such audit unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, Distributor agrees to pay HealthStream the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). The auditor shall only disclose the correct data and amounts as called for on the royalty reports.
- 13.3. Distributor may cause an audit to be made of the applicable HealthStream records and facilities for the sole purpose of verifying any reports issued by HealthStream to Distributor, and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by Distributor (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthStream's offices and in such a manner as not

to interfere with HealthStream's normal business activities. Any such audit shall be paid for by Distributor unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthStream agrees to pay Distributor for the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). In no event shall audits be made more frequently than annually unless the immediately preceding audit disclosed a Material discrepancy. The auditor shall only disclose the correct data and amounts as called for on the royalty reports.

- 13.4. Any statement shall affect neither the right to examine and audit nor the right to receive an adjustment to the contrary, appearing on checks or otherwise, unless expressly agreed to in writing by the party having such right.
- 13.5. In the event that either party makes any claim with respect to an audit, upon the audited party's written request the party who has requested such audit will make available to the audited party the records and reports pertaining to such audit prepared by the independent auditor who performed such audit.

ARTICLE 14

NOTICES AND REQUESTS

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested, or sent by air express courier, charges prepaid; and addressed as follows:

DISTRIBUTOR:	Pointshare Attn: Timothy J. Kilgallon President & CEO 1300 114th Ave. SE Suite 450 Bellevue, WA 98004
HEALTHSTREAM:	HealthStream, Inc. Attn: Robert H. Laird, Jr. General Counsel 209 10th Avenue South Suite 450 Nashville, Tennessee 37203

or to such other address as the party to receive the notice or request so designates by written notice to the other.

ARTICLE 15

CONTROLLING LAW

- 15.1. This Agreement shall be construed and controlled by the laws of the State of Tennessee.
- 15.2. Neither this Agreement, nor any terms and conditions contained herein, shall be construed as creating a partnership, joint venture or agency relationship or as granting a franchise as defined in 16 CFR Section 436.2(a). The price and payment described in Article 4 of this Agreement shall

be construed as a royalty fee for the rights granted in Article 3 of this Agreement, and not as a franchise fee.

ARTICLE 16

ATTORNEYS' FEES

If either HealthStream or Distributor employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party in any proceeding shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

ARTICLE 17

GENERAL

- 17.1. This Agreement does not constitute an offer by HealthStream and it shall not be effective until signed by both parties. Upon execution by both parties, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and replaces and supplants all prior and contemporaneous communications. It shall not be modified except by a written agreement signed on behalf of Distributor and HealthStream by their respective duly authorized representatives. Unless agreed to in a separate writing signed by both parties, any statement appearing as a restrictive endorsement on a check or other document which purports to modify a right, obligation or liability of either party shall be of no force and effect.
- 17.2. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 17.3. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.
- 17.4. The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in Section 1.5 above. All signed copies of this Agreement shall be deemed originals.

Pointshare	HealthStream, Inc.
By: /s/ Tim Kilgallon	By: /s/ Robert A. Frist, Jr.
-----	-----
Name: Tim Kilgallon	Title: Chief Executive
-----	-----
Title: President & CEO	-----

EXHIBIT A

PERSONALIZATION ITEMS

HealthStream's online education Web site and T.NAV iCommerce systems can be personalized to reflect Distributor's brand image. The following items are standard elements of that Personalization:

1. Left navigation bar light color
2. Left navigation bar dark color
3. The color that is the background of the main logo in the upper left
4. The color for the ad banner section
5. The light color for the catalog listing
6. The dark color for the catalog listing
7. The light color for the Your Menu listing
8. The dark for the Your Menu listing
9. The logo to display in the upper left
10. The name to display in the site (i.e. "Healthstream@ahn.com")
11. The phone number of technical support
12. The email for tech support
13. The address for tech support
14. The first custom link to display
15. The second custom link to display
16. The third custom link to display
17. The fourth custom link to display
18. The fifth custom link to display
19. The people support link to display
20. Code to pre-populate the discount field
21. Text to display on page for custom link 1
22. Text to display for custom link 2
23. Text to display for custom link 3
24. Text to display for custom link 4
25. Text to display for custom link 5
26. Text to display for the people support link
27. Default background color
28. The path and file to call when doing an auto-logoff
29. The background color for the title bar

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

NON-EXCLUSIVE CONTENT
LICENSE AGREEMENT

THIS AGREEMENT ("Agreement"), made and entered into as of this 20th day of September 1999, ("Effective Date") by and between HEALTHSTREAM, INC. a Tennessee corporation with its principal place of business at 209 10TH AVENUE SOUTH, SUITE 450, NASHVILLE, TENNESSEE 37203, ("HealthStream") or ("Party") and AMERICAN HEALTH CONSULTANTS, a corporation with its principal place of business at 3525 PIEDMONT ROAD, BUILDING SIX, SUITE 400, ATLANTA, GA 30305, ("Publisher") or ("Party").

WHEREAS, Publisher possesses or has the authority to license all necessary rights, including the trademark and/or copyright, as applicable in and to certain Continuing Education Materials ("CE Materials");

WHEREAS, HealthStream distributes information services;

WHEREAS, HealthStream desires to incorporate the CE Materials into those information services; and

WHEREAS, Publisher desires to grant HealthStream the full right to incorporate, use and distribute the CE Materials or portions thereof within HealthStream's information services;

NOW, THEREFORE, in consideration of the mutual promises and in accordance with the terms and conditions hereinafter set forth, the Parties agree as follows:

1. CERTAIN DEFINITIONS

1.1 "Intellectual Property Rights" shall mean any and all rights existing from time to time under patent law, copyright law, moral rights law, trade-secret law, trademark law, unfair competition law, publicity rights, privacy rights and any and all other similar proprietary rights, and any and all renewals, extensions and restorations thereof now or hereafter in force and effect in the United States and throughout the Universe.

1.2 "CE Materials" shall mean the items listed in Exhibit A (said items being hereinafter referred to as "CE Materials"), as amended from time to time by the parties, and subsequent issues of CE Materials published during the Term (as defined in Section 7.1 herein). Exhibit A is incorporated herein by this reference.

1.3 "Services" shall mean the information services, which HealthStream distributes, transmits, reproduces, performs, displays or otherwise disseminates throughout the universe to Users (i) online, via the Internet, America Online, Compuserve, Prodigy, @Home, other digital and analog subscription or non-subscription communication networks, and any other means of transmission or distribution by wire or carrier wave now known or hereafter devised ("Online Services"); (ii) by means of computer-generated copies on paper or microform ordered by Users via the Online Services; and (iii) by means of copies reproduced on magnetic or optical storage media and intended for use only in conjunction with stand-alone computers, local area computer networks, or other single-enterprise computer networks, which copies are intended to replicate, supplement or enhance the Online Services; provided, however, that HealthStream may not include any CE Materials or substantial portion thereof as part of any product on tangible storage media, including, but not limited to CD-ROM, other than a product used solely to enhance performance of the Online Services.

1.4 "Users" shall mean persons and/or entities that pay HealthStream for access to Services. Users may include but are not limited to physicians, nurses, clinical care providers, managed care organizations, hospitals, health care institutions, and other health care providers.

2. GRANT OF LICENSE AND DISTRIBUTION RIGHTS

Publisher hereby grants HealthStream the non-exclusive license, for the Term of this Agreement, throughout the universe, for the purpose of providing access to and disseminating the CE Materials or portions thereof through HealthStream's Services, to do and authorize any of the following:

(i) to market, advertise, promote (including with third party promotional partners authorized by HealthStream), distribute, sell, use, reproduce, perform, display, or offer to the public the CE Materials or portions thereof by means of the Services and to use Publishers' Intellectual Property Rights ("Properties") subsisting in the CE Materials in connection therewith; HealthStream bearing any and all costs and expenses related thereto; and

(ii) to recast, transform, or adapt the CE Materials or portions thereof only as necessary for the purpose of utilizing the CE Materials or portions thereof within the Services and as necessary for the purpose of exercising HealthStream's rights as set forth above in this Section 2.

All rights not specifically granted and licensed to HealthStream herein are reserved to the Publisher.

3. FEES AND CHARGES

HealthStream shall compensate Publisher as set forth in Exhibit B which is attached hereto and incorporated herein by this reference.

4. REPRESENTATIONS AND WARRANTIES

4.1 Publisher hereby represents and warrants that: (i) Publisher has all authority and rights necessary to enter into and to fulfill the terms of this Agreement and to grant the rights and to consummate the obligations described herein; (ii) except for third party Intellectual Property Rights identified in the CE Materials by means of, among other things, copyright notices, acknowledgments and credit lines, and except for other third party Intellectual Property Rights expressly identified to HealthStream in writing by Publisher (collectively "Third Party Intellectual Property Rights"), Publisher owns or has the right to license all Intellectual Property Rights subsisting in the CE Materials and necessary to enable HealthStream to exercise the rights granted hereunder, and Publisher has the right to enter into this Agreement with HealthStream and to license the CE Materials or portions thereof to HealthStream as set forth in this Agreement; and (iii) the use of the CE Materials or portions thereof by HealthStream in accordance with the terms of this Agreement shall not constitute a libel or slander against any person or entity.

4.2 Publisher hereby represents and warrants that (i) with respect to each and every right herein granted to HealthStream there is no legal obstacle to the granting of such rights; (ii) there is no outstanding claim of any kind whatsoever against any right, title or interest in or to the CE Materials or portions thereof which could adversely affect the rights granted to HealthStream hereunder; (iii) the CE Materials or portions thereof do not infringe the Intellectual Property Rights of any third parties; and (iv) there are no pending, or, to the best of Publisher's knowledge, threatened claims from a third party claiming any right, title or interest in the CE Materials or portions thereof which could adversely affect the rights granted to HealthStream hereunder or alleging that the CE Materials or portions thereof infringes the Intellectual Property Rights of any such third party. If any claim is asserted against the Publisher alleging that the CE Materials or portions thereof infringes upon a third party's Intellectual Property Rights, then the Publisher shall promptly notify HealthStream of such infringement claim.

4.3 Publisher shall indemnify, defend and hold harmless HealthStream from and against any liability arising out of (i) any breach of this Section 4 by Publisher; and (ii) any injury or damages caused to any third party due to reliance upon the editorial content of the CE Materials or portions thereof. Publisher shall have sole control over the defense of any third party claims asserting a liability covered by this section 4.3.

4.4 HealthStream hereby represents and warrants that it has full power and authority to enter into this Agreement and to consummate the obligations contemplated herein; and that HealthStream's entering this Agreement does not conflict with or constitute a breach of any Agreement to which HealthStream is subject.

4.5 HealthStream hereby agrees to indemnify, defend and hold harmless Publisher, its officers, directors, employees, agents, successors and assigns, authors, editors and licensors from and against all loss, liability, damage, cost and expense arising solely and directly out of (i) HealthStream's transcription, digitization, or other processing or transmission of the CE Materials or portions thereof within the Services; (ii) the operation of the Services (other than claims covered under Section 4.2 above); and (iii) the content of the Services other than the editorial content of any Properties licensed hereunder or portions thereof.

5. OBLIGATIONS OF PUBLISHER

5.1 Publisher agrees to deliver the CE Materials in html format to HealthStream within thirty (30) days of the execution of this Agreement.

5.2 Publisher shall inform HealthStream of significant changes in the format of the CE Materials or portions thereof, including content, scheduling, and other factors which will be useful to HealthStream in selling, marketing and providing customer service to its Users.

5.3 Publisher shall provide to HealthStream customer service necessary to respond to inquiries by HealthStream made via telephone, fax or written correspondence regarding HealthStream's subscribers' questions in regard to CE credit provided by the Publisher.

6. OBLIGATIONS OF HEALTHSTREAM

6.1 HealthStream shall insert on each screen that contains CE Materials, and in close proximity to the CE Materials the following notice: "Copyright (insert year) American Health Consultants.

All Rights Reserved." HealthStream shall also insert a hyperlink from the copyright notice to the American Health Consultants Informational Page residing on HealthStream's Internet Site ("American Health Consultants Informational Page"), which will contain the following language "Republication or redistribution of American Health Consultants' content is expressly prohibited without the prior written consent of American Health Consultants." HealthStream shall also include in the American Health Consultants Informational Page, as displayed on the Services, any disclaimers or such other notice as may be requested in writing by Publisher from time to time during the Term.

6.2 HealthStream shall be responsible for providing customer and technical support to Users, via telephone or electronic message consultations. Such customer support shall include but not be limited to account management, consultation, technical assistance and handling of User inquiries. Publisher shall have no responsibility to communicate directly with Users regarding operation of the Services.

6.3 HealthStream shall use its good faith efforts to convert, digitize, reformat and/or otherwise manipulate the CE Materials in accordance with the specifications set forth in this Agreement, and to reproduce the text accurately in the implementation.

6.5 HealthStream shall correct any errors or inaccuracies in the content of the CE Materials introduced or caused by HealthStream or its agents or contractors promptly after learning of the existence of such errors or inaccuracies. HealthStream shall promptly make corrections and changes to the editorial content requested by Publisher for the purpose of (i) correcting material errors, omissions or inaccuracies or (ii) complying with any judicial, governmental or administrative decision, rule or order or settlement agreement by which Publisher is bound or (iii) avoiding potential liability from continued distribution of such materials.

6.6 HealthStream shall process CE Materials submitted for credit by Users within twenty-four (24) hours and shall provide a certificate of completion of CME Material directly to Users via email, with an email copy sent to Publisher.

6.7 The right of HealthStream to use any trade names or trademarks of Publisher included in the Intellectual Property Rights of Publisher licensed hereunder is limited to the display of such trademarks on the CE Materials as displayed in the Services and in promotional materials for the Services. All such use of Publisher's trademarks shall accrue to the benefit of Publisher. HealthStream will not use Publisher's trade names or trademarks in any other manner without the prior consent of Publisher. HealthStream will not use the name of any author of any CE Materials or of any professional association or society under whose auspices CE Materials are published in any manner other than to state the authorship or sponsorship of that specific CE Material.

6.9 HealthStream represents and warrants that it will not, without Publisher's prior written permission, provide CE Materials to persons or entities in such a fashion that no Fees (as defined in Exhibit B) are generated.

6.10 HealthStream shall generate a monthly statement of CE Materials used in the Services by Users to report to Publisher the Fees owed to Publisher as set forth in Exhibit B.

7. TERM AND TERMINATION

7.1 This Agreement shall commence upon the Effective Date and shall continue in force for a term which shall consist of an initial Term of two (2) years ("Initial Term") and shall be renewed

for one (1) year terms ("Renewal Term" and collectively the "Term"), automatically unless one Party shall give written notice of termination to the other Party no later than one hundred and eighty (180) days prior to the expiration of the Initial Term or the then current Renewal Term, as applicable. Each Renewal Term shall commence simultaneously upon the expiration of the immediately preceding Initial Term or Renewal Term. The inclusion of a subsequent edition CE Materials pursuant to Section 1.2 shall not extend or otherwise affect the Term of this Agreement with respect to such CE Materials or otherwise.

7.2 In the event that either Party commits a breach ("Breach") of this Agreement, upon written notice ("Breach Notice") from the non-defaulting Party, the defaulting Party shall use its best efforts to cure such breach within thirty (30) days after the receipt of the Breach Notice. If such default or breach is not cured within thirty (30) days of receipt of the Breach Notice, the non-defaulting Party may give written notice ("Termination Notice") to the defaulting Party of the non-defaulting Party's selection to terminate this Agreement on a date specified in the Termination Notice. If the defaulting Party is making diligent efforts to cure a breach that is not reasonably susceptible to cure within thirty (30) days, the defaulting Party shall be provided a reasonable time period up to forty-five (45) days from Breach Notice to complete the cure of the breach. If such breach is not cured within such thirty (30) or forty-five (45) day period, as applicable, the Agreement shall terminate on the date specified in the Termination Notice. Such right of termination shall not be exclusive of any other remedies or means of redress to which the non-defaulting Party may be lawfully entitled. Notwithstanding the foregoing, a Party's default on any provision of this Agreement shall not be considered a Breach to the extent that this Agreement contains a remedy for such Breach.

7.3 If Publisher or HealthStream: (i) makes an assignment for the benefit of creditors; (ii) becomes insolvent; (iii) files a voluntary petition for bankruptcy; (iv) acquiesces to an involuntary bankruptcy petition; (iv) is adjudicated as bankrupt; or (v) ceases to do business, the other Party, at its option, may immediately terminate this Agreement upon giving written notice thereof.

7.4 In addition to those rights specified herein and subject to Section 7.7 hereof, the following rights and obligations survive any expiration or termination of this Agreement to the degree necessary to permit their complete fulfillment or discharge: (i) the rights and obligations of the Parties with respect to Publisher's Intellectual Property Rights and HealthStream's Intellectual Property Rights; (ii) the rights and obligations of the Parties with respect to the Services that have been sold or distributed, including obligations of HealthStream to make all applicable payments under this Agreement; (iii) any cause of action or claim of either Party, accrued or to accrue, because of any breach or default by other parties; and (iv) the rights and obligations of either Party with respect to confidentiality, indemnification, warranties and representations.

7.5 If this Agreement is lawfully terminated by HealthStream as a result of a breach of its terms or conditions by Publisher, HealthStream may, for a period of two (2) years following the date of such termination of this Agreement, sell, or continue to sell through the Services the CE Materials or portions thereof as they exist at the time of HealthStream's termination for Publisher's breach. The reporting and payment obligations of HealthStream shall apply to the sales and distribution of the CE Materials or portions thereof accruing after termination.

7.6 Without limiting the generality of the foregoing, the provisions of termination of this Agreement for Sections 1, 4, 6.6, 7.5, 8, and 9.13 shall survive the expiration or early termination of this Agreement for any reason.

7.7 In the event of termination or expiration of this Agreement for any reason, HealthStream shall immediately (or at such later date as is set forth in Section 7.5 in the event of a

termination under that Section) cease further distribution of the CE Materials through the Services. In addition, HealthStream shall destroy all versions and copies of the Properties in whatever form or medium in HealthStream's custody or under HealthStream's control. An officer of HealthStream shall certify such action in writing to Publisher.

Integrated Agreement

8. OWNERSHIP OF THE PROPERTIES

8.1 Publisher acknowledges HealthStream's right, title and interest to HealthStream's Intellectual Property Rights (including, without limitation, all Intellectual Property Rights subsisting in the implementation and all elements of HealthStream's computer graphic user interfaces, machine interfaces and other computer programs and other audiovisual and literary works), and will not at any time do or cause to be done any act or thing contesting or in any way impairing or tending to impair any part of such right, title and interest thereto. In connection with the use of HealthStream's Intellectual Property Rights, Publisher shall not in any manner represent that it has any ownership therein, and Publisher acknowledges that any use pursuant to this Agreement (if any) of HealthStream's Intellectual Property Rights shall not create any right, title or interest therein in Publisher's favor.

8.2 HealthStream acknowledges Publisher's right, title and interest in and to Publisher's Intellectual Property Rights, and will not at any time do or cause to be done any act or thing contesting or in any way impairing or tending to impair any part of such right, title and interest thereto. In connection with the use of Publisher's Intellectual Property Rights, HealthStream shall not in any manner represent that it has any ownership therein and HealthStream acknowledges that its use of Publisher's Intellectual Property Rights shall not create any right, title and interest therein in HealthStream's favor. HealthStream further agrees not to copy, reproduce, sell, license, subscribe, lease or distribute the CE Materials or portions thereof other than as expressly permitted herein.

8.3 HealthStream will place in writing in an agreement with each User a warranty disclaimer and liability limitation clauses. HealthStream shall make commercially reasonable efforts to ensure that any User provided with access to CE Materials or portions thereof by or through Services expressly agrees (i) to use the CE Materials or portions thereof exclusively as an internal management, reference or informational tool for that User's use only; and (ii) not to reproduce or distribute the CE Materials or portions thereof for any commercial purpose. The sole obligation of HealthStream with respect to the requirements identified in this Section 8.3 applicable to each User shall be to include appropriate terms in written contracts with each such User, as required by this Agreement and to take commercially reasonable steps to terminate Users who intentionally breach the terms of such User Agreements. Publisher shall look to each such User, and not HealthStream, to redress any damages imposed on Publisher due to any actions taken by, or breach of the obligations of, such User.

8.4 HealthStream shall promptly notify Publisher of any unauthorized use or infringement of the CE Materials or portions thereof by Users or others of which HealthStream becomes aware. Publisher shall have the right, at its expense, to bring an action on account of such unauthorized uses or infringements provided that Publisher will not bring an action against any User without first consulting with HealthStream. HealthStream shall cooperate with Publisher in such action in such manner as the Publisher may reasonably request at Publisher's cost and expense.

9. MISCELLANEOUS

9.1 Recitals. The recitals herein constitute an integral part of the Agreement reached by the Parties and are to be considered as such.

9.2 No Waiver. The waiver by either Party of a breach or default of any provision of this Agreement by the other Party shall not constitute a waiver by such Party of any succeeding breach of the same or other provision; nor shall any delay or omission on the part of either Party to exercise or avail

itself of any right, power or privilege that it has or may have hereunder operate as a waiver of any such right, power or privilege by such Party.

9.3 Force Majeure. Neither HealthStream nor Publisher shall be liable for any breach of this Agreement occasioned by any cause beyond the reasonable control of such party, which for purposes of this Agreement shall mean governmental action, war, riot, or civil commotion, fire, floods, labor disputes, restraints affecting shipping or credit, delay of carrier, black-outs, brown-outs, computer generated worms, viruses, and other self-destructing code, a substantial change to the commercial structure of the Internet or any other causes which could not with reasonable diligence be controlled or prevented by the parties.

9.4 Headings. The headings of the Sections of this Agreement are for convenience only and will not be of any effect in construing the meanings of the Sections and subsections.

9.5 Counterparts; Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signed copy of this Agreement delivered by facsimile transmission shall for all purposes be treated as if it were delivered containing an original signature of the party whose signature appears in the facsimile.

9.6 No Assignment. Neither Party shall assign this Agreement or any of its rights hereunder or delegate any of its obligations hereunder except with the prior written consent of the other Party; provided, however, that either Party may assign in conjunction with its mergers, reorganization or the sale of substantially all assets to which this Agreement pertains, provided that the surviving company continues in the same or substantially similar business.

9.7 Invalidity. If any covenant or other provision of this Agreement is invalid, illegal, or incapable of being enforced by reason of any rule of law, administrative order, judicial decision or public policy, all other conditions and provisions of this Agreement shall, nevertheless, remain in full force and effect. The Parties shall make changes to this Agreement as are necessary to cure the invalidity, consistent with the original objectives of the Parties.

9.8 Relationship of the Parties. Nothing in this Agreement nor the relations between the Parties of this Agreement shall be construed to constitute a partnership or joint venture between or among the Parties of this Agreement. Neither Party shall have the right or authority to bind or obligate the other Party in any manner whatsoever and shall not expressly or impliedly incur any liability or obligation on behalf of the other Party.

9.9 Reasonable Approval. Whenever any provision of this Agreement requires the consent or approval of a Party, such consent or approval shall be given in writing, and shall not be unreasonably withheld or delayed.

9.10 Notices. All notices or other communications that shall or may be given pursuant to this Agreement, shall be in writing, in English, and shall be sent by certified or registered air mail with postage prepaid, return receipt requested, by facsimile, telex or cable communication, or by hand delivery. Such communications shall be deemed given and received upon dispatch, if sent by facsimile, telex, or cable communication; or upon delivery if hand delivered; or within five (5) days of mailing, if sent by certified or registered mail, and shall be addressed to the parties as set forth below or to such other addresses as the parties may designate in writing from time to time.

If to Publisher: American Health Consultants
3525 Piedmont Road
Building 6, Suite 400
Atlanta, Georgia 30305
Fax: (404) 262-5510

Attn: Marcus Underwood
Director, Special Projects

If to HealthStream: 209 10th Avenue South
Suite 450
Nashville, TN 37203
Fax: (615) 301-3200

Attn: Robert H. Laird
Vice President and General Counsel

9.11 Governing Law. This Agreement shall be governed by the laws of the State of Georgia, notwithstanding that state's choice of law rules.

9.12 Entire Agreement. This Agreement, including the exhibits attached hereto, state the entire Agreement between the Parties relating to the subject matter of this Agreement and supersedes any and all prior Agreements and communications, written or oral. No amendment or modification of this Agreement may be made except by an instrument in writing signed by both Parties.

9.13 Non-Disclosure. The terms and provisions of this Agreement, any amounts paid to Publisher hereunder, and any and all other business information disclosed by either party (the "Disclosing Party") to the other (the "Receiving Party") in the course of its performance of this Agreement, which information is designated by the Disclosing Party as confidential or proprietary or which the Receiving Party should recognize from the facts and circumstances surrounding the disclosure of such information is confidential or proprietary to the Disclosing Party, shall constitute confidential information ("Confidential Information") of the Disclosing Party. The Receiving Party shall hold the Confidential Information of the Disclosing Party in confidence and will use such Confidential Information only for the purposes of fulfilling its obligations under this Agreement. Nothing in this Agreement will be interpreted to confer upon the Receiving Party any implied or express license to use the Confidential Information of the Disclosing Party for any other purpose. The Receiving Party will not disclose, provide, disseminate or otherwise make available any Confidential Information of the Disclosing Party or any part thereof in any form whatsoever to any third party without the express written permission of the Disclosing Party. The obligations in this Section 5.4 shall not apply to any (a) information that is now or later becomes publicly available through no fault of the Receiving Party; (b) information that is obtained by the Receiving Party from a third party (other than in connection with this Agreement) who is not under any obligation of secrecy or confidentiality to the Disclosing Party with respect to such information; (c) information that is independently developed by the Receiving Party (e.g., without reference to any Confidential Information); (d) any disclosure required by applicable law, provided that the Receiving Party shall use reasonable efforts to give advance notice to and cooperate with the Disclosing Party in connection with any such disclosure; and (e) any disclosure with the consent of the Disclosing Party. The parties acknowledge that the covenants contained in this Section 5.4 are reasonable and necessary to protect their legitimate interests, that the parties would not have entered into this Agreement in the absence of such covenants, that any breach or threatened breach of such covenants

will result in irreparable injury to the Disclosing Party, and that the remedy at law for such breach or threatened breach would be inadequate. Accordingly, the Parties agree that the Disclosing Party shall, in addition to any other rights or remedies which it may have, be entitled to seek such equitable and injunctive relief without the posting of any bond or security as may be available from any court of competent jurisdiction to restrain the Receiving Party from any breach or threatened breach of such covenants.

IN WITNESS WHEREOF, each of the Parties has caused a duly authorized officer or agent to execute the Agreement as of the dates set forth below.

On Behalf of HealthStream:

On Behalf of Publisher:

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

By: /s/ Jeff MacDonald

Name: Robert A. Frist, Jr.

Name: Jeff MacDonald

Title: CEO

Title: President & CEO

Date: 9/30/99

Date: 9/30/99

EXHIBIT A: PROPERTY

Description of "CE Materials"

CE Materials consist of all material currently available on Publisher's ceweb Internet site (listed below and hereafter referred to as "Modules"), any Modules that become available on Publisher's ceweb Internet site during the Term, and updates to the Modules within 30 days of the modules going live on the AHC's ceweb site.

Continuing Education Materials

1. Hospital Peer Review
2. Hospital Case Management
3. Case Management Advisor
4. Hospital Employee Health
5. Hospital Infection Control
6. Contraceptive Technology Update
7. Home Infusion Therapy Management
8. Homecare Education Management
9. Homecare Quality Management
10. Hospital Home Health
11. Private Duty Homecare
12. Same-Day Surgery

Integrated Agreement

EXHIBIT B: COMPENSATION PROVISIONS

- B1. "Fees" shall mean amounts billed to and actually received by HealthStream for access to CE Materials from Users, distributors, or agents less discounts to distributors, credits or refunds actually paid by HealthStream.
- B2. HealthStream will collect from Users a Fee which shall not be less than * for each Module of Publisher's CE Materials a User accesses on the Service prior to permitting the User to access each Module. A User may access the Module(s) one or more times after the User has paid the Fees for access to the Module(s). Publisher's credit toward the yearly minimum as described in B3 shall in no instance be less than * per Module, provided Publisher's list price remains * or greater per Module. In the event Publisher's list price falls below * per module, Publisher's credit toward the yearly minimum as described in B3 shall be * of Publisher's list price.
- B3. Subject to the remaining provisions of this section B3, HealthStream shall pay Publisher * per month for the duration of the Term. HealthStream shall compute within forty five (45) days after each 12 month anniversary of the Effective Date within the Initial Term or the then current Renewal Term (as applicable) the Fees collected during the previous 12 months of the Initial or Renewal Term, and shall furnish Publisher with a statement in sufficient detail to verify such total Fees (the "Compensation Statement"). HealthStream shall remit to Publisher along with the Compensation Statement an amount equal to * of any Fees collected during the previous 12 months of the Initial or Renewal Term that are in excess of *. In the event that the total number of credit hours available from the CE Materials listed in Exhibit A falls below four hundred (400) Healthstream shall have the right to terminate the contract immediately, and must remove all of Publisher's content per article 7.7 of this agreement.
- B4. HealthStream shall, upon thirty (30) days written notice by Publisher, make all of its records related to Fees calculations available to Publisher or its designees at HealthStream's principal place of business during normal business hours ("Audit"). All information obtained from such records shall remain strictly confidential and shall not be disclosed by Publisher or its designee to third Parties or used for any purpose other than calculating Fees due and verifying the accuracy of the computation of the Fees and other compliance with this Agreement. Notwithstanding the foregoing, Publisher may not (i) request an Audit more than once every twelve (12) months; or (ii) claim any Fees more than two (2) years following the Compensation Date by which such Fees were accrued. Publisher shall bear the expense of such Audit unless the Audit shows an error amounting to a deficiency to Publisher in excess of five percent (5%) of the actual Fees payable to Publisher for the applicable period, in which event, HealthStream shall bear the reasonable expense of the Audit. HealthStream shall pay Publisher the amount of any deficiency discovered by Publisher within thirty (30) days after receipt of notice thereof from Publisher.
- B5. HealthStream is under no obligation to sell and distribute a minimum quantity of the CE Materials or portions thereof.

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

NON-EXCLUSIVE CONTENT
LICENSE AGREEMENT

THIS AGREEMENT ("Agreement"), made and entered into as of this 6th day of January 2000, ("Effective Date") by and between HEALTHSTREAM, INC. a Tennessee corporation with its principal place of business at 209 10TH AVENUE SOUTH, SUITE 450, NASHVILLE, TENNESSEE 37203, ("HealthStream") or ("Party") and AMERICAN HEALTH CONSULTANTS, a corporation with its principal place of business at 3525 PIEDMONT ROAD, BUILDING SIX, SUITE 400, ATLANTA, GA 30305, ("Publisher") or ("Party").

WHEREAS, Publisher possesses or has the authority to license all necessary rights, including the trademark and/or copyright, as applicable in and to certain Continuing Medical Education Materials ("CME Materials");

WHEREAS, HealthStream distributes information services;

WHEREAS, HealthStream desires to incorporate the CME Materials into those information services; and

WHEREAS, Publisher desires to grant HealthStream the full right to incorporate, use and distribute the CME Materials or portions thereof within HealthStream's information services;

NOW, THEREFORE, in consideration of the mutual promises and in accordance with the terms and conditions hereinafter set forth, the Parties agree as follows:

1. CERTAIN DEFINITIONS

1.1 "Intellectual Property Rights" shall mean any and all rights existing from time to time under patent law, copyright law, moral rights law, trade-secret law, trademark law, unfair competition law, publicity rights, privacy rights and any and all other similar proprietary rights, and any and all renewals, extensions and restorations thereof now or hereafter in force and effect in the United States and throughout the Universe.

1.2 "CME Materials" shall mean the items listed in Exhibit A (said items being hereinafter referred to as "CME Materials"), as amended from time to time by the parties, and subsequent issues of CME Materials published during the Term (as defined in Section 7.1 herein). Exhibit A is incorporated herein by this reference.

1.3 "Launch Date" means the earlier of the date on which the CME Materials become available to the public on the Web via T.NAV(R), or May 1, 2000.

1.4 "Services" shall mean the information services, which HealthStream distributes, transmits, reproduces, performs, displays or otherwise disseminates throughout the universe to Users (i) online, via the Internet, America Online, Compuserve, Prodigy, @Home, other digital and analog subscription or non-subscription communication networks, and any other means of transmission or distribution by wire or carrier wave now known or hereafter devised ("Online Services"); (ii) by means of computer-generated copies on paper or microform ordered by Users via the Online Services; and (iii) by means of copies reproduced on magnetic or optical storage media and intended for use only in conjunction with stand-alone computers, local area computer networks, or other single-enterprise computer networks, which copies are intended to replicate, supplement or enhance the Online Services; provided, however, that HealthStream may not include any CME Materials or substantial portion thereof as part of any product on

tangible storage media, including, but not limited to CD-ROM, other than a product used solely to enhance performance of the Online Services.

1.5 "Users" shall mean persons and/or entities that pay HealthStream for access to Services. Users may include but are not limited to physicians, nurses, clinical care providers, managed care organizations, hospitals, health care institutions, and other health care providers.

2. GRANT OF LICENSE AND DISTRIBUTION RIGHTS

2.1 Publisher hereby grants HealthStream the non-exclusive license, for the Term of this Agreement, throughout the universe, for the purpose of providing access to and disseminating the CME Materials or portions thereof through HealthStream's Services, to do and authorize any of the following:

(i) to market, advertise, promote (including with third party promotional partners authorized by HealthStream), distribute, sell, use, reproduce, perform, display, or offer to the public the CME Materials or portions thereof by means of the Services and to use Publishers' Intellectual Property Rights ("Properties") subsisting in the CME Materials in connection therewith; HealthStream bearing any and all costs and expenses related thereto; and

(ii) to recast, transform, or adapt the CME Materials or portions thereof only as necessary for the purpose of utilizing the CME Materials or portions thereof within the Services and as necessary for the purpose of exercising HealthStream's rights as set forth above in this Section 2.

2.2 HealthStream may not offer the CME Materials in any format to licensing partners of Publisher ("Partners") without Publisher's approval. These Partners are identified in Exhibit C attached hereto. Publisher reserves the right to add Partners to Exhibit C in the future if Publisher executes written agreements with additional entities. Publisher shall send written notice to HealthStream of its intent to add a Partner to Exhibit C. If a proposed Partner is an entity with whom HealthStream already has an established relationship, the proposed Partner shall not be added to Exhibit C or subject to the limitations of this Section. Established relationship shall mean that the entity is one with whom HealthStream has entered into negotiations to enter a business relationship.

All rights not specifically granted and licensed to HealthStream herein are reserved to the Publisher.

3. FEES AND CHARGES

HealthStream shall compensate Publisher as set forth in Exhibit B which is attached hereto and incorporated herein by this reference.

4. REPRESENTATIONS AND WARRANTIES

4.1 Publisher hereby represents and warrants that: (i) Publisher has all authority and rights necessary to enter into and to fulfill the terms of this Agreement and to grant the rights and to consummate the obligations described herein; (ii) except for third party Intellectual Property Rights identified in the CME Materials by means of, among other things, copyright notices, acknowledgments and credit lines, and except for other third party Intellectual Property Rights expressly identified to HealthStream in writing by Publisher (collectively "Third Party Intellectual Property Rights"), Publisher owns or has the right to license all Intellectual Property Rights subsisting in the CME Materials and necessary to enable HealthStream to exercise the rights granted hereunder, and Publisher has the right to enter into this Agreement with HealthStream and to license the CME Materials or portions thereof to HealthStream as set forth in this Agreement; and (iii) the use of the CME Materials or portions thereof by HealthStream in accordance with the terms of this Agreement shall not constitute a libel or slander against any person or entity.

4.2 Publisher hereby represents and warrants that (i) with respect to each and every right herein granted to HealthStream there is no legal obstacle to the granting of such rights; (ii) there is no outstanding claim of any kind whatsoever against any right, title or interest in or to the CME Materials or portions thereof which could adversely affect the rights granted to HealthStream hereunder; (iii) the CME Materials or portions thereof do not infringe the Intellectual Property Rights of any third parties; and (iv) there are no pending, or, to the best of Publisher's knowledge, threatened claims from a third party claiming any right, title or interest in the CME Materials or portions thereof which could adversely affect the rights granted to HealthStream hereunder or alleging that the CME Materials or portions thereof infringes the Intellectual Property Rights of any such third party. If any claim is asserted against the Publisher alleging that the CME Materials or portions thereof infringes upon a third party's Intellectual Property Rights, then the Publisher shall promptly notify HealthStream of such infringement claim.

4.3 Publisher shall indemnify, defend and hold harmless HealthStream from and against any liability arising out of (i) any breach of this Section 4 by Publisher; and (ii) any injury or damages caused to any third party due to reliance upon the editorial content of the CME Materials or portions thereof. Publisher shall have sole control over the defense of any third party claims asserting a liability covered by this section 4.3.

4.4 HealthStream hereby represents and warrants that it has full power and authority to enter into this Agreement and to consummate the obligations contemplated herein; and that HealthStream's entering this Agreement does not conflict with or constitute a breach of any Agreement to which HealthStream is subject.

4.5 HealthStream hereby agrees to indemnify, defend and hold harmless Publisher, its officers, directors, employees, agents, successors and assigns, authors, editors and licensors from and against all loss, liability, damage, cost and expense arising solely and directly out of (i) HealthStream's transcription, digitization, or other processing or transmission of the CME Materials or portions thereof within the Services; (ii) the operation of the Services (other than claims covered under Section 4.2 above); and (iii) the content of the Services other than the editorial content of any Properties licensed hereunder or portions thereof.

5. OBLIGATIONS OF PUBLISHER

5.1 Publisher agrees to deliver the CME Materials in html format to HealthStream within thirty (30) days of the execution of this Agreement.

5.2 Publisher shall inform HealthStream of significant changes in the format of the CME Materials or portions thereof, including content, scheduling, and other factors which will be useful to HealthStream in selling, marketing and providing customer service to its Users.

5.3 Publisher shall provide to HealthStream customer service necessary to respond to inquiries by HealthStream made via telephone, fax or written correspondence regarding HealthStream's subscribers' questions in regard to CME credit provided by the Publisher.

6. OBLIGATIONS OF HEALTHSTREAM

6.1 HealthStream shall insert on each screen that contains CME Materials, and in close proximity to the CME Materials the following notice: "Copyright (insert year) American Health Consultants. All Rights Reserved." HealthStream shall also insert a hyperlink from the copyright notice to the American Health Consultants Informational Page residing on HealthStream's Internet Site ("American Health Consultants Informational Page"), which will contain the following language "Republication or redistribution of American Health Consultants' content is expressly prohibited without the prior written consent of American Health Consultants." HealthStream shall also include in the American Health Consultants Informational Page, as displayed on the Services, any disclaimers or such other notice as may be requested in writing by Publisher from time to time during the Term.

6.2 HealthStream shall be responsible for providing customer and technical support to Users, via telephone or electronic message consultations. Such customer support shall include but not be limited to account management, consultation, technical assistance and handling of User inquiries. Publisher shall have no responsibility to communicate directly with Users regarding operation of the Services.

6.3 HealthStream shall use its good faith efforts to convert, digitize, reformat and/or otherwise manipulate the CME Materials in accordance with the specifications set forth in this Agreement, and to reproduce the text accurately in the implementation.

6.4 HealthStream shall correct any errors or inaccuracies in the content of the CME Materials introduced or caused by HealthStream or its agents or contractors promptly after learning of the existence of such errors or inaccuracies. HealthStream shall promptly make corrections and changes to the editorial content requested by Publisher for the purpose of (i) correcting material errors, omissions or inaccuracies or (ii) complying with any judicial, governmental or administrative decision, rule or order or settlement agreement by which Publisher is bound or (iii) avoiding potential liability from continued distribution of such materials.

6.5 HealthStream shall process CME Materials submitted for credit by Users within twenty-four (24) hours and shall provide a certificate of completion of CME Materials directly to Users via email, with an email copy sent to Publisher.

6.6 The right of HealthStream to use any trade names or trademarks of Publisher included in the Intellectual Property Rights of Publisher licensed hereunder is limited to the display of such trademarks on the CME Materials as displayed in the Services and in promotional materials for the Services. All such use of Publisher's trademarks shall accrue to the benefit of Publisher. HealthStream will not use Publisher's trade names or trademarks in any other manner without the prior consent of Publisher. HealthStream will not use the name of any author of any CME Materials or of any professional association or society under whose auspices CME Materials are published in any manner other than to state the authorship or sponsorship of that specific CME Materials.

6.7 HealthStream represents and warrants that it will not, without Publisher's prior written permission, provide CME Materials to persons or entities in such a fashion that no Fees (as defined in Exhibit B) are generated.

6.8 HealthStream shall generate a monthly statement of CME Materials used in the Services by Users to report to Publisher the Fees owed to Publisher as set forth in Exhibit B.

7. TERM AND TERMINATION

7.1 This Agreement shall commence upon the Effective Date and shall continue in force for one (1) year from the Launch Date ("Initial Term") and shall be renewed for one (1) year terms ("Renewal Term" and collectively the "Term"), automatically unless one Party shall give written notice of termination to the other Party no later than one hundred and eighty (180) days prior to the expiration of the Initial Term or the then current Renewal Term, as applicable. Each Renewal Term shall commence simultaneously upon the expiration of the immediately preceding Initial Term or Renewal Term. The inclusion of a subsequent edition CME Materials pursuant to Section 1.2 shall not extend or otherwise affect the Term of this Agreement with respect to such CME Materials or otherwise.

7.2 In the event that either Party commits a breach ("Breach") of this Agreement, upon written notice ("Breach Notice") from the non-defaulting Party, the defaulting Party shall use its best efforts to cure such breach within thirty (30) days after the receipt of the Breach Notice. If such default or breach is not cured within thirty (30) days of receipt of the Breach Notice, the non-defaulting Party may give written notice ("Termination Notice") to the defaulting Party of the non-defaulting Party's selection to terminate this Agreement on a date specified in the Termination Notice. If the defaulting Party is making diligent efforts to cure a breach that is not reasonably susceptible to cure within thirty (30) days, the defaulting Party shall be provided a reasonable time period up to forty-five (45) days from Breach Notice to complete the cure of the breach. If such breach is not cured within such thirty (30) or forty-five (45) day period, as applicable, the Agreement shall terminate on the date specified in the Termination Notice. Such right of termination shall not be exclusive of any other remedies or means of redress to which the non-defaulting Party may be lawfully entitled. Notwithstanding the foregoing, a Party's default on any provision of this Agreement shall not be considered a Breach to the extent that this Agreement contains a remedy for such Breach.

7.3 If Publisher or HealthStream: (i) makes an assignment for the benefit of creditors; (ii) becomes insolvent; (iii) files a voluntary petition for bankruptcy; (iv) acquiesces to an involuntary bankruptcy petition; (iv) is adjudicated as bankrupt; or (v) ceases to do business, the other Party, at its option, may immediately terminate this Agreement upon giving written notice thereof.

7.4 In addition to those rights specified herein and subject to Section 7.7 hereof, the following rights and obligations survive any expiration or termination of this Agreement to the degree necessary to permit their complete fulfillment or discharge: (i) the rights and obligations of the Parties with respect to Publisher's Intellectual Property Rights and HealthStream's Intellectual Property Rights; (ii) the rights and obligations of the Parties with respect to the Services that have been sold or distributed, including obligations of HealthStream to make all applicable payments under this Agreement; (iii) any cause of action or claim of either Party, accrued or to accrue, because of any breach or default by other parties; and (iv) the rights and obligations of either Party with respect to confidentiality, indemnification, warranties and representations.

7.5 If this Agreement is lawfully terminated by HealthStream as a result of a breach of its terms or conditions by Publisher, HealthStream may, for a period of one (1) year following the date of such termination of this Agreement, sell, or continue to sell through the Services the CME Materials or portions thereof as they exist at the time of HealthStream's termination for Publisher's breach. The reporting and payment obligations of HealthStream shall apply to the sales and distribution of the CME Materials or portions thereof accruing after termination.

7.6 Without limiting the generality of the foregoing, the provisions of termination of this Agreement for Sections 1, 4, 6.6, 7.5, 8, and 9.13 shall survive the expiration or early termination of this Agreement for any reason.

7.7 In the event of termination or expiration of this Agreement for any reason, HealthStream shall immediately (or at such later date as is set forth in Section 7.5 in the event of a termination under that Section) cease further distribution of the CME Materials through the Services. In addition, HealthStream shall destroy all versions and copies of the Properties in whatever form or medium in HealthStream's custody or under HealthStream's control. An officer of HealthStream shall certify such action in writing to Publisher.

8. OWNERSHIP OF THE PROPERTIES

8.1 Publisher acknowledges HealthStream's right, title and interest to HealthStream's Intellectual Property Rights (including, without limitation, all Intellectual Property Rights subsisting in the implementation and all elements of HealthStream's computer graphic user interfaces, machine interfaces and other computer programs and other audiovisual and literary works), and will not at any time do or cause to be done any act or thing contesting or in any way impairing or tending to impair any part of such right, title and interest thereto. In connection with the use of HealthStream's Intellectual Property Rights, Publisher shall not in any manner represent that it has any ownership therein, and Publisher acknowledges that any use pursuant to this Agreement (if any) of HealthStream's Intellectual Property Rights shall not create any right, title or interest therein in Publisher's favor.

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8.3 HealthStream will place in writing in an agreement with each User a warranty disclaimer and liability limitation clauses. HealthStream shall make commercially reasonable efforts to ensure that any User provided with access to CME Materials or portions thereof by or through Services expressly agrees (i) to use the CME Materials or portions thereof exclusively as an internal management, reference or informational tool for that User's use only; and (ii) not to reproduce or distribute the CME Materials or portions thereof for any commercial purpose. The sole obligation of HealthStream with respect to the requirements identified in this Section 8.3 applicable to each User shall be to include appropriate terms in written contracts with each such User, as required by this Agreement and to take commercially reasonable steps to terminate Users who intentionally breach the terms of such User Agreements. Publisher shall look to each such User, and not HealthStream, to redress any damages imposed on Publisher due to any actions taken by, or breach of the obligations of, such User.

8.4 HealthStream shall promptly notify Publisher of any unauthorized use or infringement of the CME Materials or portions thereof by Users or others of which HealthStream becomes aware. Publisher shall have the right, at its expense, to bring an action on account of such unauthorized uses or infringements provided that Publisher will not bring an action against any User without first consulting with HealthStream. HealthStream shall cooperate with Publisher in such action in such manner as the Publisher may reasonably request at Publisher's cost and expense.

9. MISCELLANEOUS

9.1 Recitals. The recitals herein constitute an integral part of the Agreement reached by the Parties and are to be considered as such.

9.2 No Waiver. The waiver by either Party of a breach or default of any provision of this Agreement by the other Party shall not constitute a waiver by such Party of any succeeding breach of the same or other provision; nor shall any delay or omission on the part of either Party to exercise or avail itself of any right, power or privilege that it has or may have hereunder operate as a waiver of any such right, power or privilege by such Party.

9.3 Force Majeure. Neither HealthStream nor Publisher shall be liable for any breach of this Agreement occasioned by any cause beyond the reasonable control of such party, which for purposes of this Agreement shall mean governmental action, war, riot, or civil commotion, fire, floods, labor disputes, restraints affecting shipping or credit, delay of carrier, black-outs, brown-outs, computer generated worms, viruses, and other self-destructing code, a substantial change to the commercial structure of the Internet or any other causes which could not with reasonable diligence be controlled or prevented by the parties.

9.4 Headings. The headings of the Sections of this Agreement are for convenience only and will not be of any effect in construing the meanings of the Sections and subsections.

9.5 Counterparts; Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any signed copy of this Agreement delivered by facsimile transmission shall for all purposes be treated as if it were delivered containing an original signature of the party whose signature appears in the facsimile.

9.6 No Assignment. Neither Party shall assign this Agreement or any of its rights hereunder or delegate any of its obligations hereunder except with the prior written consent of the other

Party; provided, however, that either Party may assign in conjunction with its mergers, reorganization or the sale of substantially all assets to which this Agreement pertains, provided that the surviving company continues in the same or substantially similar business.

9.7 Invalidity. If any covenant or other provision of this Agreement is invalid, illegal, or incapable of being enforced by reason of any rule of law, administrative order, judicial decision or public policy, all other conditions and provisions of this Agreement shall, nevertheless, remain in full force and effect. The Parties shall make changes to this Agreement as are necessary to cure the invalidity, consistent with the original objectives of the Parties.

9.8 Relationship of the Parties. Nothing in this Agreement nor the relations between the Parties of this Agreement shall be construed to constitute a partnership or joint venture between or among the Parties of this Agreement. Neither Party shall have the right or authority to bind or obligate the other Party in any manner whatsoever and shall not expressly or impliedly incur any liability or obligation on behalf of the other Party.

9.9 Reasonable Approval. Whenever any provision of this Agreement requires the consent or approval of a Party, such consent or approval shall be given in writing, and shall not be unreasonably withheld or delayed.

9.10 Notices. All notices or other communications that shall or may be given pursuant to this Agreement, shall be in writing, in English, and shall be sent by certified or registered air mail with postage prepaid, return receipt requested, by facsimile, telex or cable communication, or by hand delivery. Such communications shall be deemed given and received upon dispatch, if sent by facsimile, telex, or cable communication; or upon delivery if hand delivered; or within five (5) days of mailing, if sent by certified or registered mail, and shall be addressed to the parties as set forth below or to such other addresses as the parties may designate in writing from time to time.

If to Publisher: American Health Consultants
3525 Piedmont Road
Building 6, Suite 400
Atlanta, Georgia 30305
Fax: (404) 262-5510

Attn: Marcus Underwood
Director, Special Projects

If to HealthStream: 209 10th Avenue South
Suite 450
Nashville, TN 37203
Fax: (615) 301-3200

Attn: Robert H. Laird
Vice President and General Counsel

9.11 Governing Law. This Agreement shall be governed by the laws of the State of Georgia, notwithstanding that state's choice of law rules.

9.12 Entire Agreement. This Agreement, including the exhibits attached hereto, state the entire Agreement between the Parties relating to the subject matter of this Agreement and supersedes any and all prior Agreements and communications, written or oral. No amendment or modification of this Agreement may be made except by an instrument in writing signed by both Parties.

9.13 Non-Disclosure. The terms and provisions of this Agreement, any amounts paid to Publisher hereunder, and any and all other business information disclosed by either party (the "Disclosing Party") to the other (the "Receiving Party") in the course of its performance of this Agreement, which information is designated by the Disclosing Party as confidential or proprietary or which the Receiving Party should recognize from the facts and circumstances surrounding the disclosure of such information is confidential or proprietary to the Disclosing Party, shall constitute confidential information ("Confidential Information") of the Disclosing Party. The Receiving Party shall hold the Confidential Information of the Disclosing Party in confidence and will use such Confidential Information only for the purposes of fulfilling its obligations under this Agreement. Nothing in this Agreement will be interpreted to confer upon the Receiving Party any implied or express license to use the Confidential Information of the Disclosing Party for any other purpose. The Receiving Party will not disclose, provide, disseminate or otherwise make available any Confidential Information of the Disclosing Party or any part thereof in any form whatsoever to any third party without the express written permission of the Disclosing Party. The obligations in this Section 5.4 shall not apply to any (a) information that is now or later becomes publicly available through no fault of the Receiving Party; (b) information that is obtained by the Receiving Party from a third party (other than in connection with this Agreement) who is not under any obligation of secrecy or confidentiality to the Disclosing Party with respect to such information; (c) information that is independently developed by the Receiving Party (e.g., without reference to any Confidential Information); (d) any disclosure required by applicable law, provided that the Receiving Party shall use reasonable efforts to give advance notice to and cooperate with the Disclosing Party in connection with any such disclosure; and (e) any disclosure with the consent of the Disclosing Party. The parties acknowledge that the covenants contained in this Section 5.4 are reasonable and necessary to protect their legitimate interests, that the parties would not have entered into this Agreement in the absence of such covenants, that any breach or threatened breach of such covenants will result in irreparable injury to the Disclosing Party, and that the remedy at law for such breach or threatened breach would be inadequate. Accordingly, the Parties agree that the Disclosing Party shall, in addition to any other rights or remedies which it may have, be entitled to seek such equitable and injunctive relief without the posting of any bond or security as may be available from any court of competent jurisdiction to restrain the Receiving Party from any breach or threatened breach of such covenants.

IN WITNESS WHEREOF, each of the Parties has caused a duly authorized officer or agent to execute the Agreement as of the dates set forth below.

On Behalf of HealthStream:

On Behalf of Publisher:

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

By: /s/ Jeff MacDonald

Name: Robert A. Frist, Jr.

Name: Jeff MacDonald

Title: CEO

Title: President & CEO

Date: January 27, 2000

Date: January 31, 2000

Integrated Agreement

EXHIBIT A: PROPERTY

Description of "CME Materials"

CME Materials consist of all material currently available on Publisher's cmeweb Internet site (listed below and hereafter referred to as "Modules"), any Modules that become available on Publisher's cmeweb Internet site during the Term, and updates to the Modules within 30 days of the modules going live on the cmeweb site.

Continuing Medical Education Materials

1. Clinical Cardiology Alert
2. Clinical Oncology Alert
3. Critical Care Alert
4. Emergency Department Legal Letter
5. Emergency Medicine Reports
6. Infectious Disease Alerts
7. Pediatric Emergency Medicine Reports
8. Primary Care Reports
9. Travel Medicine Advisor
10. Neurology Alert
11. Primary Care Reports
12. Pediatric and Adolescent Medicine Reports
13. OB/GYN Alert
14. Emergency Medicine Alert
15. Alternative Medicine Alert

Integrated Agreement

EXHIBIT B: COMPENSATION PROVISIONS

- B1. "Fees" shall mean amounts billed to and actually received by HealthStream for access to CME Materials from Users, distributors, or agents less discounts to distributors, credits or refunds actually paid by HealthStream.
- B2. HealthStream will collect from Users a Fee which shall not be less than * for each Module of Publisher's CME Materials a User accesses on the Service prior to permitting the User to access each Module. A User may access the Module(s) one or more times after the User has paid the Fees for access to the Module(s). Publisher's credit toward the yearly minimum as described in B3 shall in no instance be less than * per Module, provided Publisher's list price remains * or greater per Module. In the event Publisher's list price falls below * per module, Publisher's credit toward the yearly minimum as described in B3 shall be * of Publisher's list price.
- B3. Subject to the remaining provisions of this section B3, HealthStream shall pay Publisher * per month for the duration of the Term, due the first day of each month. In addition to the * each month, HealthStream shall compute within forty five (45) days after each 12 month anniversary of the Launch Date within the Initial Term or the then current Renewal Term (as applicable), the Fees collected during the previous 12 months of the Initial or Renewal Term, and shall furnish Publisher with a statement in sufficient detail to verify such total Fees (the "Compensation Statement"). HealthStream shall remit to Publisher along with the Compensation Statement an amount equal to * of any Fees collected during previous 12 months of the Initial or Renewal Term that are in excess of *. In the event that the total number of credit hours available from the CME Materials listed in Exhibit A falls below eight hundred (800), and stays below this level for more than 30 consecutive days, the monthly licensing fee of * shall be prorated to reflect the reduced number of hours until the number of credit hours available exceeds eight hundred (800). The prorated fee shall be based on the number of credit hours available on the date when the available credit hours fall below eight hundred (800). The prorated fee will be recalculated at the regular monthly reporting intervals for the duration of the period during which the available credit hours remain below eight hundred (800).
- B4. HealthStream shall, upon thirty (30) days written notice by Publisher, make all of its records related to Fees calculations available to Publisher or its designees at HealthStream's principal place of business during normal business hours ("Audit"). All information obtained from such records shall remain strictly confidential and shall not be disclosed by Publisher or its designee to third Parties or used for any purpose other than calculating Fees due and verifying the accuracy of the computation of the Fees and other compliance with this Agreement. Notwithstanding the foregoing, Publisher may not (i) request an Audit more than once every twelve (12) months; or (ii) claim any Fees more than two (2) years following the Compensation Date by which such Fees were accrued. Publisher shall bear the expense of such Audit unless the Audit shows an error amounting to a deficiency to Publisher in excess of five percent (5%) of the actual Fees payable to Publisher for the applicable period, in which event, HealthStream shall bear the reasonable expense of the Audit. HealthStream shall pay Publisher the amount of any deficiency discovered by Publisher within thirty (30) days after receipt of notice thereof from Publisher.
- B5. HealthStream is under no obligation to sell and distribute a minimum quantity of the CME Materials or portions thereof.

EXHIBIT C: EXISTING PARTNERS

Below is a listing of Publisher's existing CME content licensing partners. Publisher reserves the right to add to this list if it signs on new partners during the term of this agreement.

1. Healtheon/WebMD
2. MDConsult
3. Summa Health Systems

Integrated Agreement

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*)

August 13, 1999

Ms. Linda McMullen
Mississippi State Medical Association [HealthStream (LOGO)]
P.O. Box 5229
Jackson, MS 39296-5229

Re: Letter of Agreement

Dear Ms. McMullen,

This letter is intended to set forth an agreement by and between HealthStream, Inc., ("HealthStream"), a Tennessee corporation, and the Mississippi State Medical Association ("MSMA"), a Mississippi, non-profit corporation.

- 1) Overall Structure. This letter of agreement establishes a joint marketing agreement to cooperatively distribute continuing medical education (CME) for physicians.
- 2) Purpose. The purpose of this venture is to jointly market and distribute online CME using the combined resources of MSMA and HealthStream. Specifically the parties intend to:
 - a) Market the availability of online CME courses to MSMA's members using marketing means consistent with current means of reaching MSMA physicians (i.e. newsletters, education catalog, Grand Round announcements, direct mail, etc.).
 - b) Distribute HealthStream's CME Web Courses through a link on MSMA's web page(s)
- 3) Price and Payment. The pricing and payment for the online CME courses shall be on the following terms:
 - a) Due to the relationship between HealthStream and MSMA, HealthStream shall provide those physicians identifying themselves as MSMA physicians using either a) an event code provided by HealthStream unique to MSMA, or b) upon registering for a course by completing a demographic field indicating MSMA as their sponsoring organization, with a * discount off of the retail prices listed for the online courses on the HealthStream Web site (www.healthstream.com (Get CME!)).
 - b) Physicians shall bear the total cost for their CME courses less any discounts extended to them by HealthStream as a result of this agreement. MSMA shall not be obligated to pay for any online CME course or part of any online CME for their physicians at any time.
 - c) MSMA shall be responsible for the link provided on their Web site(s) for the CME courses at their cost. HealthStream will provide link graphics at no charge to MSMA at their request.
- 4) Exclusivity. There is no overt or implied exclusivity by either party in this agreement.
- 5) Confidentiality of Negotiations. The parties shall use reasonable efforts to maintain at all times as confidential information the terms of this letter and the content of any negotiations between us except that both parties may (i) inform advisors, counsel and employees with a need to know as each party deems necessary, and (ii) make appropriate disclosures if required by applicable securities laws. The parties will work together to determine the timing and content of releases of information to the press and other media entries.
- 6) Governing Law. This letter shall be governed by the substantive laws of the State of Tennessee.
- 7) Entirety. This letter constitutes the entire understanding and agreement between the parties hereto and their affiliates with respect to its subject matter and supercedes all prior and contemporaneous agreements, representations, warranties, and understandings of such parties (whether oral or written). No promise, inducement, representation or agreement, other than as expressly set forth

HealthStream, Inc./Mississippi State Medical Association
Letter of Agreement

herein, has been made to or by the parties hereto. This letter may be amended only by written agreement, signed by the parties to be bound by the amendment.

- 8) Construction. This letter shall be construed according to its fair meaning and not strictly for or against either party. This letter does not, and is not intended to, impose any binding obligations on the parties.

If the terms and condition of this letter are acceptable, please sign and return to us a copy of this letter so that we can proceed with the effort.

Accepted and Agreed:
HealthStream, Inc.

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

By: Robert A. Frist

Title: CEO

Date: 11/29/99

Accepted and Agreed:
Mississippi State Medical Association

Signed: /s/ Linda McMullen

By: Linda McMullen

Title: General Counsel

Date: November 23, 1999

HealthStream, Inc./Mississippi State Medical Association
Letter of Agreement

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

June 26, 1999

Dr. Robert L. Addleton Ed.D.
Medical Association of Georgia
1330 W. Peachtree Street N.W., #500
Atlanta, GA 38309-2904

[HEALTHSTREAM LOGO]

Re: LETTER OF AGREEMENT

Dear Dr. Addleton,

This letter is intended to set forth an agreement by and between HealthStream, Inc. ("HealthStream"), a Tennessee corporation, and the Medical Association of Georgia ("MAG"), a Georgia, not-for-profit corporation.

- 1) Overall Structure. This letter of agreement establishes a joint marketing agreement to cooperatively distribute continuing medical education (CME) for physicians.
- 2) Purpose. The purpose of this venture is to jointly market and distribute online CME using the combined resources of MAG and HealthStream. Specifically the parties intend to:
 - a) Market the availability of online CME courses to MAG's medical staff using marketing means consistent with current means of reaching MAG physicians (i.e. newsletters, education catalog, Grand Round announcements, direct mail, etc.).
 - b) Distribute HealthStream's CME Web Courses through a link to MAG's web page(s)
- 3) Price and Payment. The pricing and payment for the online CME courses shall be on the following terms:
 - a) Due to the relationship between HealthStream and MAG, HealthStream shall provide those physicians identifying themselves as MAG physicians using either a) an event code provided by HealthStream unique to MAG, or b) upon registering for a course by completing a demographic field indicating MAG as their sponsoring organization, with a * discount off of the retail prices listed for the online courses on the HealthStream Web site (www.healthstream.com)
 - b) Physicians shall bear the total cost for their CME courses less any discounts extended to them by HealthStream as a result of this agreement. MAG shall not be obligated to pay for any online CME course or part of any online CME for their physicians at any time.
 - c) MAG shall be responsible for the link provided on their Web site(s) for the CME course at their cost. HealthStream will provide link graphics at no charge to MAG at their request.
- 4) Exclusivity. There is no overt or implied exclusivity by either party in this agreement.
- 5) Confidentiality of Negotiations. The parties shall use reasonable efforts to maintain at all times as confidential information the terms of this letter and the content of any negotiations between us except that both parties may (i) inform advisors, counsel and employees with a need to know as each party deems necessary, and (ii) make appropriate disclosures if required by applicable securities laws. The parties will work together to determine the timing and content of releases of information to the press and other media entities.
- 6) Governing Law. This letter shall be governed by the substantive laws of the State of Tennessee.
- 7) Entirety. This letter constitutes the entire understanding and agreement between the parties hereto and their affiliates with respect to its subject matter and supercedes all prior and contemporaneous agreements, representations, warranties, and understandings of such parties (whether oral or written). No promise, inducement, representation or agreement, other than as expressly set forth herein, has

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been made to or by the parties hereto. This letter may be amended only by written agreement, signed by the parties to be bound by the amendment.

- 8) Construction. This letter shall be construed according to its fair meaning and not strictly for or against either party. This letter does not, and is not intended to, impose any binding obligations on the parties.

If the terms and conditions of this letter are acceptable, please sign and return to us a copy of this letter so that we can proceed with this effort.

Accepted and Agreed:
HealthStream, Inc.

Signed: Robert A. Frist, Jr.

By: /s/ Robert A. Frist

Title: Chief Executive
Date: 12/14/99

Accepted and Agreed:
Medical Association of Georgia

Signed: Robert L. Addleton

By: /s/ Robert L. Addleton

Title: Director of Education
Date: 10/21/99

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

ONLINE EDUCATION SERVICES PROVIDER AGREEMENT

This Online Education Services Provider Agreement ("Agreement"), is entered into as of February 10, 2000 ("Effective Date") between HealthStream, Inc., a Tennessee corporation with its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") and Columbia Information Systems, Inc. a Tennessee Corporation with its principal place of business at 2555 Park Plaza, Nashville, Tennessee 37203 ("Client").

WHEREAS, HealthStream has developed and marketed and continues to develop and market web-based applications that provide training and education services for healthcare organizations;

WHEREAS, Client and its affiliates own and operate healthcare provider organizations and have affiliations with other owners and operators of healthcare provider organizations;

WHEREAS, Client wishes to access and utilize HealthStream's training and education services and to make such services available to its affiliated entities, and HealthStream has agreed to provide such training and education services to Client;

WHEREAS, Client and HealthStream wish to provide for appropriate consideration for the services obtained under this Agreement and each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, Client and HealthStream agree as follows:

1. DEFINITIONS. As used in this Agreement, the following terms shall have the meanings assigned below:
 - 1.1. "Affiliated Providers" shall mean C/HCA Providers, HPG Providers, LifePoint Providers, Triad Providers, or CIS Providers.
 - 1.1.1. "C/HCA Providers" shall mean those Providers owned, controlled or operated by any entity owned or controlled by Columbia/HCA Healthcare Corporation.
 - 1.1.2. "HPG Providers" shall mean HealthTrust Purchasing Group, L.P. and Providers which are or become members of HealthTrust Purchasing Group, LP and which are not C/HCA Providers, LifePoint Providers or Triad Providers.
 - 1.1.3. "LifePoint Providers" shall mean those Providers owned, controlled, or operated by any entity owned or controlled by LifePoint Hospitals, Inc.
 - 1.1.4. "Triad Providers" shall mean those Providers owned, controlled, or operated by any entity owned or controlled by Triad Hospitals, Inc.
 - 1.1.5. "CIS Providers" shall mean those Providers which receive information systems services from Client.
 - 1.2. "Authorized Users" shall mean (i) Client, (ii) Affiliated Providers to which Client provides the Services under this Agreement, and (iii) persons who access portions of the Services that may require user registration and authentication in compliance with terms of HealthStream's Services.
 - 1.3. "Client Courseware" shall mean those courses based upon Client or Affiliated Provider materials and information that have been conformed for Web use by HealthStream or those Courses provided by Client or Affiliated Providers to HealthStream in web-ready format. Client Courseware will be provided to Authorized Users by HealthStream pursuant to the terms of this Agreement.
 - 1.4. "Confidential Information" shall mean the User Data, individual performance records of Authorized Users, the identity and individual performance records of Providers, financial and

tax information, the object and source codes and documentation for proprietary software, and such other information that is confidential or proprietary business information and delivered or disclosed pursuant to this Agreement.

- 1.5. "Content" shall mean all the information, excluding User Data, disseminated by HealthStream in providing the Services. Content includes HealthStream Courseware, promotional information, messages and communication to Authorized Users, software (in object code format), scripting, photos, text, video, graphics, sounds, images and other material and services provided hereunder by HealthStream through the Gateways, including the Gateways.
- 1.6. "Content Partners" shall mean those third parties that have licensed HealthStream certain information or Courses included in the Content.
- 1.7. "Content Partner Courseware" shall mean Courses licensed by HealthStream from Content Partners.
- 1.8. "Contracted Client" shall mean those Providers who have contracted with Client for the Services.
- 1.9. "Course" shall mean any individual unit of instruction provided through HealthStream's web-based applications. HealthStream Courseware and Client Courseware are comprised of multiple Courses.
- 1.10. "Courseware" shall mean collectively the HealthStream Courseware and Client Courseware.
- 1.11. "Expiration Date" shall mean four years from the Effective Date.
- 1.12. "Gateways" shall mean the online websites enabled by HealthStream web-based applications that allow Authorized Users access to the Services offered pursuant to the terms of this Agreement. Gateways are designed to be Client or Contracted Client specific in branding and identification pursuant to Section 2.
- 1.13. "HealthStream Courseware" shall mean Content Partner Courseware and those Courses that are the proprietary property of HealthStream provided to Authorized Users through the Gateways pursuant to the terms of this Agreement. The library of HealthStream Courseware will expand over time; new Course offerings will add to the breadth of the library and replace those Courses that become outdated.
- 1.14. "HHS" shall mean the Department of Health and Human Services.
- 1.15. "Personal Information" shall mean information submitted by the Authorized Users of the Services for personal identification, profiling and report generation. Such Personal Information may include the name, employer, department, social security number, profession, address, and past educational activities for Authorized Users.
- 1.16. "Provider" shall mean healthcare provider facilities whose employees require training to comply with legal requirements and continuing education to maintain clinical or non-clinical licensure.
- 1.17. "Service Fees" shall mean the Courseware Fees, Administrative Fees, Support Fees, Gateway Customization Fees, Report Creation Fees and Courseware Development Fees due monthly for the Services.
- 1.18. "Services" shall mean the Learning Services, Administrative Services, Support Services, Gateway Initialization Services, Report Creation Services, Courseware Development Services, and other services as provided by HealthStream to Client pursuant to the terms of this Agreement.
- 1.19. "User Data" shall mean the Personal Information and other data submitted and generated by Authorized Users of the Services under this Agreement. Both parties shall have access to User Data subject to Sections 4.4, 4.5 and 4.6 herein.
2. SERVICES. For the Fees specified in Article 3 herein, HealthStream hereby agrees to perform the Services for the Client and its Authorized Users based upon the terms of this Agreement.

- 2.1 Learning Services. HealthStream hereby agrees to maintain, at its cost, Gateways on the World Wide Web so that Authorized Users may access, register for and take Courseware (the "Learning Services") through the use of a password on the Gateway. The Learning Services provided hereunder will enable each Authorized User to:
- A. Register on the Gateway, subject to restrictions;
 - B. Search, select, enroll and take Courseware, subject to restrictions;
 - C. Take exams and have exams graded and scored; and
 - D. Access a personalized educational transcript that documents each Authorized User's completed Courseware, completion dates and test scores (the "Educational Transcript").
- 2.2. Administrative Services. The Services provided pursuant to this Section 2.2 shall be known as the "Administrative Services."
- 2.2.1. Authorized User Control. HealthStream will provide control services to allow specified Client and Contracted Client personnel to identify Authorized Users and assign Courseware to Authorized Users.
- 2.2.2. Reporting. HealthStream hereby agrees to store and provide access to reports to Client (and Affiliated Providers for which custom reports are created pursuant to Section 2.5 hereof) documenting the completion of Courses by Authorized Users on the Gateways.
- 2.3. Support Services. The Phone Support Services and Email Support Services provided pursuant to this Section 2.3 shall be known as the "Support Services."
- 2.3.1. Phone Support Services. HealthStream hereby agrees to provide to Client and Authorized Users access to HealthStream's support personnel via telephone to obtain answers to questions regarding the routine provision of Learning Services and Administrative Services. Phone Support Services shall be available to the Client or any Authorized User during normal business hours, Central Standard Time. Each Authorized User instance of access of the Phone Support Services shall be known as a "Phone Support Session."
- 2.3.2. Email Support Services. HealthStream hereby agrees to provide to Client and Authorized Users access to HealthStream's support personnel via electronic mail to obtain answers to questions regarding the routine provision of Learning Services and Administrative Services. Electronic mail will be answered during normal business hours, Central Standard Time. Each Authorized User instance of access of the Email Support Services shall be known as a "Email Support Session."
- 2.3.3. Error Correction Services. If Client or an Authorized User suspects that an error is preventing provision of any of the Administrative Services or the Learning Services, Client or an Authorized User shall notify HealthStream of the suspected error and HealthStream shall use commercially reasonable efforts to confirm such suspected error. If the existence of an error is confirmed by HealthStream, HealthStream shall correct it as part of Support Services, but only to the extent that the obligation to correct such error shall be in conformity with Sections 6 (Warranty) and 12.6 (Force Majeure) of this Agreement; However, provided that, HealthStream is obligated to correct any defects addressed in items (a) through (e) of Section 6.1.6 regardless of whether HealthStream had knowledge of such defects. If the existence of a suspected error cannot be confirmed by HealthStream or should HealthStream ultimately determine that an error exists because of any condition not attributable to HealthStream, Client agrees to pay HealthStream for its error confirmation and remedial services at HealthStream's prevailing hourly rate for HealthStream's personnel time, plus reimbursement for reasonable travel and living expenses incurred

by HealthStream personnel in connection with such service. Any invoice for such expenses shall be supported by receipts. HealthStream will not initiate any remedial services for which Client is obligated to pay HealthStream until Client agrees to the scope and cost of services.

- 2.3.4 Additional Services. In the event the Client or any Authorized User requests any support or services other than those included under the terms of this Agreement, HealthStream shall, depending upon the availability of its personnel, furnish such support or support services subject to additional fees, terms and conditions, if any, as mutually agreed.
- 2.4. Gateway Initialization Services. HealthStream hereby agrees to set up each Gateway for operation for each Contracted Client according to the specifications described in Exhibit A attached hereto (the "Gateway Initialization Services"). Upon delivery of the Gateway Initialization Services, Contracted Client shall have fifteen (15) business days to examine the Gateway Initialization Services and inform HealthStream of a failure to conform to the specifications contained in Exhibit A attached hereto. If no such failure is communicated by Contracted Client to HealthStream within this time period, the Gateway Initialization Services shall be deemed accepted. Such acceptance shall not relieve HealthStream of its obligation to meet the specifications. If at any time the Gateway Initialization Services fail to conform to the specifications, HealthStream shall correct, modify or improve the Gateway Initialization Services to meet the specifications. -
- 2.5. Report Creation Services. HealthStream will develop custom reports for Client and Affiliated Providers as needed ("the Report Creation Services"). HealthStream and Client or Affiliated Provider will agree in writing as to the scope of the Report Creation Services on a per project basis.
- 2.6. Courseware Development Services. HealthStream will develop Client Courseware or customize certain HealthStream Courseware for Client and Affiliated Providers as needed ("the Courseware Development Services"). HealthStream and Client or Affiliated Provider will agree in writing as to the scope of the Courseware Development Services on a per project basis.
- 2.7. Delivery. The delivery of the Services shall be provided according to the delivery schedule outlined in Exhibit B attached hereto.
3. SERVICE PLACEMENT AND FEES.
- 3.1. Services Placement. HealthStream Grants Client the non-exclusive, non-transferable right to contract the delivery of the Services to Affiliated Providers. Each Provider that contracts with Client for the Services will become a Contracted Client and will have access to the Services.
- 3.1.1 Any Affiliated Provider facility which is sold to an independent third party may continue to utilize the Services provided Client is providing data processing services to such divested entity. If Client is not continuing to provide data processing services to such divested entity, then such entity shall have the right to continue to use the Services for the remainder of the current calendar year, or ninety (90) days, whichever is longer. After such time, the entity will have to obtain its own license.
- 3.1.2 HealthStream, acting as an agent on behalf of the applicable Affiliated Provider shall have the right to license use of Client Courseware through its own Web sites in a manner that shall be mutually agreed upon in writing by the parties.
- 3.2. Service Fees. In consideration of the Services provided hereunder, Client shall pay to HealthStream:
- 3.2.1. Courseware Fee for Learning Services. Fees outlined in this Section 3.2.1 shall be the "Courseware Fee." A list of available courseware is described in Exhibit C attached hereto.

- 3.2.1.1. Regulatory Courseware. A fee equal to * per course on OSHA and JCAHO mandated topics (the "Regulatory Courseware").
- 3.2.1.2. Content Partner Courseware. A fee equal to * for Content Partner Courseware.
- 3.2.1.3. HealthStream Owned Courseware. A fee equal to * per course for all HealthStream Courseware that is not Regulatory Courseware or Content Partner Courseware.
- 3.2.1.4. Client Courseware. Fees for Client Courseware provided through the Gateways will be negotiated on a case by case basis.
- 3.2.2. Administrative Fee for Administrative Services. A fee equal to the sum of * per year, per Authorized User, billed at * per month per Authorized User (the "Administrative Fee");
- 3.2.3. Support Fee for Support Services. One identified staff member from each Contract Client Provider will be given un-metered access to the Support Services.
 - 3.2.3.1. A fee equal to the sum of * per Phone Support Session, billed monthly.
 - 3.2.3.2. A fee equal to the sum of * per Email Support Session for each Email Support Session in excess of twenty five (25) per Contract Client Provider per month, billed monthly.
 - 3.2.3.3. The fees due for Phone Support Sessions, 24/7 Online Support Sessions and Email Support Sessions as provided herein shall be known as the "Support Fees".
- 3.2.4. Gateway Initialization Fee for Gateway Initialization Services. A one-time per Gateway fee equal to * for each Gateway, billed monthly for each Gateway made operational and accepted under Section 2.4 during the prior month (the "Gateway Customization Fee");
- 3.2.5. Report Creation Fee for Report Creation Services. Customized reports will be created by HealthStream for Client and Affiliated Providers at its then hourly rate less * (the "Report Creation Fee");
- 3.2.6. Courseware Development Fee for Courseware Development Services. Fees for Courseware Development Services will be mutually agreed upon by both parties when the scope of each courseware development project is identified.
- 3.3. Payment. The Service Fees are due each month upon receipt of an invoice from HealthStream, subject to Section 3.5 herein, and payable within thirty (30) days after receipt. HealthStream will provide invoices detailing all Service Fees. All invoices shall be submitted electronically in (*.txt) Text Only format in form and content as specified in Exhibit B, or as mutually agreed between the parties from time to time.
- 3.4. Annual Commitment. Client makes a commitment to purchase * of Services in each year of the Agreement (the "Annual Commitment") for a total commitment to purchase * of Services over the initial Term of this Agreement (the "Total Commitment"). Up to * of Annual Commitment from the first year of this Agreement (the "First Year") may be shifted pro rata to years two, three and four of this Agreement (the "Later Years") at Client option provided the Total Commitment is achieved by the Expiration Date. Payments by Authorized Users for Learning Services accessed through the Gateways shall be credited to the Annual Commitment.
- 3.5. Annual Reconciliation. Pursuant to the Annual Commitment, Client agrees to pay HealthStream the difference between the Annual Commitment and any Services Fees billed

during each of year of the Agreement within thirty (30) days of the end of each year of this Agreement.

- 3.6 Adjustment in Fees. The Fees due hereunder and set forth in Section 3.2 herein may be subject to an annual adjustment prior to the Expiration Date. Fee increases shall not exceed five percent (5%) per annum. If HealthStream provides substantially similar Services to another party at prices less than the prices being paid by Client, HealthStream and Client shall mutually agree to an appropriate reduction in the price; provided, however the reduced price shall not be less than the price paid by the other party.
- 3.7 Fees Related to Additional Products and Services. Notwithstanding anything to the contrary contained in the fee adjustment procedures described in this Agreement or the fee schedule set forth in Section 3.2 herein, any modification to the Services, which are requested by Client, may be accompanied by additional fees as determined by HealthStream, and approved in writing by Client prior to initiation of such modification. If HealthStream initiates a modification on its own initiative without a request by Client, then there will be no additional costs or fees for such modification prior to the Expiration Date.
- 3.8 All undisputed amounts due hereunder must be paid within thirty (30) days after the date of receipt of an invoice (the "Due Date"). Any payment not received within fifteen (15) days of its Due Date shall accrue at the rate of one percent (1%) per month; provided, however, if such rate is not then lawful, any such payment shall accrue at the highest lawful rate then available.
4. INTELLECTUAL PROPERTY.
- 4.1. Content. Content may be accessed by Client and any Authorized User, but only for the purposes described herein.
- 4.2. Prohibited Use of Content. The Content is protected in the U.S. and internationally by a variety of laws, including without limitation, copyright laws, trademark laws and other proprietary rights laws. Client and any Authorized User are granted permission to access the Content from HealthStream, but only for purposes of viewing, browsing or ordering products and services from HealthStream. HealthStream is not granting Client or any Authorized User permission to use the Content other than as expressly stated in this Agreement. Except as stated herein and in Section 5 hereof, none of the Content may be copied, reproduced, distributed, republished, downloaded, displayed, posted or transmitted, in any form or by any means, including without limitation, electronic, mechanical, photocopying, or recording, without the prior written permission of HealthStream.
- 4.3. Trademarks. The trademarks, service marks, and logos (collectively, the "Trademarks") used and displayed on the Content are registered and unregistered trademarks of HealthStream, Client, Authorized Users and others. Nothing in this Agreement, the Gateway or on any HealthStream Web site should be construed as granting, by implication, estoppel, or otherwise, any license or right to use any Trademark displayed on the Gateway or on any HealthStream Web site, without the express written permission of the Trademark owner. Client, Authorized Users and HealthStream will refrain from issuing each other's name or logo as a link to any network site unless establishment of such a link is approved in advance and in writing by the owner of the name or logo.
- 4.4. Confidential and Proprietary Information. With respect to the development services provided in Section 2 herein, HealthStream acknowledges that Confidential Information provided by Client or Authorized Users is protected by law. HealthStream will neither disclose such information, directly or indirectly, nor use such information for any purpose except to perform the services described in this Agreement, except as provided below, or outlined in Sections 4.5 and 4.6 herein. All documents or records of a disclosing party which may be used or received by HealthStream shall remain exclusive property of the disclosing party. Client, on behalf of itself and the Affiliated Providers, acknowledges that Confidential Information provided by HealthStream is also protected by law. Client and the Affiliated Providers will neither disclose such information, directly or indirectly, nor use such information for any purpose except to

perform the services described in this Agreement. Either party shall take appropriate action, by instruction to or agreement with its employees, agents and subcontractors, to maintain the confidentiality of the Confidential Information. Either party shall exercise at least the same degree of care to safeguard the confidentiality of the other party's Confidential Information as it does to safeguard its own proprietary confidential information of equal importance, but not less than a reasonable degree of care. Either party agrees to execute written confidentiality agreements with its employees, agents, and subcontractors addressing either party's obligations set forth in this section. Either party shall promptly notify the other party in the event that it learns of any unauthorized release of Confidential Information. Either party shall have no obligation with respect to: (a) Confidential Information publicly known prior to the disclosure or which becomes publicly known through no wrongful act of the receiving party; (b) Confidential Information that was in lawful possession of the recipient prior to the disclosure, without any confidentiality obligation; (c) Confidential Information that was independently developed by the recipient outside the scope of this Agreement and without access to information received from the other party pursuant to this Agreement; (d) Confidential Information that was disclosed to the recipient by an unrelated third party in lawful possession of the information and not in breach of any confidentiality obligation with respect to such information; or (e) Confidential Information required to be disclosed pursuant to regulatory action or court order, provided adequate prior written notice of any such request to product is given to the discloser of the information. Upon the termination of this Agreement, either party shall: (i) immediately cease to use the Confidential Information; (ii) return to the other party Confidential Information and all copies thereof within thirty (30) days of the termination or destroy the Confidential Information in accordance with the other party's policy and all-applicable state and federal laws; or (iii) upon request, certify in writing to the other party that it has complied with its obligations set forth in (i) and (ii) above. The parties acknowledge that monetary remedies may be inadequate to protect their rights with respect to Confidential Information and that, in addition to legal remedies otherwise available to either party, injunctive relief is an appropriate judicial remedy to protect either party's rights in Confidential Information. Either party may enforce the other party's obligations hereunder by seeking equitable relief which remedy shall be nonexclusive. Either party agrees to provide reasonable assistance and cooperation upon the request of the other party in connection with any litigation against third parties to protect Confidential Information

- 4.5. **Aggregated Data.** HealthStream agrees not to distribute directly any User Data which may be collected or received by HealthStream. Client grants HealthStream an unrestricted, royalty-free, irrevocable license to maintain and distribute aggregated compilations of User Data ("Aggregated Data") such that Personal Information and the identity of Client and Contract Client Providers is not included. Aggregated Data will be used for measurement of performance norms for all HealthStream clients and will likewise include performance information generated by other HealthStream clients. The process of collecting and generating Aggregated Data assists HealthStream clients maximize the effectiveness of the Services for their employees. HealthStream will adhere to all HHS or United States governmental regulations regarding privacy of User Data. The right to maintain and distribute Aggregated Data shall survive this Agreement. HealthStream will provide Client with Aggregated Data upon request.
- 4.6. **Licensing Organization Distribution.** In the regular course of performing the Services, HealthStream may distribute certain User Data to licensing organizations for the benefit of Authorized Users. The release of such information is consistent with the current practice used by Authorized Users themselves when reporting educational activity for credit toward professional licensure. HealthStream will release only the minimum information required by these organizations to adequately credit Authorized Users for educational activities completed. The provisions of this Section 4 shall survive any termination of this Agreement.
- 4.7. **Title.** Title to Client Courseware (including Web versions thereof subject to this Section 4.7) remains in name of Client or Affiliated Providers, as applicable, and HealthStream shall not use Client Courseware except as expressly allowed under this Agreement. Subject to this

Section 4.7, nothing in this Agreement, either express or implied, shall give HealthStream any right, title or ownership in and unto Client Courseware. This Agreement does not grant HealthStream a license to use or distribute the Client Courseware other than as set forth herein. Title to HealthStream Courseware remains in name of HealthStream or Content Partners, as applicable, and Client and Affiliated Providers shall not use HealthStream Courseware except as expressly allowed under this Agreement. HealthStream shall retain title to any software code it uses to conform Client Courseware into a Web based format; provided that, HealthStream grants Client and Affiliated Providers a transferable, non-terminable, worldwide, royalty free license to use such software code to the extent necessary to make Client Courseware available to Affiliated Providers as provided under this Agreement.

5. CLIENT AND AUTHORIZED USER CONDUCT.

- 5.1. Permitted and Prohibited Conduct. Client and any Authorized User may access, download, or copy Content located on the Gateways, only for non-commercial use within Client's organization, provided that Client retains all copyright, trademark and other proprietary notices contained in such Content in all printed and other copies. Client and any Authorized User may not de-compile, reverse engineer, modify, copy, distribute, transmit, display, perform, reproduce, publish, license, create derivative works from, transfer, or sell any information, software, products, or services obtained from the Gateways.
- 5.2. Prohibited Distribution. In no event may Client and any Authorized User, directly or indirectly, sell or offer for sale any Content located on the Gateways or upload, distribute, or otherwise publish Content in any other form or medium.
- 5.3. Prohibited Infringement. Neither Client nor any Authorized User shall knowingly upload to, or distribute or otherwise publish through the Gateways any content that violates or infringes the rights of any persons, including but not limited to, rights in copyrights, patents, trademarks, trade secrets, and other proprietary rights.
- 5.4. Prohibited Information. Client nor any Authorized User shall knowingly upload to, or distribute or otherwise publish through the Gateways any content that (1) is libelous, threatening, defamatory, obscene, indecent, pornographic, abusive, or could give rise to any civil or criminal liability under U.S. or international law, or (2) includes any bugs, viruses, worms, trojan horses, or other harmful properties. Client and any Authorized User will not use the Gateways for, or to further, any illegal purposes.
- 5.5. Prohibited Solicitation. Neither Client nor any Authorized User shall upload to, or distribute or otherwise publish through the Gateways any content containing any solicitations of funds, advertising, or solicitations for goods or services.

6. WARRANTIES AND REPRESENTATIONS.

6.1. HealthStream warrants and represents that:

- 6.1.1. all of the Services HealthStream performs under this Agreement will be performed in a professional and workmanlike manner, consistent with generally accepted industry standards, using properly trained personnel and in conformance with standards and specifications expressly stated herein;
- 6.1.2. HealthStream has all requisite power, authority and legal right to execute, deliver and perform its obligations under this Agreement and all of such actions have been duly and validly authorized by all necessary proceedings on the part of HealthStream;
- 6.1.3. no authorization, consent, approval, license, permit, exemption or other action by, and no registration, qualification, designation, declaration or filing with any governmental authority is or will be necessary in connection with the execution of this Agreement and HealthStream will comply with all applicable laws and regulations in the performance of its obligations under this Agreement;

- 6.1.4. the execution and delivery of this Agreement by HealthStream does not and will not (a) violate any applicable law; or (b) conflict with or result in a material breach of or default under any agreement or instrument to which HealthStream is a party or by which any of its properties is bound;
 - 6.1.5. there is no pending action, suit or threatened proceeding by or before any governmental authority against HealthStream that in any way affects HealthStream's ability to enter into this Agreement or perform any of HealthStream's obligations hereunder;
 - 6.1.6. to the best of HealthStream's knowledge, HealthStream's performance of this Agreement shall not (a) impair or infringe on the intellectual property rights of any third party or any rights of publicity or privacy; (b) violate any law, including without limitation, the laws and regulations governing export control, unfair competition, anti-discrimination or false advertising; (c) be defamatory, trade libelous, or unlawfully harassing; (d) be obscene, child pornographic or indecent; (e) contain any viruses, Trojan horses, trap doors, Easter eggs, worms, time bombs, or other computer programming routines intended to damage, interfere with, intercept, or expropriate any hardware, software, data or peripheral equipment system; and
 - 6.1.7. any Content that has been represented as being accredited by an accrediting body shall be so accredited.
- 6.2. Client warrants and represents that:
- 6.2.1. Client has all requisite power, authority and legal right to execute, deliver and perform its obligations under this Agreement and all of such actions have been duly and validly authorized by all necessary proceedings on the part of Client;
 - 6.2.2. the execution and delivery of this Agreement by Client does not and will not (a) materially violate any applicable law; or (b) conflict with or result in a material breach of or default under any agreement or instrument to which Client is a party or by which any of its properties is bound;
 - 6.2.3. Client shall not allow any other entity or third party to purchase, license or sublicense the Services, except those Affiliated Providers as provided herein;
 - 6.2.4. Client shall be responsible for any and all taxes, other than HealthStream income tax, applicable to or in connection with the services rendered by HealthStream pursuant to the terms of this Agreement; and
 - 6.2.5. the content submitted to HealthStream for the Gateway Customization Services shall not knowingly infringe any patents, copyrights, trade secrets, or other proprietary rights of any third parties, and Client will have no reason to believe that any such infringement or claims thereof could be made by third parties.
7. DISCLAIMER OF WARRANTIES.
- 7.1. THE WARRANTIES EXPRESSED IN SECTION 6 HEREIN REPRESENT THE ENTIRE WARRANTY OF HEALTHSTREAM WITH RESPECT TO THIS AGREEMENT, AND ARE IN LIEU OF ANY AND ALL OTHER WARRANTIES, WRITTEN OR ORAL, EXPRESS OR IMPLIED.
 - 7.2. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, THE GATEWAYS AND THE SERVICES AND ALL OTHER OBLIGATIONS PROVIDED BY HEALTHSTREAM PURSUANT TO THE TERMS OF THIS AGREEMENT ARE PROVIDED "AS-IS" WITHOUT ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE.
 - 7.3. DUE TO THE NUMBER OF SOURCES FROM WHICH CONTENT DELIVERED VIA THE

SERVICES IS OR WILL BE OBTAINED, AND THE INHERENT HAZARDS OF ELECTRONIC DISTRIBUTION, THERE MAY BE DELAYS, OMISSIONS OR INACCURACIES IN SUCH CONTENT AND THE SERVICES. THE SERVICES COULD INCLUDE TECHNICAL OR OTHER INACCURACIES OR TYPOGRAPHICAL ERRORS. PERIODICALLY, CHANGES MAY BE MADE IN THE CONTENT PROVIDED IN THE SERVICES. HEALTHSTREAM WARRANTS THAT IT WILL EXERCISE COMMERCIALY REASONABLE EFFORTS TO ENSURE THE ACCURACY, COMPLETENESS, CURRENTNESS OF THE CONTENT AVAILABLE THROUGH THE SERVICES, OR THE SERVICES THEMSELVES, OR ANY OTHER CONTENT WHICH IS REFERENCED BY OR LINKED TO THE SERVICES. HEALTHSTREAM DOES NOT CLAIM COMPREHENSIVENESS OR THE ABSENCE OF ERRORS. HEALTHSTREAM ASSUMES NO INDIRECT RESPONSIBILITY FOR THE USE OF THE SERVICES BY THE CLIENT OR AUTHORIZED USERS. NEITHER PARTY, AUTHORIZED USERS NOR THEIR CONTENT PARTNERS SHALL BE LIABLE FOR LOSS OF PROFITS, LOSS OF USE, OR INCIDENTAL, CONSEQUENTIAL, OR EXEMPLARY DAMAGES AS A RESULT OF USE OF THE SERVICES OR THE CONTENT, EVEN IF EXPRESSLY MADE AWARE OF THE POSSIBILITY THEREOF.

- 7.4. EXCEPT HEALTHSTREAM'S BREACH OF THE WARRANTY MADE IN SECTION 6.1.6 HEREOF, ANY MATERIAL AND/OR DATA DOWNLOADED OR OTHERWISE OBTAINED THROUGH THE USE OF THE GATEWAYS IS AT CLIENT AND AUTHORIZED USER'S OWN DISCRETION AND RISK AND CLIENT IS SOLELY RESPONSIBLE AND LIABLE FOR ANY DAMAGE TO CLIENT OR AUTHORIZED USER'S COMPUTER SYSTEM OR FOR LOSS OF DATA THAT RESULTS FROM THE DOWNLOAD OF SUCH MATERIAL AND/OR DATA. HEALTHSTREAM ASSUMES NO RESPONSIBILITY FOR THE USE OF THE GATEWAYS BY CLIENT OR ANY AUTHORIZED USER.
- 7.5. NEITHER PARTY SHALL BE LIABLE FOR LOST PROFITS, LOST OPPORTUNITIES, OR INCIDENTAL OR CONSEQUENTIAL DAMAGES UNDER ANY CIRCUMSTANCES. IN NO CASE SHALL THE AMOUNT OF DAMAGES PAYABLE TO CLIENT FROM ANY AND ALL PARTIES FOR ANY CLAIM ARISING FROM THE PROGRAM OR THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, ITS WARRANTY PROVISIONS) EXCEED THE AMOUNTS PAID BY CLIENT TO HEALTHSTREAM UNDER THIS AGREEMENT.
- 7.6. EXCEPT FOR ANY CLAIM FOR INDEMNITY UNDER SECTION 10, IN NO EVENT MAY ANY ACTION BE BROUGHT AGAINST HEALTHSTREAM, OR AN INFORMATION PARTNER ARISING OUT OF THIS AGREEMENT MORE THAN ONE YEAR AFTER THE CLAIM OR CAUSE OF ACTION ARISES, OR ONE YEAR AFTER THE CLIENT OR AUTHORIZED USER SHALL HAVE LEARNED OF THE ALLEGED DEFECT, INJURY, OR LOSS, WHICHEVER IS LATER. THE PROVISIONS OF THIS SECTION 7 SHALL SURVIVE ANY TERMINATION OF THIS AGREEMENT.

8. LINKS TO OTHER WEB SITES

HEALTHSTREAM MAKES NO REPRESENTATIONS WHATSOEVER ABOUT ANY OTHER WEB SITE THAT CLIENT OR ANY AUTHORIZED USER MAY ACCESS THROUGH HEALTHSTREAM'S WEB SITE OR THE GATEWAYS. WHEN CLIENT OR ANY AUTHORIZED USER ACCESSES A NON-HEALTHSTREAM WEB SITE, IT IS INDEPENDENT FROM HEALTHSTREAM, AND THAT HEALTHSTREAM HAS NO CONTROL OVER THE CONTENT ON THAT WEB SITE. IN ADDITION, A LINK TO A NON-HEALTHSTREAM WEB SITE DOES NOT MEAN THAT HEALTHSTREAM ENDORSES OR ACCEPTS ANY RESPONSIBILITY FOR THE CONTENT, OR THE USE, OF SUCH WEB SITE. IT IS UP TO CLIENT OR ANY AUTHORIZED USER TO TAKE PRECAUTIONS TO ENSURE THAT WHATEVER CLIENT OR ANY AUTHORIZED USER SELECTS FOR CLIENT OR ANY AUTHORIZED USER'S USE IS FREE OF SUCH ITEMS AS VIRUSES, WORMS, TROJAN HORSES AND OTHER ITEMS OF A DESTRUCTIVE NATURE. HEALTHSTREAM MAKES NO REPRESENTATION OR WARRANTY AS TO ANY THIRD PARTY PRODUCTS OR SERVICES.

9. LIMITATION OF LIABILITY

IN NO EVENT SHALL EITHER PARTY, AUTHORIZED USERS OR THEIR PARENT COMPANIES AND AFFILIATES, OR ANY OF ITS OR THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, REPRESENTATIVES, CONTENT PARTNERS, OR LICENSORS BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL, PUNITIVE, OR OTHER DAMAGES RESULTING FROM USE OF THE GATEWAYS, ITS CONTENT OR LINKS, INCLUDING, BUT NOT LIMITED TO DAMAGES FOR LOSS OF PROFITS, USE, DATA OR OTHER INTANGIBLES, EVEN IF A PARTY OR AUTHORIZED USER HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

10. INDEMNITY

10.1. Indemnity by HealthStream. HealthStream shall defend, indemnify and hold Client and Authorized Users, their officers, directors, employees, consultants and agents harmless from any loss, liability, damage, cost, or expense (including reasonable counsel fees and litigation costs), arising out of any claims or suits that may be made or brought against Client by reason of the breach or alleged breach by HealthStream of the warranties or representations contained herein, or by reason of any infringement or alleged infringement of any patent, trademark, copyright or trade secret right resulting from the Services provided herein. HealthStream shall have the sole right to conduct the defense of any such claim or action and all negotiations for its settlement or compromise, unless otherwise mutually agreed upon in writing, or unless HealthStream fails to assume its obligation to defend and Client is required to do so to protect its interests.

10.2. Indemnity by Client. Client agrees to indemnify, defend and hold harmless HealthStream, its officers, directors, employees, consultants and agents from any and all third party claims, liability, damages and/or costs (including but not limited to attorney's fees) arising from Client or any Authorized User's violation of the terms and conditions hereunder, arising out of any claims or suits that may be made or brought against HealthStream by reason of the breach or alleged breach by Client of the warranties or representations contained herein, or by reason that the content in the Client Courseware infringes any patent, trademark, copyright or trade secret right. Client shall have the sole right to conduct the defense of any such claim or action and all negotiations for its settlement or compromise, unless otherwise mutually agreed upon in writing, or unless Client fails to assume its obligation to defend and HealthStream is required to do so to protect its interests.

10.3 This Article 10 shall survive the termination, cancellation or expiration of these terms and conditions.

11. TERM AND TERMINATION.

11.1. Term. This Agreement shall be in effect until the Expiration Date (the "Term") and shall be automatically renewed for additional one (1) year periods unless notification by either party is provided forty-five (45) days in advance of the Expiration Date. During any renewal term, either party may terminate this Agreement upon forty-five (45) days notice to the other party.

11.2. Termination or Cancellation. This Agreement may be terminated or canceled upon the occurrence of one or more of the following events:

11.2.1. by either party if the other party seeks protection under the bankruptcy laws (other than as a creditor) or any assignment is made for the benefit of creditors or a trustee is appointed for all or any portion of such party's assets;

11.2.2. by either party in the event that the other party hereto has materially breached this Agreement; provided, however, that no such termination shall be effective unless (i) the terminating party provides the written notice ("Termination Notice") via overnight courier to the other party setting forth the facts and circumstances constituting the

breach, and (ii) the party alleged to be in default does not cure such default within ten (10) business days following receipt of the Termination Notice. In the event that the nature of the default specified in the Termination Notice cannot be reasonably cured within ten (10) business days following receipt of the Termination Notice, a party shall not be deemed to be in default if such party shall, within such ten (10) day period, present a schedule to cure the default, commences curing such default and thereafter diligently executes the same to completion within six (6) months. If the breach specified in the Termination Notice is timely cured or cure is commenced and diligently pursued, as provided above, the Termination Notice shall be deemed rescinded and this Agreement shall continue in full force and effect. Notwithstanding the foregoing, all Termination Notices for non-payment must be cured with thirty (30) days of receipt. In the event the default specified in the Termination Notice cannot be reasonably cured at all, a party shall be deemed to be in default.

- 11.3 Post Termination Obligations. In the event of termination of this Agreement by HealthStream due to a default by Client, all fees previously due or owing by Client and Authorized Users as of the date of termination will be immediately due and payable in full. In the event of termination of this Agreement by Client due to a default by HealthStream, HealthStream shall reimburse Client for any amounts paid by Client or Authorized Users for Services not provided prior to termination. This is in addition to any other remedies available to the parties at law.
12. MISCELLANEOUS
- 12.1 STATUTE OF LIMITATIONS. EXCEPT FOR ANY CLAIM FOR INDEMNITY UNDER SECTION 10, ANY ACTION OR CLAIM AGAINST HEALTHSTREAM FOR ANY DAMAGES ARISING OUT OF, OR RELATING TO THE TERMS OF THIS AGREEMENT OR HEALTHSTREAM'S OBLIGATIONS HEREUNDER MUST BE COMMENCED WITHIN ONE YEAR AFTER COMPLETION OF SERVICES THAT ARE THE SUBJECT MATTER OF THE CLAIM.
- 12.2 Attorneys' Fees. In the event of breach by either party of any provision contained in this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs incurred in enforcement of the provisions of this Agreement against the defaulting or breaching party.
- 12.3 Headings. Captions and headings to sections are included solely for convenience and are not intended to affect the interpretation of any provision of this Agreement.
- 12.4 Amendments in Writing. No amendment, modification, or waiver of any provision of this Agreement shall be effective unless it is set forth in a writing that refers to this Agreement and is executed by an authorized representative of each party hereto. No failure or delay by any party in exercising any right, power, or remedy will operate as a waiver of any such right, power, or remedy.
- 12.5 Third Party Rights. Except for Authorized Users, this Agreement is not intended and shall not be construed to create any rights for any third party.
- 12.6 Force Majeure. Neither party shall be liable nor deemed to be in default of its obligations hereunder for any delay or failure in performance under this Agreement or other interruption of service resulting, directly or indirectly, from acts of God, civil or military authority, act of war, accidents, natural disasters or catastrophes, strikes, or other work stoppages or any other cause beyond the reasonable control of the party affected thereby. However, each party shall utilize its best good faith efforts to perform such obligations to the extent of its ability to do so in the event of any such occurrence or circumstances. If a single force majeure condition causes a delay or failure in performance under this Agreement or other interruption of service exceeding ninety (90) days, the non-affected party may terminate subject to the requirements of Section 11.2 herein above by providing a Termination Notice to the affected party.

- 12.7 Independent Contractors. Each party to this Agreement is an independent contractor and this Agreement shall not be construed as creating a joint venture, partnership, agency or employment relationship between the parties hereto nor shall either party have the right, power or authority to create any obligation or duty, express or implied, on behalf of the other.
- 12.8 Insurance. HealthStream shall maintain liability coverage for errors and omissions with coverage of at least \$1,000,000 per incident and \$2,000,000 in the aggregate. Client shall be provided a copy of the certificate of insurance upon signing of this Agreement. Client shall be promptly notified at least thirty (30) days prior to any cancellation of policy or reduction in coverage below the required amounts specified in this Section 12.8.
- 12.9 Governing Law. This Agreement shall be governed by the laws of the State of Tennessee without regard to its choice of law provisions.
- 12.10 Entire Agreement; Severability. This Agreement, together with the schedules and other attachments referenced herein, contains a full and complete expression of the rights and obligations of the parties hereto. If any provision of this Agreement conflicts with any schedule or attachment to this Agreement, this Agreement shall control with respect to the subject matter of such attachment. This Agreement supersedes any and all other previous agreements, written or oral, made by the parties concerning the subject matter hereof. If any provision of this Agreement is finally held by a court or arbitration panel of competent jurisdiction to be unlawful, the remaining provisions of this Agreement shall remain in full force and effect to the extent that the parties' intent can be lawfully enforced. Without limiting the generality of the foregoing, it is expressly agreed that the terms of any Client or Affiliated Provider purchase order will be subject to the terms of this Agreement and that any acceptance of a purchase order by HealthStream will be for acknowledgment purposes only and none of the terms set forth in the purchase order will be binding upon HealthStream.
- 12.11 Notice. All notices required hereunder (except invoice or purchase orders as provided herein) shall be in writing and shall be deemed to have been duly given upon receipt, and shall be either delivered in person, by registered or certified mail, postage prepaid, return receipt requested, or by overnight delivery service with proof of delivery, and addressed as follows:
- To HealthStream: Robert Laird, Esq.
 Vice President and General Counsel
 HealthStream, Inc.
 209 10th Avenue South, Suite 450
 Nashville, TN 37203
- To Client: Director, I/S Contracts
 Columbia Information Systems, Inc.
 2555 Park Plaza
 Nashville, TN 37202-0550
- and to: General Counsel
 Columbia/HCA Healthcare Corporation
 One Park Plaza
 Nashville, Tennessee 37203
- 12.12 Publicity. HealthStream and Client agree not to advertise or to use the other party's name in any advertising, except as contemplated by this Agreement or as may be required by law, without first obtaining written consent from the other party, which consent shall not be unreasonably withheld.
- 12.13 Assignment, Subsidiaries, and Successors. It is understood and agreed that the parties are entering into this Agreement not only for their own benefit but also and equally for the direct benefit of their subsidiaries and affiliates, present and future, and that each and every right, benefit, remedy, and warranty accruing to the parties hereunder likewise accrue to the subsidiaries and affiliates of the parties, including but not limited to the right to enforce this

Agreement in their respective names. This Agreement shall inure to the benefit of and be binding on any respective successors and permitted assigns of the parties.

- 12.14 Books and Records. Pursuant to the requirements of 42 CFR 420.300 et seq., HealthStream agrees to make available to the Secretary of HHS, the Comptroller General of the Government Accounting Office ("GAO") or their authorized representatives, all contracts, books, documents and records necessary to verify the nature and extent of the costs of the services provided hereunder for a period of four (4) years after the furnishing of services hereunder for any and all services furnished under this Agreement. In addition, HealthStream hereby agrees to require by contract that each subcontractor makes available to the HHS and GAO, or their authorized representative, all contracts, books, documents and records necessary to verify the nature and extent of the costs of the services provided thereunder for a period of four (4) years after the furnishing of services thereunder. HealthStream agrees to comply at all times with the regulations issued by HHS, published at 42 CFR 1001, and which relate to HealthStream's obligation to report and disclose discounts, rebates and other reductions to Client for products purchased by Client under this Agreement. If HealthStream carries out the duties of this Agreement through a subcontract worth \$10,000 or more over a twelve month period with a related organization, the subcontract will also contain a clause substantially identical to those contained in the foregoing sections of this Agreement to permit access by Client, the Secretary, the United States Comptroller General and their representatives to the related organization's books and records. Client rights under this Section shall survive for a period of four (4) years after termination or expiration of this Agreement. HealthStream represents and warrants that it has not been excluded from participation in any Federal healthcare program as defined in 42 U.S.C. Section 1320a-7b(f).
- 12.15 Audit and Reporting. Client shall have the right, during normal business hours and with reasonable advance notice, to review and photocopy HealthStream's books and records that pertain directly to the accounts of Client, Affiliated Providers, or Authorized Users. The audit may be conducted by Client's employees or by an external auditing firm selected by Client. The cost of audit, including the cost of the auditors and reasonable cost of copies of books and records shall be paid by Client. Client shall have no obligation to pay the cost incurred by employees and agents of HealthStream in cooperating with Client in such audit. Client does not have the right to review the books and records that pertain to the accounts of other HealthStream customers or business partners. Client may not conduct more than one such audit per year. Any personnel of Client shall sign a mutually agreeable confidentiality agreement before such audit is done.
- 12.16 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, and intending to be legally bound hereby, each party hereto warrants and represents that this Agreement has been duly authorized by all necessary corporate action and that this agreement has been duly executed by and constitutes a valid and binding agreement of that party. All signed copies of this Agreement shall be deemed originals.

HealthStream, Inc.

By: /s/ JEFF MCLAREN

Name: Jeff McLaren
Title: President

Client

By: /s/ NOEL WILLIAMS

Name: Noel Williams
Title: President

EXHIBIT A
GATEWAY INITIALIZATION SERVICES

HealthStream's Gateway Initialization Services will consist of the following processes required to make each Gateway operational. The processes below are not chronologically organized; selected processes below may be managed concurrently. Additional processes may be required to ensure each Gateway is made operational rapidly and efficiently.

1. Gateway Customization - HealthStream will modify each Provider Gateway such that the name and or logo appear at the top of each page (except pages used to display Courseware). In addition, Provider Specific Information will be used in textual format as applicable in the Gateway.

Deliverables from Contract Client to complete Gateway Customization:

- Provide Provider logo (or name) for display on Gateway.
- Provide Provider name, parent company name, address, division, region, phone number, etc. (the "Provider Specific Information") for use as needed in Gateway.
- Approve Provider logo and Provider Specific Information in Gateway.

2. User Import - HealthStream will import Provider Personal Information into the database so that each Authorized User is recognized by the Gateway.

Deliverables from Contract Client to complete User Import:

- Provide Personal Information for each Authorized User (per separate specification).
- Approve integrity of Personal Information imported into the database.

3. Administrative Orientation - HealthStream will provide an overview of Gateway operation and administrative procedures to select Provider personnel. HealthStream will provide Administrative Orientation sessions periodically to ensure Contract Clients complete

Deliverables from Contract Client to complete Administrative Orientation:

- Ensure key Contract Client personnel from each Contract Client attend a HealthStream Administrative Orientation sessions.

4. Gateway Pilot - HealthStream will facilitate a brief pilot of the Gateway prior to use by the complete population of Authorized Users for a given Contract Client. This pilot will ensure that Contract Client specific data is operating as expected within the Gateway.

Deliverables from Contract Client to complete Gateway Pilot:

- Ensure computer hardware with appropriate software and internet connection (per separate specification) is operational at Contract Client location.
- Ensure Contract Client administrative personnel test Gateway performance (in conjunction with HealthStream personnel and pilot processes).

EXHIBIT B
INVOICE DETAIL REPORT FORMAT

The format below will be used by HealthStream in submitting invoice detail reports on Services Fees. Each monthly invoice detail report will be comprised of a multiple transaction records. Each transaction record shall be a line of text that is 110 continuous characters in length and will correspond to each Services transaction that triggered a corresponding Service Fee. The character by character standard for transaction records is outlined below.

Services Fees paid by Authorized Users directly pursuant to Section 3.4 will not be included in the invoice detail report, but will be detailed in a separate monthly report.

Item Description	Columbia Code	Fixed Value	Character Locations	Item Length in Characters
-----	-----	-----	-----	-----
1. Unit Number	Pic X(05)		01- 05	5
2. Type	Pic X(01)	2	06	1
3. Incurred Month	Pic 9(02)		07-08	2
4. Incurred Day	Pic 9(02)		09-10	2
5. End Date (ccymmCMEd)	Pic X(08)		11-18	8
6. Description	Pic X(35)		19-53	35
7. Action	Pic X(01)	A	54	1
8. Charge Amount	Pic \$9(09)(cent)9(02)		55-65	2
9. Indicator	Pic X(01)	S	66	1
10. Cost Center	Pic 9(04)	8888	67-70	4
11. Project Code	Pic 9(03)	180	71-73	3
12. Display	Pic 9(10)	0000000000	74-83	10
13. GL Account Number	Pic 9(06)	701831	84-89	6
14. Revenue Code	Pic 9(03)	026	90-92	3
15. Filler	Pic X(18)	000000000000000000	93-110	18

Notes:

- A. Where a specific fixed value is listed, the exact number and/or letter listed above must appear in the designated character locations for that item. If no fixed value is provided, HealthStream shall insert the appropriate information using the entire number of characters permitted
- B. For Item 6 above, any unused characters are to be filled with "space" characters so that Item 6 is 35 characters in length.
- C. For Item 8 above, the first nine characters apply to the dollar amount and the last two characters shall be the cents. There is no decimal point. Zeros are to be used where no number is available for the character, e.g., a charge of \$101.59 will be recorded as "00000010159".

EXHIBIT C
CURRENT ONLINE COURSEWARE

REGULATORY COURSEWARE

The following 18 regulatory courses will be initially available for Authorized Users. The number of Regulatory Courses and specific Regulatory Courseware topics made available through the Gateways will change from time to time as new courses are added and obsolete courses removed.

Abuse Identification (1 Contact Hours)

The physical, psychological, and behavioral indicators of possible abuse, neglect, or exploitation.

Abuse Reporting (1 Contact Hours)

Interviewing techniques for victims of abuse and policies and procedures for reporting of suspected abuse cases.

Bloodborne Pathogens (1 Contact Hours)

Types of bloodborne pathogens and the use of universal precautions and body substance isolation (BSI) to prevent transmission.

Cardiopulmonary Resuscitation (0 Contact Hours)

Recognition and immediate treatment of a myocardial infarction, including one-person and two-person CPR.

Child CPR (0 Contact Hours)

Recognition and immediate treatment of a myocardial infarction in infants and children, including appropriate CPR techniques.

Cytotoxin Use (1 Contact Hours)

The potential hazards of exposure to cytotoxic substances and procedures to prevent and monitor exposure.

Elderly Care (1 Contact Hours)

Interventions to help alleviate common physical complaints of the elderly.

Electrical Safety (0 Contact Hours)

Recognition of electrical hazards and prevention and immediate treatment of injuries related to electrical shock.

Ergonomics (1 Contact Hours)

Purpose and correct use of body mechanics, strategies to help prevent back injury, and home treatment for back pain.

Fire Safety (0 Contact Hours)

Fire rescue, alarm, containment and evacuation procedures for ambulatory patients.

Hazardous Materials (1 Contact Hours)

The purpose and content of MSDS, proper labeling of hazardous chemical containers and procedures for handling chemical spills.

Obstructed Airway (0 Contact Hours)

Recognition and immediate treatment of an obstructed airway in a conscious or unconscious adult or infant.

Patient Evacuation (1 Contact Hours)

General evacuation procedures, including one and two person techniques for evacuation of a bed-bound patient.

Restraint Use (1 Contact Hours)

Purposes, procedures, alternatives and documentation for use of patient restraints.

Standard Precautions (1 Contact Hours)

The infection transmission process, including associated risk factors, and the major components of a Standard Precautions Program.

Transmission-based Precautions (1 Contact Hours)

The five types of transmission-based precautions, including the appropriate actions for each type of precaution and the diseases for which each type of transmission-based precaution is required.

Tuberculosis Control (1 Contact Hours)

Identification, prevention, and treatment of tuberculosis, including recognition of risk factors.

Tuberculosis Testing (1 Contact Hours)

The purpose of tuberculin testing and techniques for testing.

HEALTHSTREAM OWNED COURSEWARE

The following list of 67 hours of HealthStream Owned Courseware topics are currently available for use through HealthStream's online educational service. The number of HealthStream Owned Courses and specific HealthStream Owned Courseware topics made available through the Gateways will change from time to time as new courses are added and obsolete courses removed. For each topic area, the number of hours available within that topic is listed, not the individual course name or subject areas.

Core Curriculum in Primary Care (50 hrs.)

Cardiovascular Medicine (4.00 - CME)
 Dermatology (4.00 - CME)
 Endocrinology (3.00 - CME)
 Gastroenterology (4.00 - CME)
 Hematology (2.00 - CME)
 Infectious Disease (4.00 - CME)
 Laboratory Testing (2.00 - CME)
 Nephrology (1.00 - CME)
 Neurology (5.00 - CME)
 Obstetrics and Gynecology (4.00 - CME)
 Office Surgery (1.00 - CME)
 Oncology (1.00 - CME)
 Orthopedics and Sports Medicine (8.00 - CME)
 Psychiatry (4.00 - CME)
 Radiology (1.00 - CME)
 Risk Management (2.00 - CME)

Obstetrics/Gynecology (5.00 hrs.)

General (5.00 - CME)

Nursing (12 Contact Hours)

Adolescent Care (1 Contact Hours)
 Antibiotic Resistant Microbes (1 Contact Hours)
 Conscious Sedation (1 Contact Hours)
 Elderly Physical Changes (1 Contact Hours)
 Elderly Sensory Changes (1 Contact Hours)

Fecal Testing (1 Contact Hours)
 Glucose Testing (1 Contact Hours)
 Infant Care (1 Contact Hours) School-age Care (1 Contact Hours)
 Toddler Care (1 Contact Hours)
 Urine Testing (1 Contact Hours)
 Ventilation (1 Contact Hours)

CONTENT PARTNER COURSEWARE

The following list of 782 hours of Content Partner Courseware topics are currently available for use through HealthStream's online educational service. The number of Content Partner Courses and specific Content Partner Courseware topics made available through the Gateways will change from time to time as new courses are added and obsolete courses removed. For each topic area, the number of hours available within that topic is listed, not the individual course name or subject areas.

Cleveland Clinic Foundation - Educational Program (60 hrs.) Cardiology Series
 (6.00 - CME) Endocrinology Series (6.00 - CME)
 Gastroenterology Series (7.00 - CME)
 Hematology and Medical Oncology Series (6.00 - CME)
 Infectious Disease Series (6.00 - CME)
 Multidisciplinary Skills for the Internist Series (15.00 - CME)
 Nephrology and Hypertension Series (5.00 - CME)
 Pulmonary and Critical Care Medicine Series (5.00 - CME)
 Rheumatology Series (4.00 - CME)

Diagnostic Imaging (19.5 hrs.)
 Computed Tomography (9.00 - CE)
 Magnetic Resonance (3.00 - CE)
 Nuclear Medicine (4.50 - CE)
 X-Ray (1.50 - CE)
 X-Ray Mammography (1.50 - CE)

Emergency Medicine (203 hrs.)
 Allergy, Rheumatology, and Dermatology (4.50 - CME)
 Cardiovascular Disorders (15.50 - CME)
 Endocrinology (7.50 - CME)
 Environmental Injuries (9.50 - CME)
 Eye, Ear, Nose and Throat (6.50 - CME)
 Gastroenterology (13.00 - CME)
 Gynecology and Obstetrics (6.50 - CME)
 Hematology and Oncology (5.00 - CME)
 Infectious Diseases (5.50 - CME)
 Law and Ethics (3.00 - CME)
 Life-Threatening Signs and Symptoms (9.50 - CME)
 Musculo-skeletal Disorders (5.00 - CME)
 Nephrology and Urology (5.00 - CME)
 Neurology (9.50 - CME)
 Pediatrics (14.50 - CME)
 Psychiatric and Behavioral Disorders (5.00 - CME)
 Pulmonary Disorders (8.50 - CME)
 Resuscitation: Arrhythmias (8.50 - CME)
 Resuscitation: CPR and Ventilation (6.00 - CME)
 Resuscitation: Fluids/Electrolytes (11.00 - CME)

Resuscitation: Pediatrics (6.00 - CME)
Toxicology (12.00 - CME)
Trauma: Extremity and Orthopedic (7.50 - CME)
Trauma: Stabilization, Head and Neck (7.50 - CME)
Trauma: Trunk (7.00 -
CME) Wound Management (4.00 - CME)

Family Practice (194.5 hrs.)

Allergy, Rheumatology, and Dermatology (4.50 - CME)
Cardiovascular Disorders (15.00 - CME)
Endocrinology (7.50 - CME)
Environmental Injuries (9.50 - CME)
Eye, Ear, Nose and Throat (5.00 - CME)
Gastroenterology (13.00 - CME)
Gynecology and Obstetrics (7.00 - CME)
Hematology and Oncology (5.00 - CME)
Infectious Diseases (5.00 - CME)
Law and Ethics (2.00 - CME)
Life-Threatening Signs and Symptoms (9.00 - CME)
Musculo-skeletal Disorders (5.00 - CME)
Nephrology and Urology (5.00 - CME)
Neurology (9.50 - CME)
Pediatrics (14.00 - CME)
Psychiatric and Behavioral Disorders (5.00 - CME)
Pulmonary Disorders (8.50 - CME)
Resuscitation: Arrhythmias (8.00 - CME)
Resuscitation: CPR and Ventilation (5.50 - CME)
Resuscitation: Fluids/Electrolytes (11.00 - CME)
Resuscitation: Pediatrics (6.00 - CME)
Toxicology (12.00 - CME)
Trauma: Extremity and Orthopedic (7.50 - CME)
Trauma: Stabilization, Head and Neck (7.50 - CME)

Trauma: Trunk (4.00 - CME) Wound Management (3.50 - CME)

Internal Medicine (143.5 hrs.)

Allergy, Rheumatology, and Dermatology (4.50 - CME)
 Cardiovascular Disorders (13.50 - CME)
 Endocrinology (6.50 - CME)
 Environmental Injuries (7.50 - CME)
 Eye, Ear, Nose and Throat (1.50 - CME)
 Gastroenterology (15.50 - CME)
 Infectious Diseases (5.00 - CME)
 Law and Ethics (2.00 - CME)
 Life-Threatening Signs and Symptoms (6.50 - CME)
 Musculo-skeletal Disorders (4.00 - CME)
 Nephrology and Urology (4.50 - CME)
 Neurology (9.50 - CME)
 Pediatrics (16.00 - CME)
 Resuscitation: Arrhythmias (8.00 - CME)
 Resuscitation: CPR and Ventilation (3.50 - CME)
 Resuscitation: Fluids/Electrolytes (10.50 - CME)
 Resuscitation: Pediatrics (.50 - CME)
 Toxicology (11.50 - CME)
 Trauma: Extremity and Orthopedic (7.00 - CME)
 Trauma: Stabilization, Head and Neck (1.50 - CME)
 Trauma: Trunk (2.00 - CME) Wound Management (2.50 - CME)

Pediatrics (161.5 hrs.)

Allergy, Immunology & Dermatology (3.50 - CME)
 Cardiac and Vascular Disorders (7.50 - CME)
 Endocrine, Metabolic & Nutritional Disorders (6.50 - CME)
 Environmental Injuries (8.00 - CME)
 Eye, Ear, Nose & Throat (7.50 - CME)
 Gastroenterology (11.50 - CME)
 Gynecology & Obstetrics (5.50 - CME)
 Hematology & Oncology (5.50 - CME)
 Infectious Diseases (8.00 - CME)
 Law & Ethics (2.50 - CME)
 Life-Threatening Signs & Symptoms (7.00 - CME)
 Musculoskeletal Disorders (2.50 - CME)
 Nephrology & Urology (4.00 - CME)
 Neurology (7.00 - CME)
 Psychosocial Problems (3.00 - CME)
 Pulmonary Disorders (8.50 - CME)
 Resuscitation: Arrhythmias (5.50 - CME)
 Resuscitation: CPR & Ventilation (7.50 - CME)
 Resuscitation: Fluids & Electrolytes (12.50 - CME)
 Toxicology (10.50 - CME)
 Trauma: Chest, Abdomen & Pelvis (7.00 - CME)
 Trauma: Extremity & Orthopedic (9.00 - CME)
 Trauma: Stabilization, Head & Neck (8.00 - CME)
 Wound Management (3.50 - CME)

The term CME, CE and Contact Hours used above indicate the accreditation status of a Course for continuing education credit. Continuing education credit is periodically required for various healthcare professional groups (physicians, nursing, radiologic technicians, emergency medicine technicians, etc.) to maintain licensure with specific professional organizations and regulatory boards. Typically, the continuing education accreditation of a Course for one healthcare profession does not imply accreditation for other healthcare professions.

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

SOFTWARE LICENSING AND DISTRIBUTION AGREEMENT

This Software Licensing and Distribution Agreement ("Agreement") is made by and between HealthStream, Inc., a Tennessee corporation having its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") and MedicalLogic, Inc., having its principal place of business at 20500 N.W. Evergreen Parkway, Hillsboro, OR 97124 ("Distributor").

BACKGROUND

WHEREAS, Distributor delivers Internet healthcare services targeted at the healthcare community and consumers among others;

WHEREAS, HealthStream has developed and marketed and continues to develop and market a computer-based education system known as the Training Navigator(R) ("T.NAV(R)") that delivers and monitors World Wide Web based content;

WHEREAS, Distributor and HealthStream wish to enter into a cooperative effort to 1) deploy HealthStream branded educational offerings utilizing T.NAV(R) technology and Distributor's distribution channels and 2) market the goods and services incorporated therein;

WHEREAS, Distributor wishes to acquire a license and HealthStream has agreed to grant a license to Distributor for the utilization of T.NAV(R) with Distributor's Internet healthcare services;

WHEREAS, Distributor and HealthStream wish to provide appropriate consideration for those efforts that each party has agreed to undertake;

WHEREAS, Distributor and HealthStream each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, Distributor and HealthStream agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of this Agreement, the terms below shall have the following meanings:

- 1.1. "Course" means healthcare related Internet based curricula designed to be delivered by T.NAV(R).
- 1.2. "Distributor" means MedicalLogic, Inc. and any affiliated entity of Distributor.
- 1.3. "Distributor Courses" means interactive courses that are the proprietary property of Distributor including training and education content including, but not limited to OSHA and JCAHO mandated training, continuing medical education, and office training.
- 1.4. "Effective Date" means the later of the dates on which the parties sign this Agreement.
- 1.5. "HealthStream" means HealthStream, Inc. and any Subsidiary of HealthStream, Inc.
- 1.6. "HealthStream Courses" means interactive courses that are the proprietary property of HealthStream or Third Party Content including training and educational content including, but not limited to OSHA and JCAHO mandated training, continuing medical education, and office training.
- 1.7. "Internet" means the international network of computers and computer networks accessible by the public at large of which the World Wide Web is a subset.
- 1.8. "Intranet" means an internal network protected from unauthorized users by a firewall and accessible only by individuals within the organization serving the network.
- 1.9. "Launch Date" means the date on which the co-branded site becomes available to users via www.medicallogic.com, or its successor website.
- 1.10. "Net Revenue" means gross revenue derived by Distributor or HealthStream from Transactions Fees less discounts, rebates, and refunds.

- 1.11. "Subsidiary" means a company in which, on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by another company, but only so long as such ownership or control exists.
- 1.12. "Third Party Content" means interactive content that is the proprietary property of a third party to this Agreement.
- 1.13. "T.NAV(R)" is a registered trademark of HealthStream and is a computer based training product that delivers and monitors World Wide Web based content.
- 1.14. "T.NAV(R)" means HealthStream's computer based training product that delivers and monitors World Wide Web based Content. T.NAV(R) is available in multiple configurations, each containing common core functionality with unique features applicable for a given application's distribution and access requirements, e.g. Internet eCommerce, Intranet, local area networks, etc. T.NAV(R) is a registered trademark of HealthStream. T.NAV(R) is also branded as Training Navigator(R), a registered trademark of HealthStream.
- 1.15. "Transaction Fees" means fees received by HealthStream for HealthStream Courses or Distributor Courses delivered over the Internet via the T.NAV(R) on Distributor's World Wide Web site.

ARTICLE 2

STRATEGIC RIGHTS GRANTS

- 2.1. During the term of this Agreement, Distributor shall:
- 2.1.1. include on Distributor's World Wide Web site a logo of the HealthStream trademark and a hyperlink to the HealthStream section of Distributor's World Wide Web site; and
 - 2.1.2. work closely with HealthStream to develop a specific promotion plan within ninety (90) days of the Effective Date, which will include a minimum of one (1) marketing initiative per quarter. Marketing initiatives may include, but are not limited to, industry trade shows and exhibitions, seminars, direct mailings, advertising in third-party publications, online banner advertisement placements, and press releases. The parties will work together in good faith to prepare a mutually acceptable press release to announce this Agreement within five (5) days of the Effective Date. Distributor will include HealthStream in the marketing campaign for MedicaLogic.com's member services launch. Distributor will include the HealthStream name and, in its sole discretion and where it deems appropriate, will include the use of the HealthStream trademark logo on all Distributor marketing materials that reference the Courses and education services being provided by HealthStream.
- 2.2. During the term of this Agreement, HealthStream shall:
- 2.2.1. include on the partners page of its World Wide Web site a logo of the Distributor trademark and a hyperlink to the Distributor's World Wide Web site;
 - 2.2.2. not include hyperlinks on the co-branded Web site to third parties that directly compete with Distributor;
 - 2.2.3. provide standard Personalization for Distributor, as defined in Exhibit A;
 - 2.2.4. work with Distributor to provide a mutually agreeable login procedure for Distributor's users to access T.NAV, taking into consideration Distributor's security and privacy needs, HealthStream's new user registration needs and provision of an overall good user experience, among other things; and

- 2.2.5. work closely with Distributor to develop the specific promotion plan described in Section 2.1.2 herein within ninety (90) days of the Effective Date, which will include a minimum of one (1) marketing initiative per quarter. Marketing initiatives may include, but are not limited to, industry trade shows and exhibitions, seminars, direct mailings, advertising in third party publications, online banner advertisement placements, and press releases. The parties will work together in good faith to prepare a mutually acceptable press release to announce this Agreement within five (5) days of the Effective Date.

ARTICLE 3

LICENSE GRANTS

- 3.1. HealthStream grants the Distributor non-exclusive, royalty-free, worldwide rights for T.NAV(R) to deliver HealthStream Courses over the Internet.
- 3.2. Subject to the payment of the consideration set forth in Article 4, Distributor grants HealthStream non-exclusive worldwide rights to provide and host HealthStream Courses and Third Party Content and education services on the co-branded portion of Distributor's World Wide Web site, as determined by Distributor.
- 3.3. Any and all rights not expressly granted by either of the parties to the other are reserved by the respective party claiming reservation of that right.

ARTICLE 4

PRICE AND PAYMENT

- 4.1. During the term of this Agreement, HealthStream shall pay to Distributor * of all Net Revenue derived from Transaction Fees. If the number of Distributor-referred HealthStream new users exceeds * by the first anniversary of the Launch Date, then HealthStream will pay Distributor * of all Net Revenue derived from the Transaction Fees for the * new user and each additional new user.
- 4.2. HealthStream agrees to deliver monthly sales statements that detail Net Revenue and payment according to the percentages outlined in this Article 4 to Distributor within forty five (45) days after the end of each calendar month. These monthly reports shall indicate the total number of Transactions for which either party derives revenue. HealthStream shall submit monthly reports even if no royalties or other amounts are due for such month. A monthly finance charge based on an annual rate of prime plus 2% will be assessed on all amounts that are paid later than forty five (45) days after the end of the last month.
- 4.3. Distributor and HealthStream will meet as necessary to review pricing, discounting policy and the rationale behind any discounts granted for HealthStream Courses and HealthStream Intranet products and services.

ARTICLE 5

INDEMNIFICATION

- 5.1. HealthStream represents and warrants that to the best of its knowledge:
- 5.1.1. T.NAV(R) does not infringe any copyright or patent enforceable under the laws of any country; and
- 5.1.2. T.NAV(R) does not violate the trade secret rights of any third party; and
- 5.1.3. HealthStream is the sole proprietor of the HealthStream Courses and owns the copyright or otherwise has secured the appropriate rights by license or otherwise to publish the HealthStream Courses and Third-Party Content; and

- 5.1.4. HealthStream has full power and authority, free of any rights of any nature by any other person, to enter into this Agreement and to grant the rights that are granted to Distributor in this Agreement.
- 5.2. HealthStream agrees to indemnify, hold harmless, and defend Distributor from any and all damages, costs, and expenses, including reasonable attorneys' fees, incurred in connection with a claim that constitutes a breach of the warranties set forth in Section 5.1 (hereinafter claims under Subsections 5.1.1 through 5.1.4 shall collectively be referred to as "Infringement Claims"); provided, HealthStream is notified promptly in writing of an Infringement Claim and has sole control over its defense or settlement, and Distributor provides reasonable assistance, at HealthStream's expense, in the defense of the same.
- 5.3. HealthStream shall have no liability for any Infringement Claim based on Distributor's:
- 5.3.1. use or distribution of T.NAV(R) after HealthStream's written notice that Distributor should cease use or distribution of T.NAV(R) due to an Infringement Claim, or
- 5.3.2. combination of T.NAV(R) with a non-HealthStream program or data if such Infringement Claim would have been avoided by the exclusive use of T.NAV(R).
- 5.4. For all Infringement Claims arising under Section 5.3, Distributor agrees to indemnify and defend HealthStream from and against all damages, costs, and expenses, including reasonable attorneys' fees but only to the extent such continued use or combination by Distributor is the cause of such Infringement Claim or additional damages. In the event HealthStream notifies Distributor that it should cease distribution of T.NAV(R) due to an Infringement Claim, Distributor may terminate this Agreement.
- 5.5. Except to the extent that Distributor is responsible under Section 5.6 herein, HealthStream shall also indemnify, hold harmless and defend Distributor from and against any and all claims, liabilities, losses, damages, expenses and costs (including reasonable attorneys' fees and costs) arising out of or relating to: (a) a breach of HealthStream's representations or warranties under this Agreement; (b) the use and functionality of the HealthStream Courses and Third Party Content as it interfaces with the co-branded portion of Distributor's World Wide Web site; (c) other information supplied or managed by HealthStream for the co-branded portion of Distributor's World Wide Web site; (d) any services or products available under HealthStream's World Wide Web site not provided by Distributor under this Agreement and (e) the negligence or intentional wrongdoing of HealthStream. HealthStream will pay resulting costs, damages and legal fees finally awarded in such action in a court or in a settlement which are attributable to such claim provided that: (i) Distributor promptly notifies HealthStream in writing of any such claim; (ii) HealthStream has sole control of the defense and all related settlement negotiations, and (iii) Distributor cooperates with HealthStream, at HealthStream's expense, in defending or settling such claim.
- 5.6. Except to the extent that HealthStream is responsible under Section 5.5 herein, Distributor shall indemnify, hold harmless and defend HealthStream from and against any and all claims, liabilities, losses, damages, expenses and costs (including reasonable attorneys' fees and costs) arising out of or relating to: (a) a breach of Distributor's representations or warranties under this Agreement; (b) any content provided by Distributor to HealthStream for use in the co-branded portion of the Distributor's World Wide Web site in accordance with this Agreement; (c) any services or products available under Distributor's World Wide Web site not provided by HealthStream under this Agreement; and (d) the negligence or intentional wrongdoing of Distributor. Distributor will pay resulting costs, damages and legal fees finally awarded in such action in a court or in a settlement that are attributable to such claim provided that: (i) HealthStream promptly notifies Distributor in writing of any such claim; (ii) Distributor has sole control of the defense and all related settlement negotiations, and (iii) HealthStream cooperates with Distributor, at Distributor's expense, in defending or settling such claim.

ARTICLE 6

INTELLECTUAL PROPERTY PROVISIONS

- 6.1. Both parties will cause to appear on all marketing or promotional materials concerning the healthcare related training courses, the other party's copyright, trademark, or patent notices, as appropriate, subject to such parties trademark usage guidelines, if any.
- 6.2. The parties agree that ownership of any invention conceived or developed during the course of this Agreement shall vest in accordance with the patent rules governing inventorship.
- 6.3. To the extent that source code is written by either party, title shall vest in the party who has written such code.
- 6.4. Each party is responsible for protecting, documenting, and maintaining its own intellectual property. Except as expressly set forth herein, this Agreement does not grant either party any proprietary rights of any type in the other party's materials, services or content.
- 6.5. Both parties acknowledge that, except as otherwise provided herein, each party owns and retains all right, title and interest in and to its own content provided to the other party.
- 6.6. HealthStream acknowledges that Distributor owns and retains all right, title and interest in and to Distributor's World Wide Web site and all Distributor's products, services and derivatives thereof arising from the performance of this Agreement.
- 6.7. Distributor acknowledges that, except for the license granted to Distributor in Section 3.1 herein, HealthStream owns and retains all right, title and interest in and to T.NAV(R), the T.NAV(R) source code, and the T.NAV(R) object code.

ARTICLE 7

PROHIBITION AGAINST ASSIGNMENT AND SUBLICENSE

This Agreement, and any rights or obligations hereunder, shall not be assigned or sublicensed (except as permitted in this Article 7) by either party. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to all of a party's assets or substantially all of a party's assets and shall inure to the benefit of and be binding upon successors or purchasers of substantially all of either party's assets.

ARTICLE 8

TERM OF AGREEMENT

Provided this Agreement has been properly executed by an officer of Distributor and by an officer of HealthStream, the term of this Agreement ("Term") shall run from the Effective Date until one (1) year after the Launch Date, and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice of termination to the non-terminating party.

ARTICLE 9

DEFAULT AND TERMINATION

- 9.1. The non-defaulting party may terminate this Agreement in its entirety if any of the following events of default occur:
 - 9.1.1. if the defaulting party materially fails to perform or comply with this Agreement or any provision hereof;
 - 9.1.2. if the defaulting party fails to strictly comply with the provisions of Article 12, 17.1, or makes an assignment in violation of Article 7;

- 9.1.3. if a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors;
- 9.1.4. if a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or
- 9.1.5. if such a petition is filed by any third party, or an application for a receiver of a party is made by anyone and such petition or application is not resolved favorably or discharged to such party within ninety (90) days.

- 9.2. Termination due to a breach of Articles 7 or 12 or 17.1, shall be effective upon notice. In all other cases termination shall be effective sixty (60) days after notice of termination to the defaulting party if the defaults have not been cured within such sixty (60) day period. Unless otherwise stated in this Agreement, the rights and remedies of the parties provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

ARTICLE 10

OBLIGATIONS UPON TERMINATION

- 10.1. From and after termination or expiration of this Agreement, Distributor shall not employ T.NAV(R) or any portion thereof that is owned by HealthStream, as part or portion of any product that Distributor may use, sell, assign, lease, license, or transfer to third parties. Both parties shall cease and desist from all use of the other party's names and associated trademarks and, upon request, deliver to the other party or its authorized representatives or destroy all material upon which those names and the associated trademarks appear.
- 10.2. Articles 5, 6, 10, 11, 13, 14, Section 15.1, and Article 17 shall survive termination or expiration of this Agreement.

ARTICLE 11

WARRANTIES, LIMITATION OF LIABILITY AND REMEDIES

HealthStream represents and warrants that T.NAV(R) shall operate and perform according to specifications included herein. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES. ANY AND ALL OTHER IMPLIED WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING THOSE FOR MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.), INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. EXCEPT FOR BREACH OF THE CONFIDENTIALITY AND THE INDEMNITY PROVISIONS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY'S LIABILITY TO THE OTHER PARTY FOR DAMAGES ARISING FROM PERFORMANCE OR NONPERFORMANCE UNDER THIS AGREEMENT SHALL EXCEED IN THE AGGREGATE THE TOTAL AMOUNTS PAID TO DISTRIBUTOR BY HEALTHSTREAM DURING THE 12 MONTH PERIOD PRIOR TO SUCH CLAIM.

ARTICLE 12

SECURITY AND PRIVACY

- 12.1. The parties acknowledge that Distributor must at all times provide a private and secure web site and linking environment for users of Distributor's services including the co-branded site and links. HealthStream may gather information from users of Distributor's services in accordance with HealthStream's privacy statement located on HealthStream's Web site and attached hereto as

Exhibit C and incorporated herein by this reference. Other than as set forth in Exhibit C hereto, security measures used in association with the co-branded site shall be consistent with the guidelines stated in Distributor's security white paper attached hereto as Exhibit B and incorporated herein by this reference. At a minimum, the parties agree to implement security measures consisting of digital certificates and SSL encryption or both, as applicable. Where third-party links outside the secure co-branded site exist, Distributor will have the option to have those links removed with HealthStream's mutual consent. Due to security and privacy risks posed by the inclusion of third-party links outside the secure co-branded site, Distributor reserves the right to implement a warning screen or other form of alert to be presented to Distributor's users as they move from the Distributor's site to the co-branded site and HealthStream agrees to cooperate and assist Distributor with such implementation, if reasonably required. Distributor, in consultation with HealthStream, shall have sole discretion over the content and form of such warning. The parties also agree as follows:

- 12.1.1. Other than for the limited business purposes outlined in Exhibit C attached hereto, HealthStream shall in no way attempt to ascertain, store, or collect any information relating to the identity of Distributor's users and the Distributor's applications being run by these users. Prohibited actions, other than as outlined in Exhibit C attached hereto, include, but shall not be limited to:
- (i) any investigation of the Distributor user's IP address including, but not limited to, reverse DNS, traceroute, and whois information;
 - (ii) requesting from the Distributor's users, or retrieval (i.e. through system processes), of personal information including, but not limited to, the Distributor's user's e-mail address, mailing address, telephone number, and social security number;
 - (iii) requesting from the Distributor's user, or retrieval (i.e. through system processes) of any Distributor-specific authentication information including, but not limited to, user identifications and passwords, and digital certificates; and
 - (iv) requesting or retrieval (i.e. through system processes) of any Distributor cookies or other system process information including, but not limited to, Java scripts and parent frame content.

- 12.2. Distributor, or a third-party entity retained by Distributor, shall be entitled to audit the security measures implemented for the co-branded site by HealthStream to determine compliance with the provisions of this Article 12. If it is determined by audit or otherwise, that HealthStream is not in compliance with the provisions of this section, Distributor may terminate this Agreement immediately.

ARTICLE 13

AUDITS

- 13.1. During the term of this Agreement, the parties hereto agree to keep all usual and proper records and books of account and all usual and proper entries relating to each T.NAV(R) licensed consistent with generally accepted accounting principles.
- 13.2. HealthStream may cause an audit to be made of the applicable Distributor records that pertain to this Agreement for the sole purpose of verifying royalty reports issued by Distributor to HealthStream and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public

accountant of national stature (e.g., Deloitte) selected by HealthStream (other than on a contingent fee basis) and shall be conducted during regular business hours at Distributor's offices and in such a manner as not to interfere with Distributor's normal business activities. Any such audit shall occur no more than once per calendar year and within six (6) months of the end of the calendar year. HealthStream shall pay for any such audit unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, Distributor agrees to pay HealthStream the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). The auditor shall only disclose the correct data and amounts as called for on the royalty reports. The auditor shall be bound by a signed nondisclosure agreement in substantial form as the Mutual Confidential Disclosure Agreement entered into by the parties to this Agreement on July 28th, 1999 and the auditor shall treat all information disclosed during the course of the audit as confidential information as defined in such nondisclosure agreement.

- 13.3. Distributor may cause an audit to be made of the applicable HealthStream records and facilities for the sole purpose of verifying any reports issued by HealthStream to Distributor, and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by Distributor (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthStream's offices and in such a manner as not to interfere with HealthStream's normal business activities. Any such audit shall be paid for by Distributor unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthStream agrees to pay Distributor for the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). In no event shall audits be made more frequently than annually unless the immediately preceding audit disclosed a Material discrepancy. The auditor shall only disclose the correct data and amounts as called for on the royalty reports. The auditor shall be bound by a signed nondisclosure agreement in substantial form as the Mutual Confidential Disclosure Agreement entered into by the parties to this Agreement on July 28, 1999 and the auditor shall treat all information disclosed during the course of the audit as confidential information as defined in such nondisclosure agreement.
- 13.4. Any statement shall affect neither the right to examine and audit nor the right to receive an adjustment to the contrary, appearing on checks or otherwise, unless expressly agreed to in writing by the party having such right.
- 13.5. In the event that either party makes any claim with respect to an audit, upon the audited party's written request the party who has requested such audit will make available to the audited party the records and reports pertaining to such audit prepared by the independent auditor who performed such audit.

ARTICLE 14

NOTICES AND REQUESTS

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested, or sent by air express courier, charges prepaid; and addressed as follows:

DISTRIBUTOR: MedicaLogic, Inc.
 Attn: Jeffrey R. Sang
 Business Development Manager
 cc: General Counsel
 101 Green Street
 San Francisco, CA 94111

HEALTHSTREAM: HealthStream, Inc.
Attn: Robert H. Laird, Jr.
General Counsel
209 10th Avenue South
Suite 450
Nashville, Tennessee 37203

or to such other address as the party to receive the notice or request so designates by written notice to the other.

ARTICLE 15

CONTROLLING LAW

- 15.1. This Agreement shall be construed and controlled by the laws of the State of California.
- 15.2. Neither this Agreement, nor any terms and conditions contained herein, shall be construed as creating a partnership, joint venture or agency relationship or as granting a franchise as defined in 16 CFR Section 436.2(a). The price and payment described in Article 4 of this Agreement shall not be construed as a franchise fee.

ARTICLE 16

ATTORNEYS' FEES

If either HealthStream or Distributor employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party in any proceeding shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

ARTICLE 17

GENERAL

- 17.1. All disclosures of proprietary and confidential information in connection with this Agreement as well as the contents of this Agreement shall be governed by the terms of the Mutual Confidential Disclosure Agreement entered into between HealthStream and Distributor on July 28, 1999.
- 17.2. This Agreement does not constitute an offer by HealthStream and it shall not be effective until signed by both parties. Upon execution by both parties, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and replaces and supplants all prior and contemporaneous communications. It shall not be modified except by a written agreement signed on behalf of Distributor and HealthStream by their respective duly authorized representatives. Unless agreed to in a separate writing signed by both parties, any statement appearing as a restrictive endorsement on a check or other document which purports to modify a right, obligation or liability of either party shall be of no force and effect.
- 17.3. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 17.4. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall

be effective unless made in writing and signed by an authorized representative of the waiving party.

17.5. The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the last date set forth below. All signed copies of this Agreement shall be deemed originals.

MedicalLogic, Inc.

HealthStream, Inc.

By: /s/

Title: COO

Date: 2/8/00

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

Title: CEO

Date: 2/8/00

EXHIBIT A
PERSONALIZATION ITEMS

HealthStream's online education Web site and T.NAV systems can be personalized to reflect Distributor's brand image. The following items are standard elements of that Personalization:

1. Left navigation bar light color
2. Left navigation bar dark color
3. The color that is the background of the main logo in the upper left
4. The color for the ad banner section
5. The light color for the catalog listing
6. The dark color for the catalog listing
7. The light color for the Your Menu listing
8. The dark for the Your Menu listing
9. The logo to display in the upper left
10. The name to display in the site (i.e. "Healthstream@medicallogic.com")
11. The phone number of technical support
12. The email for tech support
13. The address for tech support
14. The first custom link to display
15. The second custom link to display
16. The third custom link to display
17. The fourth custom link to display
18. The fifth custom link to display
19. The people support link to display
20. Code to pre-populate the discount field
21. Text to display on page for custom link 1
22. Text to display for custom link 2
23. Text to display for custom link 3
24. Text to display for custom link 4
25. Text to display for custom link 5
26. Text to display for the people support link
27. Default background color
28. The path and file to call when doing an auto-logoff
29. The background color for the title bar

EXHIBIT B
MEDICALOGIC SECURITY WHITE PAPER
[INSERT DOCUMENT]

EXHIBIT C

HEALTHSTREAM PRIVACY STATEMENT

HealthStream University may ask you to register and provide information that personally identifies you ("Personal Information"), including when you register for online courses. We use your Personal Information for two primary purposes:

- - To target specific education to you on HealthStream University.
- - To track and manage your continuing education credits.

Although HealthStream University does not provide your e-mail address, phone number, or other personal information to third parties, we may aggregate information from all of the HealthStream University users and create reports for third parties.

To ensure Personal Information you provided to HealthStream University is correct and current, you may review and update this information at any time at the Personal Information section of your references. There, you can view and edit Personal Information you already have given us.

HealthStream University uses cookies to authenticate users. We use cookies to make sure our users are who they say they are.

A cookie is a small data file that certain Web sites write to your hard drive when you visit them. A cookie file can contain information such as a user ID that the site uses to track the pages you've visited. But the only personal information a cookie can contain is information you supply yourself. A cookie can't read data off your hard disk or read cookie files created by other sites.

If you've set your browser to warn you before accepting cookies, you will receive the warning message with each cookie. Your browser needs to accept these cookies for the HealthStream University site to function properly.

If for some reason you believe HealthStream University has not adhered to these principles, please notify us by e-mail at webmaster@healthstream.com and we will use commercially reasonable efforts to promptly determine and correct the problem.

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

JOINT MARKETING AND LICENSING AGREEMENT
BETWEEN HEALTHSTREAM & SCRIPPS CLINIC

This Joint Marketing and Licensing Agreement ("Agreement") is entered as of November 22, 1999 ("Effective Date") by and between HealthStream, Inc., a Tennessee corporation having its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") Scripps Clinic, having its principal place of business 10666 North Torrey Pines Road, LaJolla, California 92037, ("Licensor").

BACKGROUND

WHEREAS, Licensor is a large multi-specialty medical clinic which has developed and continues to develop Continuing Medical Education ("CME") content for Physicians;

WHEREAS, Licensor conducts an annual Dermatology conference, the next of which is titled Melanoma 2000: 10th Annual Cutaneous Malignancy Update ("Melanoma 2000 Conference") and will take place in January of 2000;

WHEREAS, HealthStream has developed and marketed and continues to develop and market a computer-based education system known as the Training Navigator ("T.NAV(R)") that delivers and monitors World Wide Web based content;

WHEREAS, Licensor and HealthStream wish to enter into a cooperative effort to deploy Licensor's educational offerings utilizing HealthStream's T.NAV(R) technology on the World Wide Web;

WHEREAS, HealthStream wishes to acquire a license and Licensor has agreed to grant a license to HealthStream for the delivery of Scripps' Melanoma 2000 Conference, by HealthStream's T.NAV(R);

WHEREAS, Licensor and HealthStream wish to provide appropriate consideration for those efforts that each party has agreed to undertake;

WHEREAS, Licensor and HealthStream each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, Licensor and HealthStream agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of this Agreement, the terms below shall have the following meanings:

- 1.1. "ACCME" means the Accreditation Council for Continuing Medical Education.
- 1.2. "CME Courses" means those educational courses that have been reviewed for continuing education units by an ACCME accredited professional organization. Those individuals completing the courses may receive credit toward continuing education requirements.
- 1.3. "Course" means healthcare related Internet based curricula designed to be delivered by T.NAV(R) through HealthStream Sites.
- 1.4. "Educational Activity" means a single module of the Education Product, specifically, a self-contained lesson consisting of Licensor Content, learning objectives, a posttest, and an evaluation. Each individual Educational Activity, when properly completed is eligible for CME credit.
- 1.5. "Educational Product" means the adaptation of the Licensor Content into Educational Activities contained in the Melanoma 2000 Conference, including but not limited to conversion to a format appropriate for delivery over the World Wide Web, definition of education objective, a post test

and an evaluation form for each segment in accordance with CFCE policies and the ACCME Essentials and Guidelines for Accreditation of Sponsors of Continuing Medical Education and Standards for Commercial Support and Enduring Materials attached as Exhibit B hereto.

- 1.6 "HealthStream" means HealthStream, Inc. and any Subsidiary of HealthStream, Inc.
- 1.7 "HealthStream Sites" means those HealthStream managed and hosted Internet sites that deliver educational and other content via the T.NAV(R). HealthStream Sites may be available via the World Wide Web or through a private Intranet.
- 1.8 "Internet" means the international network of computers and computer networks accessible by the public at large of which the World Wide Web is a subset.
- 1.9 "Intranet" means an internal network protected from unauthorized users by a firewall and accessible only by individuals within the organization serving the network.
- 1.10 "Launch Date" means the date on which the Educational Product becomes available to the public on the Internet, not to exceed ninety (90) days beyond January 20, 2000, the Melanoma 2000 Conference date.
- 1.11 "Licensor Content" means the information contained in Scripps' Melanoma 2000 Conference including, but not limited to text and images that are the proprietary property of Licensor that consist of CME in the modules listed in Exhibit A or in modules that Licensor develops during the Term as defined in Article 9 herein.
- 1.12 "Net Revenue" means gross revenue derived by HealthStream from Transactions Fees less discounts, refunds, and payments to distribution partners.
- 1.13 "Subsidiary" means a company in which, on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by another company, but only so long as such ownership or control exists.
- 1.14 "T.NAV(R)" means HealthStream's computer based training product that delivers and monitors World Wide Web based Content. T.NAV(R) is available in multiple configurations, each containing common core functionality with unique features applicable for a given application's distribution and access requirements, e.g. Internet eCommerce, Intranet, local area networks, etc. T.NAV(R) is a registered trademark of HealthStream. T.NAV(R) is also branded as Training Navigator(R), a trademark of HealthStream.
- 1.15 "Transactions" means those purchases of Educational Activities by customers on HealthStream Sites.
- 1.16 "Transaction Fees" means fees received by HealthStream for Transactions.

ARTICLE 2

LICENSE GRANTS

- 2.1 Subject to the payment of the consideration set forth in Article 3, Licensor grants to HealthStream worldwide license to deliver the Educational Product on the World Wide Web.
- 2.2 Upon notice from Licensor that an Educational Activity is no longer appropriate for use because, for example, it contains erroneous or outdated information, or in other ways is no longer appropriate for the awarding of CME credit, HealthStream shall cease to represent that the Educational Activity being so delivered is CME accredited. During the term of this agreement, Licensor shall restructure the Licensor Educational Activity for CME accreditation at its own expense or shall provide an equivalent number of CME hours of content at no expense to HealthStream. After this Agreement terminates, HealthStream may, at its option and expense,

seek to have Licensor update the Educational Activity. HealthStream may also seek permission from Licensor to continue to broadcast the Educational Activity without CME credit.

- 2.3 Licensor shall retain the ownership to all Educational Content, including but not limited to, text, images, and audio that have been copyrighted by Licensor under permissions and releases granted by the authors.
- 2.4 HealthStream shall retain the copyright to the Educational Activities it produces under this agreement.
- 2.5 Any and all rights not expressly granted by either of the parties to the other are reserved by the respective party claiming reservation of that right.

ARTICLE 3

PRICE AND PAYMENT

- 3.1 During the Term as defined in Article 9 herein, HealthStream shall pay to Licensor * of all Net Revenue derived from Transaction Fees.
- 3.2 HealthStream agrees to deliver quarterly sales statements that detail Net Revenue and payment according to the percentages outlined in this Article 3 to Licensor within thirty (30) days after the end of each calendar quarter. These quarterly reports shall indicate the total number of Transactions for which Licensor derives revenue. HealthStream shall submit quarterly reports even if no royalties or other amounts are due for such quarter. A monthly finance charge based on an annual rate of prime plus 2% will be assessed on all amounts that are paid later than thirty (30) days after the end of the last quarter.

ARTICLE 4

HEALTHSTREAM RESPONSIBILITIES TO LICENSOR

- 4.1 HealthStream will designate a project manager with sufficient experience and training to resolve issues related to the production, review and credentialing issues required by this project.
- 4.2 HealthStream will fund the costs to develop the Educational Product.
- 4.3 HealthStream will submit to Licensor a draft version of each Educational Activity it has converted to the Web for review and approval by Licensor. Licensor will have twenty (20) working days to conduct its reviews. Any approvals shall not be unreasonably withheld by Licensor.
- 4.4 HealthStream agrees to make all changes requested by Licensor in a timely manner.
- 4.5 HealthStream will incorporate into each Educational Activity:
- 4.5.1 an accreditation statement to be provided by Licensor;
 - 4.5.2 objectives to be created and provided by Licensor;
 - 4.5.3 faculty disclosure information about actual or potential conflicts of interest to be provided by Licensor;
 - 4.5.4 Educational Activity evaluation to be provided by Licensor;
and
 - 4.5.5 a post test to be provided by Licensor.
- 4.6 HealthStream shall be responsible for issuing to qualified physicians a document recognizing the attainment of CME credit. HealthStream shall develop a system to bar issuance of such documentation unless the participating physician has answered eighty percent (80%) of the post test questions correctly.

- 4.7 HealthStream shall maintain a database of all users of the Educational Activity and shall provide the following information quarterly to Licensor:
- 4.7.1 number of users of each Educational Activity;
 - 4.7.2 demographic information;
 - 4.7.3 names of physicians who were issued letters of CME accreditation for each Educational Activity; and
 - 4.7.4 results of evaluations.
- 4.8 HealthStream shall submit for Licensor approval the format and content of advertising, if any, so that Licensor can assure the requirements of ACCME Standards For Commercial Support are met. Licensor will have ten (10) working days to review and approve the format and content of such advertising.
- 4.9 HealthStream shall submit for Licensor approval all promotional activities related to this project. Licensor will have ten (10) working days to review and approve such promotional activities.

ARTICLE 5

LICENSOR RESPONSIBILITIES TO HEALTHSTREAM

- 5.1 Licensor will designate a project manager with sufficient experience and training to resolve issues related to the production, review and credentialing issues required by this project.
- 5.2 Licensor agrees to accredit each Educational Activity produced under this Agreement if, in its sole judgment, Licensor policies and the ACCME's Essentials and Guidelines for Accreditation of Sponsors Of Continuing Medical Education And Standards For Commercial Support and Enduring Materials substantially in the form as in Exhibit B hereto have been complied with in all material aspects.
- 5.3 Licensor agrees to provide initial accreditation for each Educational Activity for two (2) years, with one (1) year extensions possible as long as, in Licensor's judgment, the material is still current. At its sole discretion, in accordance with its responsibilities to the ACCME's Essentials and Guidelines for Accreditation of Sponsors Of Continuing Medical Education And Standards For Commercial Support and Enduring Materials as set forth in Exhibit B hereto, Licensor may determine at any time that one or more Educational Activity is no longer appropriate for CME accreditation. In the event the Center for Continuing Education finds one or more Educational Activities of this Educational Product no longer appropriate for CME accreditation, HealthStream agrees to withdraw the Educational Activities, in accordance with Article 2.2.
- 5.4 For each Educational Activity, Licensor shall provide a title, objectives, post test, and an evaluation form in a timely fashion.

ARTICLE 6

WARRANTIES AND INDEMNITIES

- 6.1. Licensor represents and warrants that:
- 6.1.1. Licensor Content does not infringe any copyright or patent enforceable under the laws of any country;
 - 6.1.2. Licensor Content does not violate the trade secret rights of any third party; and

- 6.1.3. Licensor Content represents the then existing reasonable standards of care.
- 6.2. Each party agrees to indemnify, hold harmless, and defend the other from any and all damages, costs, and expenses, including reasonable attorneys' fees, incurred in connection with a claim which constitutes a breach of the warranties set forth in Section 6.1 provided, the charged party is notified promptly in writing of a claim and has sole control over its defense or settlement, and the party not charged provides reasonable assistance in the defense of the same.
- 6.3. Licensor shall have no liability for any claim based on HealthStream's:
- 6.3.1. use or distribution of Licensor Content after Licensor's written notice that HealthStream should cease use or distribution of Licensor Content due to a claim, or
- 6.3.2. combination of Licensor Content with a non-Licensor program or data if such claim would have been avoided by the exclusive use of Licensor Content.
- 6.4. For all claims arising under Section 6.3, HealthStream agrees to indemnify and defend Licensor from and against all damages, costs, and expenses, including reasonable attorneys' fees. In the event Licensor notifies HealthStream that it should cease distribution of Licensor Content due to a claim, HealthStream may terminate this Agreement.

ARTICLE 7

INTELLECTUAL PROPERTY PROVISIONS

- 7.1. HealthStream will cause to appear on all marketing or promotional materials concerning the Licensor Content, Licensor's copyright, trademark, or patent notices.
- 7.2. The parties agree that ownership for any invention conceived or developed during the course of this Agreement shall vest in accordance with the patent rules governing inventorship.
- 7.3. To the extent that source code is written by either party title shall vest in the party who has written such code.
- 7.4. Each party is responsible for protecting, documenting, and maintaining its own intellectual property. Except as expressly set forth herein, this Agreement does not grant either party any proprietary rights of any type in the other party's materials, services or Content.
- 7.5. Both parties acknowledge that, except as otherwise provided herein, each party owns and retains all right, title and interest in and to its own Content provided to the other party.
- 7.6. HealthStream acknowledges that Licensor owns and retains all right, title and interest in and to Licensor Content and all Licensor's products and services arising from the performance of this Agreement.
- 7.7. Licensor acknowledges that HealthStream owns and retains all right, title and interest in and to T.NAV(R) Commerce, the T.NAV(R) Commerce source code, the T.NAV(R) Commerce object code, any derivatives of T.NAV(R) Commerce and the interface templates designed by HealthStream used to present and deliver the Licensor Content.

ARTICLE 8

PROHIBITION AGAINST ASSIGNMENT AND SUBLICENSE

This Agreement, and any rights or obligations hereunder, shall not be assigned or sublicensed (except as permitted in this Article 6) by either party. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to all of a party's assets or substantially all of a party's assets and shall inure to

the benefit of and be binding upon successors or purchasers of substantially all of either party's assets.

ARTICLE 9

TERM OF AGREEMENT

Provided this Agreement has been properly executed by an officer of Licensor and by an officer of HealthStream, the term of this Agreement shall run from the Launch Date until three (3) years after the Launch Date ("Term"), and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice to the non-terminating party.

ARTICLE 10

DEFAULT AND TERMINATION

- 10.1. The non-defaulting party may terminate this Agreement in its entirety if any of the following events of default occur:
- 10.1.1. if the defaulting party materially fails to perform or comply with this Agreement or any provision hereof;
 - 10.1.2. if the defaulting party fails to strictly comply with the provisions of Article 11, or makes an assignment in violation of Article 6;
 - 10.1.3. if a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors;
 - 10.1.4. if a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or
 - 10.1.5. if such a petition is filed by any third party, or an application for a receiver of a party is made by anyone and such petition or application is not resolved favorably or discharged to such party within ninety (90) days.
- 10.2. Termination due to a breach of Articles 8 or 13 shall be effective upon notice. In all other cases termination shall be effective sixty (60) days after notice of termination to the defaulting party if the defaults have not been cured within such sixty (60) day period. The rights and remedies of the parties provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

ARTICLE 11

OBLIGATIONS UPON TERMINATION

- 11.1. From and after termination or expiration of this Agreement, HealthStream shall not employ Licensor Content or portions thereof which is owned by Licensor, as part or portion of any product that HealthStream may use, sell, assign, lease, license, or transfer to third parties. Both parties shall cease and desist from all use of the other party's name(s) and associated trademark(s) and, upon request, deliver to the other party or its authorized representatives or destroy all material upon which those name(s) and the associated trademarks appear.
- 11.2. Articles 6, 7, 11, 12, 13, 14, 15, and Sections 16.2 through 16.6 shall survive termination or expiration of this Agreement.

ARTICLE 12

WARRANTIES, LIMITATION OF LIABILITY AND REMEDIES

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES. ANY AND ALL OTHER IMPLIED WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING THOSE FOR MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.), INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 13

NONDISCLOSURE AGREEMENT

- 13.1. HealthStream expressly undertakes to retain in confidence all information and know-how transmitted to HealthStream by Licensor that Licensor has identified as being proprietary and/or confidential or that, by the nature of the circumstances surrounding the disclosure, ought in good faith to be treated as proprietary and/or confidential, and will make no use of such information and know-how except under the terms and during the existence of this Agreement. HealthStream shall not disclose, disseminate or distribute any such confidential information or know how to any third party without Licensor's prior written consent. HealthStream agrees to use the same degree of care to protect Licensor confidential information as HealthStream takes to protect its own confidential information of like importance. However, HealthStream shall have no obligation to maintain the confidentiality of information that:
- 13.1.1. it received rightfully from another party prior to its receipt from Licensor;
 - 13.1.2. Licensor has disclosed to a third party without any obligation to maintain such information in confidence; or
 - 13.1.3. has been or is independently developed by HealthStream.
- 13.2. Further, HealthStream may disclose confidential information as required by governmental or judicial order, provided HealthStream gives Licensor prompt notice of such order and complies with any confidentiality or protective order (or equivalent) imposed on such disclosure. HealthStream shall treat the terms and conditions of this Agreement as confidential; however, HealthStream may disclose such information in confidence to its immediate legal and financial consultants as required in the ordinary course of HealthStream's business. HealthStream's obligation under this Article 12 shall extend to the earlier of such time as the information protected hereby is in the public domain through no fault of HealthStream or five (5) years following termination or expiration of this Agreement. HealthStream shall not disclose any information on Licensor's unannounced products to HealthStream's employees or any third party.
- 13.3. Licensor shall have the same obligations in Sections 11.1 and 11.2 above with respect to HealthStream's information and know-how.
- 13.4. Both parties shall prepare a mutually acceptable press release, if any, to announce this Agreement.

ARTICLE 14

AUDITS

- 14.1. During the term of this Agreement, the parties hereto agree to keep all usual and proper records and books of account and all usual and proper entries relating to Licensor Content licensed consistent with generally accepted accounting principles.
- 14.2. Licensor may cause an audit to be made of the applicable HealthStream records that pertain to this Agreement for the sole purpose of verifying royalty reports issued by HealthStream to Licensor and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by HealthStream (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthStream's offices and in such a manner as not to interfere with HealthStream's normal business activities. Any such audit shall occur no more than once per calendar year and within six (6) months of the end of the calendar year. Licensor shall pay for any such audit unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthStream agrees to pay Licensor the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). The auditor shall only disclose the correct data and amounts as called for on the royalty reports.
- 14.3. Any statement shall affect neither the right to examine and audit nor the right to receive an adjustment to the contrary, appearing on checks or otherwise, unless expressly agreed to in writing by the party having such right.
- 14.4. In the event that either party makes any claim with respect to an audit, upon the audited party's written request the party who has requested such audit will make available to the audited party the records and reports pertaining to such audit prepared by the independent auditor who performed such audit.

ARTICLE 15

NOTICES AND REQUESTS

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested, or sent by air express courier, charges prepaid; and addressed as follows:

LICENSOR: Scripps Clinic
 Roger Cornell, MD
 Vice President of Academic Affairs
 Drop GEN2
 Department of Academic Affairs
 10666 North Torrey Pines Rd.
 LaJolla, California 92037

HEALTHSTREAM: HealthStream, Inc.
 Robert H. Laird, Jr.
 General Counsel
 209 10th Avenue South
 Suite 450
 Nashville, Tennessee 37203

or to such other address as the party to receive the notice or request so designates by written notice to the other.

ARTICLE 16
GENERAL

- 16.1. This Agreement does not constitute an offer by HealthStream and it shall not be effective until signed by both parties. Upon execution by both parties, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and replaces and supplants all prior and contemporaneous communications. It shall not be modified except by a written agreement signed on behalf of Partner and HealthStream by their respective duly authorized representatives. Unless agreed to in a separate writing signed by both parties, any statement appearing as a restrictive endorsement on a check or other document which purports to modify a right, obligation or liability of either party shall be of no force and effect.
- 16.2. If either HealthStream or Partner employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party in any proceeding shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.
- 16.3. This Agreement, and the rights of the parties hereto, shall be governed by and construed in accordance with the laws of the State of Tennessee, without regard to such state's conflict of laws provisions.
- 16.4. Neither this Agreement, nor any terms and conditions contained herein, shall be construed as creating a partnership, joint venture or agency relationship or as granting a franchise as defined in 16 CFR Section 436.2(a). The price and payment described in Article 4 of this Agreement shall be construed as a royalty fee for the rights granted in Article 3 of this Agreement, and not as a franchise fee.
- 16.5. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 16.6. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.
- 16.7. The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.
- 16.8. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date. All signed copies of this Agreement shall be deemed originals.

/s/ R. Cornell

 Scripps Clinic
 Roger Cornell, MD
 Director of Academic Affairs

/s/ Robert A. Frist, Jr.

 HealthStream, Inc.
 Robert A. Frist, Jr.
 Chief Executive Officer

/s/ RCC

EXHIBIT A
EXISTING LICENSOR CONTENT

Melanoma 2000: 10th Annual Cutaneous Malignancy Update

Scripps and HealthStream
Page 10 of 11

EXHIBIT B
THE ACCME'S ESSENTIALS AND GUIDELINES
FOR ACCREDITATION OF SPONSORS OF CONTINUING MEDICAL EDUCATION
AND STANDARDS FOR COMMERCIAL SUPPORT AND ENDURING MATERIALS

We have omitted certain portions of this document and filed them separately with the Commission. These portions are marked with an asterisk (*).

JOINT MARKETING AND LICENSING AGREEMENT

This Joint Marketing and Licensing Agreement ("Agreement") is made by and between HealthStream, Inc., a Tennessee corporation having its principal place of business at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 ("HealthStream") and KnowledgeLinc, Inc. having its principal place of business at 1358 West 31st Street, Erie, Pennsylvania 16508-1416 ("Licensor").

BACKGROUND

WHEREAS, Licensor has developed and continues to develop a product known as KnowledgeLinc Content, Educational Courses providing continuing education credits to healthcare professionals;

WHEREAS, HealthStream has developed and marketed and continues to develop and market a computer-based education system known as the Training Navigator(TM) ("T.NAV(R)") that delivers and monitors World Wide Web based content;

WHEREAS, Licensor and HealthStream wish to enter into a cooperative effort to deploy Licensor's educational offerings utilizing HealthStream's T.NAV technology on the World Wide Web;

WHEREAS, HealthStream wishes to acquire a license and Licensor has agreed to grant a license to HealthStream for the delivery of the Continuing Education product, whether now existing or developed by Licensor during the term of this Agreement, by HealthStream's T.NAV;

WHEREAS, Licensor and HealthStream wish to provide appropriate consideration for those efforts that each party has agreed to undertake;

WHEREAS, Licensor and HealthStream each acknowledge the sufficiency and adequacy of the value, concessions, and recitations set forth herein;

NOW THEREFORE, Licensor and HealthStream agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of this Agreement, the terms below shall have the following meanings:

- 1.1. "Educational Product" means a self-contained lesson consisting of Licensor Courses, learning objectives, a posttest, and an evaluation. Each individual Course, when properly completed is eligible for CE credit.
- 1.2. "Effective Date" means September 13, 1999, the date on which both parties to this Agreement have executed same.
- 1.3. "HealthStream" means HealthStream, Inc. and any Subsidiary of HealthStream, Inc.
- 1.4. "Internet" means the international network of computers and computer networks accessible by the public at large of which the World Wide Web is a subset.
- 1.5. "KnowledgeLinc Courses" means Licensor Courses that are the proprietary property of Licensor.
- 1.6. "Licensing Fee" means a non-refundable advance on royalties paid by HealthStream to Licensor.
- 1.7. "Licensor" means KnowledgeLinc, Inc. and any affiliated entity of Licensor.
- 1.8. "Licensor Courses" means the information contained in healthcare library of KnowledgeLinc Content and its incorporated modules including, but not limited to text and images that are the proprietary property of Licensor in the modules listed in Exhibit A. Licensor Courses includes both KnowledgeLinc Courses and Third Party Courses.

- 1.9. "Net Revenue" means gross revenue derived by HealthStream from Transactions Fees less any discounts, refunds, or rebates to customers and any payments to distribution partners.
- 1.10. "Subsidiary" means a company in which, on a class-by-class basis, more than fifty percent (50%) of the stock entitled to vote for the election of directors is owned or controlled by another company, but only so long as such ownership or control exists.
- 1.11. "T.NAV(R)" is a branded trademark of HealthStream and is a computer based training product that delivers and monitors World Wide Web based Content.
- 1.12. "T.NAV(R) Commerce" means HealthStream's proprietary computer based training product that is a derivative product of T.NAV(R) with additional features added by HealthStream in its sole discretion and designated by HealthStream in its sole discretion as "T.NAV(R)v.x.x.c."
- 1.13. "Third Party Courses" means Licensor Courses that are the proprietary property of a third party to this agreement, including but not limited to professional trade associations from which Licensor has licensed.
- 1.14. "Transaction Fees" means fees received by HealthStream for healthcare related training courses based on Licensor Courses delivered over the Internet via the T.NAV(R).

ARTICLE 2

LICENSE GRANTS

- 2.1 Subject to the payment of the consideration set forth in Article 3, Licensor grants to HealthStream a non-exclusive worldwide license to deliver the Educational Product on the World Wide Web.
- 2.2 Upon notice from Licensor that Educational Product is no longer appropriate for use because, for example, it contains erroneous or outdated information, or in other ways is no longer appropriate for the awarding of CE credit, HealthStream shall cease to represent that the Educational Product being so delivered is CE accredited. During the term of this agreement, Licensor shall restructure the Educational Product for CE accreditation at its own expense or shall provide an equivalent number of CE hours of content at no expense to HealthStream. After this Agreement terminates, HealthStream may, at its option and expense, seek to have Licensor update the Educational Product. HealthStream may also seek permission from Licensor to continue to broadcast the Educational Product without CE credit.
- 2.3 Licensor shall retain the ownership to all Educational Product, including but not limited to, text, images, and audio that have been copyrighted by Licensor under permissions and releases granted by the authors.
- 2.4 Any and all rights not expressly granted by either of the parties to the other are reserved by the respective party claiming reservation of that right.

ARTICLE 3

PRICE AND PAYMENT

- 3.1. During the term of this Agreement, HealthStream shall pay to Licensor:
- 3.1.1. An * advance on royalties for each credit hour of Licensor Courses it licenses under this agreement, to be paid in three installments: one third (1/3) upon execution of the Agreement, one third (1/3) upon launch of the KnowledgeLinc courses, and one third (1/3) thirty (30) days after the launch. The total advance for current KnowledgeLinc courses is * provided HealthStream licenses all two hundred and fifty nine (259) hours which KnowledgeLinc has published on the Internet.

- 3.1.2. A royalty of * of all Net Revenue derived from Transaction Fees on Third-Party Courses; and
- 3.1.3. A royalty of * of all Net Revenue derived from Transaction Fees on KnowledgeLinc Courses.
- 3.2. HealthStream agrees to deliver monthly sales statements that detail Net Revenue and payment according to the percentages outlined in this Article 3 to Licensor within thirty (30) days after the end of each calendar quarter. These quarterly reports shall indicate the total number of Transactions for which Licensor derives revenue. HealthStream shall submit quarterly reports even if no royalties or other amounts are due for such month. A monthly finance charge based on an annual rate of prime plus 2% will be assessed on all amounts that are paid later than thirty (30) days after the end of the last quarter.

ARTICLE 4

HEALTHSTREAM RESPONSIBILITIES TO LICENSOR

- 4.1 HealthStream will designate a project manager with sufficient experience and training to resolve issues related to the production, review and credentialing issues required by this project.
- 4.2 HealthStream will submit to Licensor a draft paper based version of each Educational Product it has converted to the Web for review and approval by Licensor. Licensor will have twenty (20) working days to conduct its reviews. Any approvals shall not be unreasonably withheld by Licensor.
- 4.3 HealthStream agrees to make all changes requested by Licensor in a timely manner.
- 4.4 HealthStream will incorporate into each Educational Product:
 - 4.4.1 identifying logo or brand identifying KnowledgeLinc as the content provider;
 - 4.4.2 an accreditation statement to be provided by Licensor;
 - 4.4.3 objectives to be created and provided by Licensor;
 - 4.4.4 faculty disclosure information about actual or potential conflicts of interest to be provided by Licensor;
 - 4.4.5 Educational Product evaluation to be provided by Licensor; and
 - 4.4.6 a post test to be provided by Licensor.
- 4.5 HealthStream shall be responsible for issuing to qualified professionals a document recognizing the attainment of CE credit, except as required by the professional associations from whom Licensor derives Licensor Courses. HealthStream shall develop a system to bar issuance of such documentation unless the participating professional has answered seventy-five percent (75%) of the post test questions correctly. In the event any of these professional associations bars issuance of such documentation from HealthStream, Licensor and HealthStream shall devise a process by which HealthStream will communicate with the professional association so that it may provide written documentation from its offices to HealthStream users.
- 4.6 HealthStream shall maintain a database of all users of the Educational Product and shall provide the following information quarterly to Licensor:
 - 4.6.1 number of users of each Educational Product;
 - 4.6.2 demographic information;
 - 4.6.3 names of professionals who were issued letters of CE accreditation for each Educational Product; and

4.6.4 results of evaluations.

4.7 HealthStream shall submit for Licensor approval the format and content of advertising, if any, so that Licensor can assure the requirements of accrediting body guidelines are met. Licensor will have ten (10) working days to review and approve the format and content of such advertising.

ARTICLE 5

LICENSOR RESPONSIBILITIES TO HEALTHSTREAM

- 5.1 Licensor will designate a project manager with sufficient experience and training to resolve issues related to the production, review and credentialing issues required by this project.
- 5.2 Licensor agrees to accredit each Educational Product produced under this Agreement if, to the extent within its power and in its sole judgment, Licensor policies and the accrediting body guidelines have been complied with in all material aspects.
- 5.3 Licensor agrees to provide initial accreditation for each Educational Product for two (2) years, with one (1) year extensions possible as long as, in Licensor's judgment, the material is still current. At its sole discretion, in accordance with its responsibilities to the accrediting body guidelines, Licensor may determine at any time that one or more Educational Product is no longer appropriate for CE accreditation. In the event the Licensor finds one or more Educational Product no longer appropriate for CE accreditation, HealthStream agrees to withdraw the Educational Product, in accordance with Article 2.2.
- 5.4 For each Educational Product, Licensor shall provide a title, objectives, post test, and an evaluation form in a timely fashion.

ARTICLE 6

WARRANTIES AND INDEMNITIES

- 6.1. Licensor represents and warrants that to the best of its knowledge:
- 6.1.1. Licensor Courses does not infringe any copyright or patent enforceable under the laws of any country;
- 6.1.2. Licensor Courses does not violate the trade secret rights of any third party; and
- 6.1.3. Licensor Courses represents the then existing reasonable standards of care.
- 6.2. Each party agrees to indemnify, hold harmless, and defend the other from any and all damages, costs, and expenses, including reasonable attorneys' fees, incurred in connection with a claim which constitutes a breach of the warranties set forth in Section 6.1 provided, the charged party is notified promptly in writing of a claim and has sole control over its defense or settlement, and the party not charged provides reasonable assistance in the defense of the same.
- 6.3. Licensor shall have no liability for any claim based on HealthStream's:
- 6.3.1. use or distribution of Licensor Courses after Licensor's written notice that HealthStream should cease use or distribution of Licensor Courses due to a claim, or
- 6.3.2. combination of Licensor Courses with a non-Licensor program or data if such claim would have been avoided by the exclusive use of Licensor Courses.
- 6.4. For all claims arising under Section 6.3, HealthStream agrees to indemnify and defend Licensor

from and against all damages, costs, and expenses, including reasonable attorneys' fees. In the event Licensor notifies HealthStream that it should cease distribution of Licensor Courses due to a claim, HealthStream may terminate this Agreement.

ARTICLE 7

INTELLECTUAL PROPERTY PROVISIONS

- 7.1. HealthStream will cause to appear on all marketing or promotional materials concerning the Licensor Courses, Licensor's copyright, trademark, or patent notices.
- 7.2. The parties agree that ownership for any invention conceived or developed during the course of this Agreement shall vest in accordance with the patent rules governing inventorship.
- 7.3. To the extent that source code is written by either party title shall vest in the party who has written such code.
- 7.4. Each party is responsible for protecting, documenting, and maintaining its own intellectual property. Except as expressly set forth herein, this Agreement does not grant either party any proprietary rights of any type in the other party's materials, services or Content.
- 7.5. Both parties acknowledge that, except as otherwise provided herein, each party owns and retains all right, title and interest in and to its own Content provided to the other party.
- 7.6. HealthStream acknowledges that Licensor owns and retains all right, title and interest in and to Licensor Courses and all Licensor's products and services arising from the performance of this Agreement.
- 7.7. Licensor acknowledges that HealthStream owns and retains all right, title and interest in and to T.NAV Commerce, the T.NAV Commerce source code, the T.NAV Commerce object code, any derivatives of T.NAV Commerce and the interface templates designed by HealthStream used to present and deliver the Licensor Courses.

ARTICLE 8

PROHIBITION AGAINST ASSIGNMENT AND SUBLICENSE

This Agreement, and any rights or obligations hereunder, shall not be assigned or sublicensed (except as permitted in this Article 8 by either party). Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to all of a party's assets or substantially all of a party's assets and shall inure to the benefit of and be binding upon successors or purchasers of substantially all of either party's assets.

ARTICLE 9

TERM OF AGREEMENT

Provided this Agreement has been properly executed by an officer of Licensor and by an officer of HealthStream, the term of this Agreement ("Term") shall run from the Effective Date until two (2) year(s) after the Effective Date, and thereafter be automatically extended for additional one (1) year periods unless either party provides thirty (30) days written notice to the non-terminating party.

ARTICLE 10

DEFAULT AND TERMINATION

- 10.1. The non-defaulting party may terminate this Agreement in its entirety if any of the following events of default occur:
- 10.1.1. if the defaulting party materially fails to perform or comply with this Agreement or any provision hereof;
 - 10.1.2. if the defaulting party fails to strictly comply with the provisions of Article 13, or makes an assignment in violation of Article 8;
 - 10.1.3. if a party becomes insolvent or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors;
 - 10.1.4. if a petition under any foreign, state, or United States bankruptcy act, receivership statute, or the like, as they now exist, or as they may be amended, is filed by a party; or
 - 10.1.5. if such a petition is filed by any third party, or an application for a receiver of a party is made by anyone and such petition or application is not resolved favorably or discharged to such party within ninety (90) days.
- 10.2. Termination due to a breach of Articles 8 or 13 shall be effective upon notice. In all other cases termination shall be effective sixty (60) days after notice of termination to the defaulting party if the defaults have not been cured within such sixty (60) day period. The rights and remedies of the parties provided herein shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

ARTICLE 11

OBLIGATIONS UPON TERMINATION

- 11.1. From and after termination or expiration of this Agreement, HealthStream shall not employ Licensor Courses or portions thereof which is owned by Licensor, as part or portion of any product that HealthStream may use, sell, assign, lease, license, or transfer to third parties. Both parties shall cease and desist from all use of the other party's name(s) and associated trademark(s) and, upon request, deliver to the other party or its authorized representatives or destroy all material upon which those name(s) and the associated trademarks appear.
- 11.2. Articles 6, 7, 11, 12, 13, 14, 15, Section 16.1, and Article 17 shall survive termination or expiration of this Agreement.

ARTICLE 12

WARRANTIES, LIMITATION OF LIABILITY AND REMEDIES

EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY OTHER WARRANTIES. ANY AND ALL OTHER IMPLIED WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING THOSE FOR MERCHANTABILITY AND/OR FITNESS FOR A PARTICULAR PURPOSE, ARE EXPRESSLY EXCLUDED. NEITHER PARTY SHALL BE LIABLE FOR ANY CONSEQUENTIAL (INCLUDING WITHOUT LIMITATION LOST PROFITS, UNLIQUIDATED INVENTORY, ETC.),

INCIDENTAL, INDIRECT, ECONOMIC, OR PUNITIVE DAMAGES EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

ARTICLE 13

NONDISCLOSURE AGREEMENT

- 13.1. HealthStream expressly undertakes to retain in confidence all information and know-how transmitted to HealthStream by Licensor that Licensor has identified as being proprietary and/or confidential or that, by the nature of the circumstances surrounding the disclosure, ought in good faith to be treated as proprietary and/or confidential, and will make no use of such information and know-how except under the terms and during the existence of this Agreement. HealthStream shall not disclose, disseminate or distribute any such confidential information or know how to any third party without Licensor's prior written consent. HealthStream agrees to use the same degree of care to protect Licensor confidential information as HealthStream takes to protect its own confidential information of like importance. However, HealthStream shall have no obligation to maintain the confidentiality of information that:
- 13.1.1. it received rightfully from another party prior to its receipt from Licensor;
 - 13.1.2. Licensor has disclosed to a third party without any obligation to maintain such information in confidence; or
 - 13.1.3. has been or is independently developed by HealthStream.
- 13.2. Further, HealthStream may disclose confidential information as required by governmental or judicial order, provided HealthStream gives Licensor prompt notice of such order and complies with any confidentiality or protective order (or equivalent) imposed on such disclosure. HealthStream shall treat the terms and conditions of this Agreement as confidential; however, HealthStream may disclose such information in confidence to its immediate legal and financial consultants as required in the ordinary course of HealthStream's business. HealthStream's obligation under this Article 13 shall extend to the earlier of such time as the information protected hereby is in the public domain through no fault of HealthStream or five (5) years following termination or expiration of this Agreement. HealthStream shall not disclose any information on Licensor's unannounced products to HealthStream's employees or any third party.
- 13.3. Licensor shall have the same obligations in Sections 13.1 and 13.2 above with respect to HealthStream's information and know-how.
- 13.4. Both parties shall prepare a mutually acceptable press release, if any, to announce this Agreement.

ARTICLE 14

AUDITS

- 14.1. During the term of this Agreement, the parties hereto agree to keep all usual and proper records and books of account and all usual and proper entries relating to Licensor Courses licensed consistent with generally accepted accounting principles.
- 14.2. Licensor may cause an audit to be made of the applicable HealthStream records that pertain to this Agreement for the sole purpose of verifying royalty reports issued by HealthStream to

Licensors and prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit. Any such audit shall be conducted by an independent certified public accountant of national stature (e.g., Deloitte) selected by Licensor (other than on a contingent fee basis) and shall be conducted during regular business hours at HealthStream's offices and in such a manner as not to interfere with HealthStream's normal business activities. Any such audit shall occur no more than once per calendar year and within six (6) months of the end of the calendar year. Licensor shall pay for any such audit unless Material discrepancies are disclosed. "Material" shall mean the lesser of Five Thousand Dollars (US\$5,000.00) or five percent (5%) of the amount that should have been reported. If Material discrepancies are disclosed, HealthStream agrees to pay Licensor the costs associated with the audit not to exceed Five Thousand Dollars (US\$5,000.00). The auditor shall only disclose the correct data and amounts as called for on the royalty reports.

- 14.3. Any statement shall affect neither the right to examine and audit nor the right to receive an adjustment to the contrary, appearing on checks or otherwise, unless expressly agreed to in writing by the party having such right.
- 14.4. In the event that either party makes any claim with respect to an audit, upon the audited party's written request the party who has requested such audit will make available to the audited party the records and reports pertaining to such audit prepared by the independent auditor who performed such audit.

ARTICLE 15

NOTICES AND REQUESTS

All notices, authorizations, and requests in connection with this Agreement shall be deemed given on the day they are deposited in the U.S. mails, postage prepaid, certified or registered, return receipt requested, or sent by air express courier, charges prepaid; and addressed as follows:

LICENSOR: KnowledgeLinc, Inc.
Daniel Dubowski
1358 West 31st Street
Erie, Pennsylvania 16508-1416

HEALTHSTREAM: HealthStream, Inc.
Robert H. Laird, Jr.
General Counsel
209 10th Avenue South
Suite 450
Nashville, Tennessee 37203

or to such other address as the party to receive the notice or request so designates by written notice to the other.

ARTICLE 16

CONTROLLING LAW

- 16.1. This Agreement shall be construed and controlled by the laws of the State of Tennessee.
- 16.2. Neither this Agreement, nor any terms and conditions contained herein, shall be construed as creating a partnership, joint venture or agency relationship or as granting a franchise as defined in 16 CFR Section 436.2(a). The price and payment described in Article 3 of this Agreement shall be construed as a royalty fee for the rights granted in Article 2 of this Agreement, and not as a franchise fee.

ARTICLE 17

ATTORNEYS' FEES

If either HealthStream or Licensor employs attorneys to enforce any rights arising out of or relating to this Agreement, the prevailing party in any proceeding shall be entitled to recover its reasonable attorneys' fees, costs and other expenses.

ARTICLE 18

GENERAL

- 18.1. This Agreement does not constitute an offer by HealthStream and it shall not be effective until signed by both parties. Upon execution by both parties, this Agreement shall constitute the entire agreement between the parties with respect to the subject matter hereof and replaces and supplants all prior and contemporaneous. It shall not be modified except by a written agreement signed on behalf of Licensor and HealthStream by their respective duly authorized representatives. Unless agreed to in a separate writing signed by both parties, any statement appearing as a restrictive endorsement on a check or other document which purports to modify a right, obligation or liability of either party shall be of no force and effect.
- 18.2. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect. If this Agreement as it relates to any product(s) licensed hereunder shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable or if this Agreement is terminated as to particular product(s), this Agreement shall remain in full force and effect as to the remaining product(s).
- 18.3. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver shall be effective unless made in writing and signed by an authorized representative of the waiving party.
- 18.4. The Article headings used in this Agreement and the attached Exhibits are intended for convenience only and shall not be deemed to supersede or modify any provisions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in Section 1.5 above. All signed copies of this Agreement shall be deemed originals.

/s/ Daniel Dubowski

 KnowledgeLinc, Inc.
 Dan Dubowski
 President

/s/ Robert A. Frist, Jr.

 HealthStream, Inc.
 Robert Frist
 Chief Executive Officer

EXHIBIT A
LICENSOR COURSES

KnowledgeLinc and HealthStream
Page 10 of 10

HEALTHSTREAM, INC.
EMPLOYEE STOCK PURCHASE PLAN

ARTICLE I
INTRODUCTION

1.1 Establishment of Plan. HealthStream, Inc., a Tennessee corporation ("HealthStream") with its principal offices located in Nashville, Tennessee, adopts the following employee stock purchase plan for its eligible employees. This Plan shall be known as the HealthStream, Inc. Employee Stock Purchase Plan.

1.2 Purpose. The purpose of this Plan is to provide an opportunity for eligible employees of the Employer to become stockholders of HealthStream. It is believed that broad-based employee participation in the ownership of the business will help to achieve the unity of purpose conducive to the continued growth of the Employer and to the mutual benefit of its employees and shareholders.

1.3 Qualification. This Plan is intended to be an employee stock purchase plan which qualifies for favorable Federal income tax treatment under Section 423 of the Code and is intended to comply with the provisions thereof, including the requirement of Section 423(b)(5) of the Code that all Employees granted options to purchase Stock under the Plan have the same rights and privileges with respect to such options.

1.4 Rule 16b-3 Compliance. This Plan is intended to comply with Rule 16b-3 under the Securities Exchange Act of 1934, and should be interpreted in accordance therewith.

ARTICLE II
DEFINITIONS

As used herein, the following words and phrases shall have the meanings specified below:

2.1 Board of Directors. The Board of Directors of HealthStream.

2.2 Closing Market Price. The closing price of the Stock as reported in the NASDAQ National Market System on the date specified; or if no sales occurred on such day, at the mean between the closing "bid" and "asked" prices on such day; but if there should be any material alteration in the present system of reporting sales prices of such Stock, or if such Stock should no longer be listed on NASDAQ's National Market System, the market value of the Stock as of a particular date shall be determined in such a method as shall be specified by the Plan Administrator.

2.3 Code. The Internal Revenue Code of 1986, as amended from time to time.

2.4 Commencement Date. The first day of each Option Period. The first Commencement Date shall be March 30, 2000.

2.5 Contribution Account. As set forth in Article V, the account established on behalf of a Participant to which shall be credited the amount of the Participant's contribution.

2.6 Effective Date. March 14, 2000.

2.7 Employee. Each employee of an Employer except:

- (a) any employee whose customary employment is twenty (20) hours per week or less, or
- (b) any employee whose customary employment is for not more than five months in any calendar year.

2.8 Employer. HealthStream and any United States corporation which is a Subsidiary of HealthStream (except for a Subsidiary which by resolution of the Board of Directors is expressly not authorized to become a participating Employer). The term "Employer" shall include any corporation into which an Employer may be merged or consolidated or to which all or substantially all of its assets may be transferred, provided that the surviving or transferee corporation would qualify as a Subsidiary under Section 2.19 and such corporation does not affirmatively disavow this Plan.

2.9 Exercise Date. The last trading date of each Option Period on the NASDAQ National Market System.

2.10 Exercise Price. The price per share of the Stock to be charged to Participants at the Exercise Date, as determined in Section 6.3.

2.11 Five-Percent Shareholder. An Employee who, immediately after an option is granted to purchase Stock under this Plan, owns five percent (5%) or more of the total combined voting power or value of all classes of stock of an Employer. In determining this five percent test, shares of stock which the Employee may purchase under outstanding options, warrants or other convertible securities, as well as stock attributed to the Employee from members of his family or otherwise under Section 424(d) of the Code, shall be treated as stock owned by the Employee in the numerator, but treasury shares and shares of stock which may be issued under options, warrants or other convertible securities shall not be counted in the total of outstanding shares in the denominator.

2.12 Grant Date. The first trading date of each Option Period on the NASDAQ National Market System.

2.13 Option Period. Successive periods of twelve (12) months commencing on the first Commencement Date and on April 1 in each succeeding year.

2.14 Participant. Any Employee of an Employer who has met the conditions for eligibility as provided in Article IV and who has elected to participate in the Plan.

2.15 Plan. HealthStream, Inc. Employee Stock Purchase Plan.

2.16 Plan Administrator. The committee composed of one or more individuals to whom authority is delegated by the Board of Directors to administer the Plan.

2.17 Stock. Those shares of common stock of HealthStream which are reserved pursuant to Section 6.1 for issuance upon the exercise of options granted under this Plan.

2.18 Subsidiary. Any United States corporation (other than HealthStream) in an unbroken chain of corporations beginning with HealthStream if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty-one percent (51%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

ARTICLE III SHAREHOLDER APPROVAL

3.1 Shareholder Approval Required. This Plan must be approved by the shareholders of HealthStream within the period beginning twelve (12) months before and ending twelve (12) months after its adoption by the Board of Directors.

3.2 Shareholder Approval for Certain Amendments. Without the approval of the shareholders of HealthStream, no amendment to this Plan shall increase the number of shares reserved under the Plan, other than as provided in Section 10.3. Approval by shareholders must comply with applicable provisions of the corporate charter and bylaws of HealthStream and with Tennessee law prescribing the method and degree of shareholder approval required for issuance of corporate stock or options.

ARTICLE IV ELIGIBILITY AND PARTICIPATION

4.1 Conditions. Each Employee shall become eligible to become a Participant for each Option Period on its Commencement Date if such Employee has been employed by the Employer for a continuous period (as determined in accordance with Section 1.421-7(h)(2) of the Treasury Regulations as in effect on the Effective Date) at least thirty (30) days prior to the Commencement Date. No Employee who is a Five-Percent Shareholder shall be eligible to participate in the Plan. Notwithstanding anything to the contrary contained herein, no individual who is not an Employee shall be granted an option to purchase Stock under the Plan.

4.2 Application for Participation. Each Employee who becomes eligible to participate shall be furnished a summary of the Plan and an enrollment form. If such Employee elects to participate hereunder, Employee shall complete such form and file it with Employer no later than thirty (30) days prior to the next Commencement Date or, in the case of the first Commencement Date, no later than March 28, 2000. The completed enrollment form shall indicate the amount of Employee contribution authorized by the Employee. If no new enrollment form is filed by a Participant in advance of any Option Period after the initial Option Period, that Participant shall be deemed to have elected to continue to participate with the same contribution previously elected (subject to the limit of fifteen percent (15%) of base pay specified in Section 5.1). If any Employee does not elect to participate in any given Option Period, such Employee may elect to participate on any future Commencement Date so long as such Employee continues to meet the eligibility requirements.

4.3 Date of Participation. All Employees who elect to participate shall be enrolled in the Plan commencing with the first day of the Option Period following their submission of the enrollment form. Upon becoming a Participant, the Participant shall be bound by the terms of this Plan, including any amendments whenever made.

4.4 Acquisition or Creation of Subsidiary. If the stock of a corporation is acquired by HealthStream or another Employer so that the acquired corporation becomes a Subsidiary, or if a Subsidiary is created, the Subsidiary in either case shall automatically become an Employer and its Employees shall become eligible to participate in the Plan on the first Commencement Date after the acquisition or creation of the Subsidiary, as the case may be. In the case of an acquisition, credit shall be given to Employees of the acquired Subsidiary for service with such corporation prior to the acquisition for purposes of satisfying the requirement of Section 4.1 of thirty (30) days continuous employment. Notwithstanding the foregoing, the Board of Directors may by appropriate resolutions (i) provide that the acquired or newly created Subsidiary shall not be a participating Employer, (ii) specify that the acquired or newly created Subsidiary will become a participating Employer on a Commencement Date other than the first Commencement Date after the acquisition or creation, or (iii) attach any condition whatsoever (including denial of credit for prior service) to eligibility of the employees of the acquired or newly created Subsidiary, except to the extent such condition would not comply with Section 423 of the Code.

ARTICLE V CONTRIBUTION ACCOUNT

5.1 Employee Contributions. The enrollment form signed by each Participant shall authorize the Employer to deduct from the Participant's compensation an after-tax amount during each monthly payroll period not less than fifty dollars (\$50.00), nor more than an amount which is fifteen percent (15%) of the Participant's base pay on the Commencement Date. Base pay includes the Participant's wages and salary, but does not include overtime payments, sales commissions, incentive compensation, bonuses, expense reimbursements, fringe benefits and other special payments. Base pay is not reduced by the Participant's elective deferrals to a qualified plan under Section 401(k) of the Code, salary reduction contributions to a cafeteria plan under Section 125 of the Code, or elective deferrals to a nonqualified deferred compensation plan. The dollar amount deducted each payday shall be credited to the Participant's Contribution Account. Participant contributions will not be permitted to commence at any time during the Option Period other than on a Commencement Date. No interest will accrue on any contributions or on the balance in a Participant's Contribution Account.

5.2 Modification of Contribution Rate. No change shall be permitted in a Participant's amount of withholding except upon a Commencement Date, and then only if the Participant files a new enrollment form with the Employer at least thirty (30) days in advance of the Commencement Date designating the desired withholding rate. Notwithstanding the foregoing, a Participant may notify the Employer at any time that the Participant wishes to discontinue the Participant's contributions (except during the last fifteen (15) days of the Option Period). This notice shall be in writing and on such forms as provided by the Employer and shall become effective as of a date provided on the form not more than five (5) days following its receipt by the Employer. The Participant shall become eligible to recommence contributions on the next Commencement Date.

5.3 Withdrawal of Contributions. A Participant may elect to withdraw the balance of his Contribution Account at any time during the Option Period prior to the Exercise Date (except during the last fifteen (15) days of the Option Period). The option granted to a Participant shall be canceled upon his withdrawal of the balance in his Contribution Account. This election to withdraw must be in writing on such forms as may be provided by the Employer. If contributions are withdrawn in this manner, further contributions during that Option Period will be discontinued in the same manner as provided in Section 5.2, and the Participant shall become eligible to recommence contributions on the next Commencement Date.

5.4 Lump Sum Contributions. Subject to the limitations described in Section 5.5, a Participant who has not discontinued his contributions pursuant to Section 5.2 or elected to withdraw his contributions pursuant to Section 5.3 may make no more than one (1) lump sum contribution during each Option Period. These lump sum contributions shall be paid by check by the Participant, delivered at least fifteen (15) days prior to the Exercise Date, and shall be credited to the Participant's Contribution Account.

5.5 Limitations on Contributions. During each Option Period, the total contributions by a Participant to his Contribution Account (including both contributions by payroll deduction pursuant to Section 5.1 and lump sum contributions pursuant to Section 5.4) shall not exceed fifteen percent (15%) of the Participant's base pay for the Option Period. If a Participant's total contributions should exceed this limit, the excess shall be returned to the Participant after the end of the Option Period, without interest.

ARTICLE VI ISSUANCE AND EXERCISE OF OPTIONS

6.1 Reserved Shares of Stock. HealthStream shall reserve one million (1,000,000) shares of Stock for issuance upon exercise of the options granted under this Plan.

6.2 Issuance of Options. On the Grant Date each Participant shall be granted an option to purchase Stock with the number of shares and Exercise Price determined as provided in this Article VI, subject to the maximum limit specified in Section 6.6(a) and (b). All such options shall be automatically exercised on the following Exercise Date, except for options which are canceled when a Participant withdraws the balance of his Contribution Account or which are otherwise terminated under the provisions of this Plan.

6.3 Determination of Exercise Price. The Exercise Price of the options granted under this Plan for any Option Period shall be the lesser of:

- (a) eighty-five percent (85%) of the Closing Market Price of the Stock on the Exercise Date;
- (b) eighty-five percent (85%) of the Closing Market Price of the Stock on the Grant Date.

6.4 Purchase of Stock. On an Exercise Date, all options shall be automatically exercised, except that the options of a Participant who has terminated employment pursuant to Section 7.1 or who has withdrawn all his contribution shall expire. The Contribution Account of each Participant shall be used to

purchase the maximum number of whole shares of Stock determined by dividing the Exercise Price into the balance of the Participant's Contribution Account. Any money remaining in a Participant's Contribution Account representing a fractional share shall remain in his Contribution Account to be used in the next Option Period along with new contributions in the next Option Period; provided, however, that if the Participant does not enroll for the next Option Period, the balance remaining shall be returned to such Participant in cash.

6.5 Terms of Options. Options granted under this Plan shall be subject to such amendment or modification as the Employer shall deem necessary to comply with any applicable law or regulation, including but not limited to Section 423 of the Code, and shall contain such other provisions as the Employer shall from time to time approve and deem necessary; provided, however, that any such provisions shall comply with Section 423 of the Code.

6.6 Limitations on Options. The options granted hereunder are subject to the following limitations:

- (a) The maximum number of shares of Stock which may be purchased by any Participant on an Exercise Date shall be 2,500 shares. This maximum number of shares shall be adjusted upon the occurrence of an event described in Section 10.3.
- (b) No Participant shall be permitted to accrue the right to purchase during any calendar year Stock under this Plan (and any other plan of the Employer or Subsidiary which is qualified under Section 423 of the Code) having a market value in excess of \$25,000 (as determined on the Grant Date for the Option Period during which each such share of Stock is purchased) as provided in Section 423(b)(8) of the Code.
- (c) No option may be granted to a Participant if the Participant immediately after the option is granted would be a Five-Percent Shareholder.
- (d) No Participant may assign, transfer or otherwise alienate any options granted to him under this Plan, otherwise than by will or the laws of descent and distribution, and such options may be exercised during the Participant's lifetime only by the Participant.

6.7 Pro-Rata Reduction of Optioned Stock. If the total number of shares of Stock to be purchased under option by all Participants on an Exercise Date exceeds the number of shares of Stock remaining authorized for issuance under Section 6.1, a pro-rata allocation of the shares of Stock available for issuance will be made among Participants in proportion to their respective Contribution Account balances on the Exercise Date, and any money remaining in the Contribution Accounts shall be returned to the Participants.

6.8 State Securities Laws. Notwithstanding anything to the contrary contained herein, HealthStream shall not be obligated to issue shares of Stock to any Participant if to do so would violate any State securities law applicable to the sale of Stock to such Participant. In the event that HealthStream refrains from issuing shares of Stock to any Participant in reliance on this Section, HealthStream shall return to such Participant the amount in such Participant's Contribution Account that would otherwise have been applied to the purchase of Stock.

ARTICLE VII
TERMINATION OF PARTICIPATION

7.1 Termination of Employment. Any Employee whose employment with the Employer is terminated during the Option Period prior to the Exercise Date for any reason except death, disability or retirement at or after age 65 shall cease being a Participant immediately. The balance of that Participant's Contribution Account shall be paid to such Participant as soon as practical after his termination. The option granted to such Participant shall be null and void.

7.2 Death. If a Participant should die while employed by the Employer, no further contributions on behalf of the deceased Participant shall be made. The legal representative of the deceased Participant may elect to withdraw the balance in said Participant's Contribution Account by notifying the Employer in writing prior to the Exercise Date in the Option Period during which the Participant died. In the event no election to withdraw is made prior to the Exercise Date, the balance accumulated in the deceased Participant's Contribution Account shall be used to purchase shares of Stock in accordance with Section 6.4. Any money remaining which is insufficient to purchase a whole share shall be paid to the legal representative.

7.3 Retirement. If a Participant shall retire from the employment of the Employer at or after attaining age 65, no further contributions on behalf of the retired Participant shall be made. The Participant may elect to withdraw the balance in his Contribution Account by notifying the Employer in writing prior to the Exercise Date in the Option Period during which the Participant retired. In the event no election to withdraw is made prior to the Exercise Date, the balance accumulated in the retired Participant's Contribution Account shall be used to purchase shares of Stock in accordance with Section 6.4. Any money remaining which is insufficient to purchase a whole share shall be paid to the retired Participant.

7.4 Disability. If a Participant should terminate employment with the Employer on account of disability, as determined by reference to the definition of "disability" in the Employer's long-term disability plan, no further contributions on behalf of the disabled Participant shall be made. The Participant may elect to withdraw the balance in his Contribution Account by notifying the Employer in writing prior to the Exercise Date in the Option Period during which the Participant became disabled. In the event no election to withdraw is made prior to the Exercise Date, the balance accumulated in the disabled Participant's Contribution Account shall be used to purchase shares of Stock in accordance with Section 6.4. Any money remaining which is insufficient to purchase a whole share shall be paid to the disabled Participant.

ARTICLE VIII
OWNERSHIP OF STOCK

8.1 Stock Certificates. Certificates for Stock purchased through the exercise of the options granted hereunder shall be issued as soon as practical after the Exercise Date. Certificates may be issued at the request of the Participant (i) in the name of the Participant, (ii) jointly in the name of the Participant and a member of the Participant's family, (iii) in trust to a trustee, (iv) to the Participant as custodian for the Participant's child under the Gift to Minors Act, or (v) to the legal representative of a deceased Participant.

8.2 Premature Sale of Stock. If a Participant (or former Participant) sells or otherwise disposes of any shares of Stock obtained under this Plan

- (a) prior to two (2) years after the Grant Date of the option under which such shares were obtained; or
- (b) prior to one (1) year after the Exercise Date on which such shares were obtained,

that Participant (or former Participant) must notify the Employer immediately in writing concerning such disposition.

8.3 Restrictions on Sale. The Plan Administrator may, in its sole discretion, place restrictions on the sale or transfer of shares of Stock purchased under the Plan during any Option Period by notice to all Participants of the nature of such restrictions given in advance of the Commencement Date of such Option Period. The restrictions may prevent the sale, transfer or other disposition of any shares of Stock purchased during the Option Period for a period of up to two years from the Grant Date, subject to such exceptions as the Plan Administrator may determine (e.g., termination of employment with the Employer). Certificates issued pursuant to Section 8.1 for restricted shares shall contain an appropriate legend disclosing the nature and duration of the restriction. Any such restrictions determined by the Plan Administrator shall be applicable equally to all shares of Stock purchased during the Option Period for which the restrictions are first applicable and to all shares of Stock purchased during subsequent Option Periods unless otherwise determined by the Plan Administrator. If the Plan Administrator should change or eliminate the restrictions for a subsequent Option Period, notice of such action shall be given to all Participants.

8.4 Transfer of Ownership. A Participant who purchases shares of Stock under this Plan shall be transferred at such time substantially all of the rights of ownership of such shares of Stock in accordance with Section 1.421-1(f) of the Treasury Regulations as in effect on the Effective Date. Such rights of ownership shall include the right to vote, the right to receive declared dividends, the right to share in the assets of the Employer in the event of liquidation, the right to inspect the Employer's books and the right to pledge or sell such Stock subject to the restrictions in the Plan.

ARTICLE IX
ADMINISTRATION AND AMENDMENT

9.1 Administration. The Plan Administrator shall (i) administer the Plan, (ii) keep records of the Contribution Account balance of each Participant, (iii) interpret the Plan, (iv) determine all questions arising as to eligibility to participate, amount of contributions permitted, determination of the Exercise Price, and all other matters of administration, and (v) determine whether to place restrictions on the sale and transfer of Stock and the nature of such restrictions, as provided in Section 8.3. The Plan Administrator shall have such duties, powers and discretionary authority as may be necessary to discharge the foregoing duties, and may delegate any or all of the foregoing duties to any individual or individuals (including officers or other Employees who are Participants). The Board of Directors shall have the right at any time and without notice to remove or replace any individual or committee of individuals serving as Plan Administrator. All determinations by the Plan Administrator shall be conclusive and binding on all persons. Any rules, regulations, or procedures that may be necessary for the proper administration or functioning of this Plan that are not covered in this Plan document shall be promulgated and adopted by the Plan Administrator.

9.2 Amendment. The Board of Directors may at any time amend the Plan in any respect, including termination of the Plan, without notice to Participants. If the Plan is terminated, all options outstanding at the time of termination shall become null and void and the balance in each Participant's Contribution Account shall be paid to that Participant. Notwithstanding the foregoing, no amendment of the Plan as described in Section 3.2 shall become effective until and unless such amendment is approved by the shareholders of HealthStream.

ARTICLE X
MISCELLANEOUS

10.1 Expenses. The Employer will pay all expenses of administering this Plan that may arise in connection with the Plan.

10.2 No Contract of Employment. Nothing in this Plan shall be construed to constitute a contract of employment between an Employer and any Employee or to be an inducement for the employment of any Employee. Nothing contained in this Plan shall be deemed to give any Employee the right to be retained in the service of an Employer or to interfere with the right of an Employer to discharge any Employee at any time, with or without cause, regardless of the effect which such discharge may have upon him as a Participant of the Plan.

10.3 Adjustment Upon Changes in Stock. The aggregate number of shares of Stock reserved for purchase under the Plan as provided in Section 6.1, and the calculation of the Exercise Price as provided in Section 6.3, shall be adjusted by the Plan Administrator (subject to direction by the Board of Directors) in an equitable manner to reflect changes in the capitalization of HealthStream, including, but not limited to, such changes as result from merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, combination of shares, exchange of shares and change in corporate structure. If any adjustment under this Section 10.3 would create a fractional share of Stock or a right to acquire a fractional share of Stock, such fractional share shall be disregarded and the number of shares

available under the Plan and the number of shares covered under any options granted pursuant to the Plan shall be the next lower number of shares, rounding all fractions downward.

10.4 Employer's Rights. The rights and powers of any Employer shall not be affected in any way by its participation in this Plan, including but not limited to the right or power of any Employer to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

10.5 Limit on Liability. No liability whatever shall attach to or be incurred by any past, present or future shareholders, officers or directors, as such, of HealthStream or any Employer, under or by reason of any of the terms, conditions or agreements contained in this Plan or implied therefore, and any and all liabilities of any and all rights and claims against HealthStream, an Employer, or any shareholder, officer or director as such, whether arising at common law or in equity or created by statute or constitution or otherwise, pertaining to this Plan, are hereby expressly waived and released by every Participant as a part of the consideration for any benefits under this plan; provided, however, no waiver shall occur, solely by reason of this Section 10.5, of any right which is not susceptible to advance waiver under applicable law.

10.6 Gender and Number. For the purposes of the Plan, unless the contrary is clearly indicated, the use of the masculine gender shall include the feminine, and the singular number shall include the plural and vice versa.

10.7 Governing Law. The validity, construction, interpretation, administration and effect of this Plan, and any rules or regulations promulgated hereunder, including all rights or privileges of any Participants hereunder, shall be governed exclusively by and in accordance with the laws of the State of Tennessee, except that the Plan shall be construed to the maximum extent possible to comply with Section 423 of the Code and the Treasury regulations promulgated thereunder.

10.8 Severability. If any provision of this Plan is held by a court to be unenforceable or is deemed invalid for any reason, then such provision shall be deemed inapplicable and omitted, but all other provisions of this Plan shall be deemed valid and enforceable to the full extent possible under applicable law.

IN WITNESS WHEREOF, the Employer has adopted this Plan effective March 14, 2000.

Date: March 16, 2000

HEALTHSTREAM, INC.

Vice President and Corporate Secretary

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of (1) our report dated January 22, 2000, except for Note 12, as to which the date is March __, 2000, with respect to the financial statements of HealthStream, Inc., and (2) our report dated September 17, 1999, with respect to the financial statements of SilverPlatter Education, Inc., in Amendment No. 3 to the Registration Statement (Form S-1 No. 333-88939) and related Prospectus of HealthStream, Inc. for the registration of 5.75 million shares of its common stock.

ERNST & YOUNG LLP

Nashville, Tennessee
March __, 2000

The foregoing consent is in the form that will be signed upon the completion of the stock split and the increase in the number of shares of common stock and preferred stock authorized described in Note 12 to the financial statements.

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
March 27, 2000

CONSENT OF LANE GORMAN TRUBITT, L.L.P.

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated January 14, 2000, with respect to the financial statements of MultiMedia Marketing, Inc. d/b/a m3 The Healthcare Learning Company included in the Registration Statement (Form S-1 No. 333-8839) of HealthStream, Inc. for the registration of its common stock.

/s/ Lane Gorman Trubitt, L.L.P.

Dallas, Texas
March 27, 2000