

## COMPENSATION COMMITTEE CHARTER

### Purpose

The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of HealthStream, Inc. (the “Company”) is to enable the Company to attract and retain high quality leadership and to assure that the executive officers and directors of the Company are compensated in a manner consistent with the compensation policies adopted by the Committee, internal equity considerations, competitive practice, the requirements of the appropriate regulatory bodies and to generally support organizational and shareholder interests.

### Powers and Duties

The Committee shall have the responsibility to oversee the Company’s overall compensation structure and strategy. In carrying out its responsibility, the Committee shall have the following duties:

- Review and approve annually the Company’s compensation policies to ensure that management is rewarded appropriately for its contributions to Company growth and profitability.
- Review and approve annually the executive compensation strategy of the Company to ensure it supports organization objectives and shareholder interests.
- Review and approve annually the Company’s incentive compensation arrangements to confirm that incentive pay arrangements do not encourage unnecessary risk-taking and report the results thereof to the Board and approve incentive compensation awards made to executive officers.
- Review and approve annually the corporate goals and objectives relevant to the chief executive officer of the Company, evaluate the chief executive officer’s performance in light of these goals and objectives, and set the chief executive officer’s compensation (including the individual elements of total compensation) based on this evaluation. The chief executive officer cannot be present during voting or deliberations by the Committee on his or her compensation.
- Review and approve annually the compensation for all other executive officers (as that term is defined in Rule 3b-7 of the Exchange Act of 1934, as amended), other officers that report directly to the chief executive officer and such other employees as are identified by the Committee in a resolution (referred to collectively herein as “executive officers”) of the Company other than the chief executive officer
- Review and approve the Company’s equity plans and equity plan awards made to executive officers.
- Approve, subject, where appropriate, to submission to shareholders, all new equity-related incentive plans for executive officers.

- Oversee and/or participate in the preparation of the Compensation Discussion and Analysis included in the Company's proxy statement describing the factors and criteria on which the chief executive officer and executive officers' compensation for the last year was based.
- Produce an annual report on the Committee's compensation policies and executive compensation for inclusion in the Company's proxy statement.
- Review and approve compensation for the Board and committees of the Board and fix the terms and awards of any equity compensation for members of the Board.
- Review the Company's bonus, option and incentive plans and employee benefit programs and approve changes subject, where appropriate, to shareholder or Board approvals.
- Review and make recommendations to the Board regarding the amendment or approval of any policies of the Company regarding the recoupment of incentive compensation, including the Company's Amended and Restated Compensation Recoupment Policy (as such policy may be amended from time to time), and oversee and administer any such policies.
- Review and assess the adequacy of the Committee Charter at least annually and recommend any changes to the Board.
- Have full access to the Company's books, records, directors, employees, counsel, consultants, advisors, executives and personnel as necessary to carry out its responsibilities.
- Such other duties and responsibilities as may be assigned to the Committee, from time to time as documented in written minutes of the Board, by the Board of the Company and/or the Chair of the Board, or as designated in plan documents.

### **Composition of Committee**

The Committee shall be comprised of not less than three Board members, designated by the Board, including a Committee Chair, each of whom shall be "independent" within the meaning of the listing standards set forth by The Nasdaq Stock Market, Inc. ("Nasdaq") and shall not accept, directly or indirectly, any consulting, advisory or other compensation fees from the Company or a subsidiary of the Company. For purposes of the foregoing, compensatory fees shall not include such fees and amounts that are permitted to be excluded by the rules of Nasdaq. In determining whether a director is eligible to serve on the Committee, the Board shall also consider whether the director is affiliated with the Company, a subsidiary of the Company, or an affiliate of a subsidiary of the Company to determine whether such affiliation would impair the director's judgment as a member of the Committee. Members of the Committee shall be appointed annually by the Board. The Board shall approve a Chair of the Committee.

## **Meetings**

The Committee shall meet at least annually and more frequently as necessary or appropriate, including teleconferences when appropriate. Only Committee members and invited advisors shall be present at any meeting at which the Committee determines the compensation of the chief executive officer of the Company or other executive officers of the Company; provided that the chief executive officer may be present during the Committee's deliberation with respect to all other executive officers, but may not vote. Special meetings of the Committee may be called on one day notice by the Chair of the Board or the Committee Chair. A majority of the Committee shall constitute a quorum, and the Committee shall act only on the affirmative vote of a majority of the members present at the meeting. Attendance by the Chair of the Board and by other members of management will be at the invitation of the Committee Chair. The Committee shall maintain minutes of all meetings documenting its activities and recommendations to the Board.

## **Consultants, Legal Counsel and Other Advisers**

The Committee shall have the responsibility and authority, in its sole discretion, to retain, or obtain the advice of, a compensation consultant, legal counsel, or other adviser (a "Consultant") and shall be directly responsible for the appointment, compensation, and oversight of the work of any such Consultant retained by the Committee. The Company will provide appropriate funding, as determined by the Committee, for payment of reasonable compensation to any Consultant or administrative support retained by the Committee.

The Committee may select or receive advice from any Consultant that it prefers, including Consultants that are not independent; provided, however, that prior to selecting or receiving advice from a Consultant (other than in-house legal counsel), and annually thereafter, the Committee shall take into consideration the following factors (as well as any other factors that may be required under the rules of Nasdaq or the Securities and Exchange Commission): (i) the provision of other services to the Company by the person that employs the Consultant; (ii) the amount of fees received from the Company by the person that employs the Consultant, as a percentage of the total revenue of the person that employs the Consultant; (iii) the policies and procedures of the person that employs the Consultant that are designed to prevent conflicts of interest; (iv) any business or personal relationship of the Consultant with a member of the Committee; (v) any stock of the Company owned by the Consultant; and (vi) any business or personal relationship of the Consultant or the person employing the Consultant with an executive officer of the Company. The Committee need not conduct the foregoing assessment for a Consultant acting in a role limited to those activities for which such assessment is not required under the rules of Nasdaq.