AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 13, 1999
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

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

TENNESSEE	8299	62-1443555
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

HEALTHSTREAM, INC.	ROBERT A. FRIST, JR.
209 10th Avenue South, Suite 450	209 10th Avenue South, Suite 450
Nashville, Tennessee 37203	Nashville, Tennessee 37203
(615) 301-3100	(615) 301-3100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

J. PAGE DAVIDSON, ESQ.	KRIS F. HEINZELMAN, ESQ.
Bass, Berry & Sims PLC	Cravath, Swaine & Moore
2700 First American Center	Worldwide Plaza
Nashville, Tennessee 37238	825 Eighth Avenue
(615) 742-6200	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. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
Common Stock, no par value.....	$57,500,000	$15,985

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act. The proposed maximum aggregate offering price includes amounts attributable to shares that may be purchased by the Underwriters to cover over-allotments, if any.

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.

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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 OCTOBER 13, 1999

HEALTHSTREAM LOGO

HEALTHSTREAM, INC.

SHARES

COMMON STOCK

We are offering shares of our common stock. This is our initial public offering and no public market currently exists for our shares. We intend to make application for approval for quotation of our common stock on the Nasdaq National Market under the symbol "HSTM." We anticipate that the initial public offering price will be between $ and $ 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 shares of common stock to cover over-allotments. BancBoston Robertson Stephens Inc. expects to deliver the shares of common stock to purchasers on , 1999.

ROBERTSON STEPHENS
CIBC WORLD MARKETS
J.C. BRADFORD & CO.

E*OFFERING

THE DATE OF THIS PROSPECTUS IS , 1999.

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 , 1999, 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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"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.

OUR BUSINESS

We are pioneering a comprehensive Web-based solution to the continuing education and training needs of the healthcare community utilizing our proprietary technology. Through strategic relationships with our content partners, including Vanderbilt University Medical Center, Duke University Medical Center, The Cleveland Clinic Foundation and Challenger Corporation, we have amassed over 1,000 hours of continuing education and training content throughout a range of medical specialities. We currently distribute over 675 hours of this continuing education and training content to doctors, nurses, allied health professionals and other healthcare workers through our network of strategic distribution partners, which includes GE Medical Systems, Medsite.com, IDX.com, PhyCor and HealthGate. This network of distribution partners reaches more than 400 health Web sites, 2,000 hospitals and clinics and 400,000 healthcare professionals. We are developing and implementing a comprehensive set of online administrative and management tools which we will host on an application service provider, or ASP, basis and which will enable healthcare administrators to configure, assess and manage training for employees in their organizations.

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

THE MARKET OPPORTUNITY

The healthcare industry spends over $6.0 billion annually on continuing education and training. According to a recent study, healthcare workers receive more training than workers in any other industry, with approximately 82% of all healthcare workers receiving some kind of continuing education or work-related training every year. The continuing education and training market in the healthcare industry is highly fragmented, with thousands of providers offering a limited selection of programs on specific topics. Healthcare professionals historically 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 have historically fulfilled their education and training needs through instructor-led programs from external vendors or internal training departments.

Although these existing approaches satisfy continuing education and training requirements, they are limited in a number of ways. Seminars and instructor-led training may be inconvenient and costly to attend and may result in lost productivity. Continuing education and training 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. In addition, 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. These inefficiencies, 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. The emergence of the Internet enables the delivery of a greater breadth and depth of continuing education and training programs to healthcare professionals and other healthcare workers more cost effectively and conveniently than by traditional methods.

OUR SERVICES

Most healthcare professionals are individually responsible for meeting their continuing education requirements, and we enable them to meet their requirements by obtaining credit through the use of our online courseware. Healthcare organizations are responsible for providing both government mandated and internally required training to their employees. We are developing an online solution that enables

healthcare organizations to provide, assess and manage the training process through an ASP-type approach, which we refer to as our learning service provider, or LSP, model. Our hosted LSP service is scalable, which enables healthcare organizations to monitor and administer the continuing education and training needs of large and geographically dispersed employee bases.

We believe our services will provide a comprehensive Web-based continuing education and training solution for our end users, distribution partners and content partners.

- We offer healthcare professionals and other healthcare workers a cost-effective, convenient, efficient and easy to use one-stop shop for meeting their continuing education and training needs.

- We will enable healthcare organizations to configure, assess and track continuing education and training for their employees on a cost-effective basis.

- We offer our distribution partners one of the largest online libraries of continuing education and training content from premier healthcare organizations and a predictable source of online traffic due to the recurring nature of regulated continuing education and training requirements.

- We offer our content partners one of the largest online distribution channels targeted to the healthcare industry and our experience in producing interactive materials for the healthcare industry.

OUR GROWTH STRATEGY

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

- Expand and enhance our online continuing education and training library.

- Develop strategic distribution relationships with Web sites that target healthcare professionals and with healthcare organizations.

- Implement a focused branding strategy targeted to healthcare professionals, healthcare organizations and potential content and distribution partners.

- Use our hosted LSP model to provide healthcare organizations with Web-based access to our continuing education and training services.

- Leverage the attractive demographics of our end users and the quality of our content to develop additional revenue opportunities from e-commerce offerings, data mining and sponsorship.

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.....	shares
Common stock to be outstanding after the offering.....	shares, or shares if the underwriters exercise their over-allotment option in full. These shares do not include shares reserved for issuance pursuant to options or warrants we may issue in the future or 1,706,111 shares subject to warrants and outstanding options issued pursuant to our stock option plans.
Use of proceeds.....	For general corporate purposes, including working capital, sales and marketing expenses and possible acquisitions. See "Use of Proceeds."
Proposed Nasdaq National Market symbol.....	HSTM

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 123,900 shares of our series B preferred stock;

- reflects the conversion of each outstanding share of our series A and B preferred stock into 2.3148 shares of our common stock upon completion of this offering;

- reflects the conversion of each outstanding share of our series C preferred stock into 1.3298 shares of our common stock upon completion of this offering; and

- assumes no exercise of the underwriters' over-allotment option.

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

The following table is a summary of the financial data for our business. You should read this information together with the financial statements and the related notes appearing at the end of this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The pro forma condensed statements of operations data assume the acquisition of SilverPlatter Education, Inc., subsequent issuances of our common stock and series B and C preferred stock, the conversion of series A, B and C preferred stock into our common stock, the conversion of notes payable-related party into series B preferred stock and conversion of the series B preferred stock into our common stock and the issuance of our common stock in this offering as described in "Use of Proceeds" as if each of such transactions had occurred as of January 1, 1998.

The pro forma balance sheet data assume the acquisition of SilverPlatter Education, Inc., subsequent issuances of our common stock and series B and C preferred stock, the conversion of series A, B and C preferred stock into our common stock, the conversion of notes payable-related party into series B preferred stock and conversion of the series B preferred stock into our common stock, and the issuance of our common stock in this offering as described in "Use of Proceeds" as if each of such transactions had occurred as of June 30, 1999.

	YEAR ENDED DECEMBER 31,				SIX MONTHS ENDED JUNE 30,		
	1996	1997	1998	PRO FORMA AS ADJUSTED 1998	1998	1999	PRO FORMA AS ADJUSTED 1999
				(UNAUDITED)		(UNAUDITED)	
STATEMENT OF OPERATIONS DATA:							
Revenues	$ 556	$1,268	$ 1,716	$	$ 830	$ 1,113	$
Loss from operations	(736)	(771)	(1,261)		(506)	(1,374)	
Net loss	(779)	(960)	(1,590)		(647)	(1,478)	
Basic and diluted loss per share	(0.47)	(0.55)	(0.90)		(0.37)	(0.77)	
Weighted average shares used in the calculation of basic and diluted loss per share	1,659	1,760	1,760		1,760	1,923	

	DECEMBER 31, 1998	JUNE 30, 1999	
	ACTUAL	ACTUAL	PRO FORMA AS ADJUSTED
		(UNAUDITED)	
BALANCE SHEET DATA:			
Cash and cash equivalents	$ 51	$3,967	$
Working capital (deficit)	(2,854)	2,254	
Total assets	1,153	5,297	
Long-term debt and capital leases, net of current portion	32	64	
Shareholders' equity (deficit)	(2,285)	2,973	

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.

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 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;
- respond effectively to competitive and technological developments; and
- further develop our infrastructure, including additional hardware and software, customer support, personnel and facilities, to support our business.

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 continuing education and training 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. We cannot assure you that the healthcare community will accept online continuing education and training as a replacement for, or alternative to, traditional sources of continuing education and training. Market acceptance of online continuing education and training depends upon continued growth in the use of the Internet generally and, in particular, as a source of continuing education and training services. If the market for online continuing education and training fails to develop, develops more slowly than expected or becomes saturated with competitors, or 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 nearly doubled between December 31, 1998 and September 30, 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 our potential growth is not adequately managed, 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 publishers and authors who provide continuing education and training content for our library and our ability to build new relationships with other content partners. Many of our agreements with publishers and authors are non-exclusive, and our competitors offer, or could offer, continuing education and training 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, 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.

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 continuing education and training 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. This might include outages and delays resulting from the "Year 2000" problem. See "-- The Year 2000 problem may adversely affect our business" for a more complete discussion of this risk. 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.

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 of companies that complement or enhance our business. We may not be able to identify, complete or realize the anticipated results of future acquisitions. Some of the risks that we may encounter in implementing our acquisition growth strategy include:

- expenses 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;

- impact on our financial condition due to the timing of the acquisition; and

- expenses of any undisclosed or potential legal liabilities of the acquired company.

If realized, any of these risks could cause our business to grow more slowly or suffer financial difficulty.

FINANCIAL RISKS

OUR STOCK PRICE MAY FALL IF OUR PERFORMANCE DOES NOT MEET ANALYSTS' OR INVESTORS' EXPECTATIONS.

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 revenues and earnings may vary substantially. However, the actual effect of these factors on the price of our stock 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 1998, we had a pro forma net loss of approximately $1.8 million and, during the first six months of 1999, we had a pro forma net loss of approximately $1.6 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 proceeds of this offering 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; or

- respond to competitive pressures.

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 continuing education and training 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 continuing education and training 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, 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

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 long-term 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. In addition, although we do not currently have a full-time chief financial officer, we are in the process of recruiting for this position as well as for additional accounting support personnel. We cannot assure you as to when we will engage a chief financial officer or additional accounting support personnel.

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. If we cannot integrate newly-hired employees into our business, we will not be able to effectively manage our growth. In addition, our inability to 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. 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 are in the process of obtaining assurances from our suppliers that the products and services they are supplying 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.

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 continuing education and training 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.

The stock market has recently experienced extreme price and volume fluctuations. In addition, the market prices of securities of technology companies, particularly Internet-related companies, have been extremely volatile, and have experienced fluctuations that have often been unrelated to or disproportionate to the operating performance of these companies. These broad market fluctuations, especially in the industry in which we operate, are beyond our control. 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 % OF OUR COMMON STOCK AFTER THIS OFFERING.

After this offering, executive officers, directors and holders of 5% or more of our outstanding common stock will, in the aggregate, beneficially own % 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.

OUR COMMON STOCK HAS NO PRIOR MARKET AND WE CANNOT ASSURE YOU THAT OUR STOCK PRICE WILL NOT DECLINE AFTER THE OFFERING.

Before this offering, there has not been a public market for our common stock and, following the offering, the trading market price of our common stock may decline below the initial public offering price. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. In addition, an active public market for our common stock may not develop or be sustained after this offering.

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

The 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 $ per share in the pro forma net tangible book value of the common stock from the initial public offering price. 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 , OR %, 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. After this offering, we will have outstanding shares of common stock. The 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. Of the remaining shares of common stock outstanding after this offering, shares will be eligible for sale in the public market beginning 181 days after the date of this prospectus. The remaining shares will become available at various times thereafter upon the expiration of one-year holding periods. 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 additional shares of our common stock after this offering for issuance under our equity plans.

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 shares of common stock in this offering will be approximately $ million, assuming an initial public offering price of $ per share and after deducting the underwriting discounts and commissions and estimated offering expenses. If the underwriters' over-allotment option is exercised in full, we estimate that the net proceeds will be approximately $ million.

We plan to use the net proceeds of this offering for general corporate purposes, including for working capital and sales and marketing initiatives. We may use a portion of the net proceeds to acquire or invest in complementary businesses, technologies, services or products. As of the date of this prospectus, 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 June 30, 1999:

- on an actual basis;
- on a pro forma basis to reflect (1) the issuance of 26,596 shares of common stock for the acquisition of SilverPlatter Education, Inc. in July 1999; (2) the issuance of 225,000 shares of common stock upon the exercise of options and 2,500 shares of common stock for services provided by an outside consultant; and (3) the issuance of 582,550 shares of series B preferred stock and 627,406 shares of series C preferred stock; and
- on a pro forma as adjusted basis to give further effect to (1) the conversion of $1,293,000 of notes payable-related party into 129,300 shares of series B preferred stock; (2) the conversion of all outstanding shares of preferred stock into 3,580,373 shares of common stock effective upon completion of this offering; and (3) the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share and the application of the net proceeds after deducting underwriting discounts and commissions and estimated offering expenses.

	AS OF JUNE 30, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
	(IN THOUSANDS, EXCEPT SHARE DATA)		
Cash and cash equivalents	$ 3,967	$15,261	$
Notes payable-related parties, long-term debt-related party and capital lease obligations	$ 1,714	$ 1,464	$
Shareholders' equity:			
Common stock, no par value; 20,000,000 shares authorized; issued and outstanding: 1,991,647 shares, actual, 2,245,743 shares pro forma and shares pro forma as adjusted	$ 3,057	$ 3,501	$
Preferred stock, no par value; 5,000,000 shares authorized	--	--	--
Series A convertible preferred stock, issued and outstanding: 76,000 shares actual, 76,000 shares pro forma and 0 shares pro forma as adjusted	760	760	
Series B convertible preferred stock, issued and outstanding: 527,750 shares actual, 1,110,301 shares pro forma and 0 shares pro forma as adjusted	5,128	10,953	
Series C convertible preferred stock, issued and outstanding: 0 shares actual, 627,406 shares pro forma and 0 shares pro forma as adjusted	--	6,274	
Accumulated deficit	(5,972)	(5,972)	
Total shareholders' equity	2,973	15,516	
Total capitalization	$ 4,687	$16,980	$

This table excludes the following shares:

- 915,616 shares of common stock issuable upon the exercise of outstanding stock options with a weighted average exercise price of $2.04 per share;
- 3,084,084 additional shares reserved for issuance under our stock option plan;
- 132,450 shares of common stock issuable upon the exercise of a warrant issued to GE Medical Systems in connection with our entering into a development and distribution agreement with them; and
- 221,300 shares of series B preferred stock in the aggregate issuable upon the exercise of an option issued to each investor in our series A and B preferred stock pursuant to the terms of their respective purchase agreements.

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 June 30, 1999, our pro forma net tangible book value after giving effect to the acquisition of SilverPlatter Education, Inc. and the issuance of our common stock and our convertible preferred stock in transactions subsequent to June 30, 1999 was a deficit of approximately $ million, or a deficit of $ 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 June 30, 1999. After giving effect to the conversion of notes payable-related party into series B preferred stock, the conversion of all shares of our preferred stock into our common stock and the sale of the shares of common stock offered in this offering, and after deducting the underwriting discounts and commissions and estimated offering expenses payable, our pro forma net tangible book value as of June 30, 1999 would have been $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value to existing shareholders of $ per share and an immediate dilution of $ per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....		$
Pro forma net tangible book value per share at June 30, 1999.....	$	
Increase per share attributable to new investors.....		
Pro forma net tangible book value per share after this offering.....		
Dilution per share to new investors.....		$

The following table summarizes, on a pro forma basis as adjusted as of June 30, 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 (1) existing shareholders, (2) shareholders converting the series A, B and C preferred stock into common stock and (3) new investors purchasing shares in this offering at an assumed initial offering price of $ per share, and before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	SHARES OF COMMON STOCK PURCHASED OR CONVERTED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing shareholders.....	3,389,210	%	$ 8,705,666	%	$ 2.57
Converting preferred shareholders.....					
New investors.....					
Total.....		100%	$	100%	

The foregoing table assumes no exercise of the underwriters' over-allotment option or shares underlying outstanding options or warrants. As of June 30, 1999, there were options and warrants outstanding to purchase 1,560,331 shares of common stock at a weighted average exercise price of $3.25 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, 1998 and the balance sheet data at December 31, 1996, 1997 and 1998, 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, 1995 and the balance sheet data at December 31, 1994 and 1995 are derived from unaudited financial statements that are not included in this prospectus. The statement of operations data for the six months ended June 30, 1998 and 1999 and the balance sheet data at June 30, 1998 and 1999 are unaudited. In the opinion of management, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited interim results when read in connection with the audited financial statements and notes to those statements. Operating results for the six months ended June 30, 1999 are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 1999. In July 1999, we acquired SilverPlatter Education, Inc. Please refer to the pro forma financial statements and the audited financial statements of SilverPlatter Education, Inc. included elsewhere in this prospectus.

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1994	1995	1996	1997	1998	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
STATEMENT OF OPERATIONS DATA:							
Revenues	$ 159	$ 91	$ 556	$1,268	$ 1,716	$ 830	$ 1,113
Operating costs and expenses:							
Cost of revenue	161	204	475	870	1,057	578	791
Product development	76	144	142	294	443	183	765
Selling, general and administrative expenses	204	510	675	875	1,477	575	931
Total operating costs and expenses	441	858	1,292	2,039	2,977	1,336	2,487
Loss from operations	(282)	(767)	(736)	(771)	(1,261)	(506)	(1,374)
Other income (expense)	(7)	(44)	(43)	(189)	(329)	(141)	(104)
Net loss	$ (289)	$ (811)	$ (779)	$ (960)	$(1,590)	$ (647)	$(1,478)
Net loss per share -- basic and diluted	$(0.95)	$(0.99)	$(0.47)	$(0.55)	$ (0.90)	$(0.37)	$ (0.77)
Weighted average shares of common stock outstanding	303	821	1,659	1,760	1,760	1,760	1,923

	AT DECEMBER 31,					AT JUNE 30,	
	1994	1995	1996	1997	1998	1998	1999
	(IN THOUSANDS)						
BALANCE SHEET DATA:							
Cash and cash equivalents	$ 62	$ 17	$ 29	$ 84	$ 51	$ 23	$ 3,967
Working capital (deficit)	(203)	(165)	(604)	(1,708)	(2,854)	(2,399)	2,254
Total assets	184	418	540	948	1,153	812	5,297
Long-term debt and capital leases, net of current portion	--	76	57	36	32	37	64
Shareholders' equity (deficit)	(96)	103	(276)	(1,236)	(2,285)	(1,883)	2,973

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

The following discussion of our financial condition and 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 Training Navigator software, 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. In March 1999, we launched our online continuing education and training service, which uses T.NAV to deliver content over the Internet on a transaction fee basis. In July 1999, we acquired selected assets, assumed certain liabilities and hired all of the employees of SilverPlatter Education, Inc., which owned a series of multimedia CME titles and operated Web sites which marketed these products and provided other information to physicians.

Revenues from T.NAV software license fees are recognized when the software is delivered. Upgrade, maintenance and technical support revenues is 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.

Historically, we have marketed T.NAV directly or licensed it to resellers to re-brand and distribute under their private label. These resellers pay us a percentage of net revenues on a monthly or quarterly basis recognized from the distribution of T.NAV.

Currently, we generate revenues from delivery of our content over the Internet on a transaction fee basis when healthcare professionals 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-enabled format.

We plan to generate revenues by marketing our Web-based services to healthcare workers through healthcare organizations. 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 LSP 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 LSP 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 LSP 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.

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 derived primarily from online services to healthcare professionals and healthcare organizations.

Cost of Revenue. Cost of revenue 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 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. The primary component of other income is interest income related to interest earned on cash and cash equivalents.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Revenues. Revenues increased 34.1% from $830,000 for the six months ended June 30, 1998 to $1,113,000 for the six months ended June 30, 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 production capacity due to an increase in the size of our production staff.

Cost of Revenue. Cost of revenue increased 36.9% from $578,000 for the six months ended June 30, 1998 to $791,000 for the six months ended June 30, 1999. The increase is primarily attributable to increased volume of business. As a percentage of revenues, cost of revenue decreased from 69.6% for the six months ended June 30, 1998 to 71.1% for the six months ended June 30, 1999.

Product Development. Product development expenses increased 318.0% from $183,000 for the six months ended June 30, 1998 to $765,000 for the six months ended June 30, 1999. The increase was primarily attributable to increased hiring of production staff and the issuance of a warrant to purchase shares of our common stock to GE Medical Systems in connection with entering into an agreement pursuant to which GE Medical Systems will distribute some of our continuing education and training content. We recognized product development expense of $258,000 upon issuance of the warrant. As a percentage of revenues, product development expenses increased from 22.0% for the six months ended June 30, 1998 to 68.7% for the six months ended June 30, 1999. The increase as a percentage of revenues was due to significant upfront product development expenses incurred to implement our online service,

including salaries and employee benefits associated with increased content conversion and development of new releases of our software and the issuance of the warrant to GE Medical Systems. We anticipate significant additional product development expenses in future periods due to salaries and employee benefits associated with increased content conversion and development of online administrative tools for our LSP model.

Selling, General and Administrative. Selling, general and administrative expenses increased 61.9% from $575,000 for the six months ended June 30, 1998 to $931,000 for the six months ended June 30, 1999. As a percentage of revenues, selling, general and administrative expenses increased from 69.3% for the six months ended June 30, 1998 to 83.6% for the six months ended June 30, 1999. The increase was primarily due to increased personnel costs associated with new employees and other employee compensation expenses and an increase in advertising and marketing expenditures, professional service fees, and facility expenses. 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.

Other Income/Expense. Other expense decreased 26.2% from $141,000 for the six months ended June 30, 1998 to $104,000 for the six months ended June 30, 1999. The decrease was primarily due to a conversion by a related party of $1,250,000 of indebtedness into shares of series B preferred stock, which was partially offset by an increase in interest expense on capital leases. In addition, other income increased from $1,000 for the six months ended June 30, 1998 to $35,000 for the six months ended June 30, 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 128.4% from $647,000 for the six months ended June 30, 1998 to $1,478,000 for the six months ended June 30, 1999 due to the factors described above.

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

Revenues. Revenues increased 35.3% from $1,268,000 in 1997 to $1,716,000 in 1998. The increase in revenues was driven in part by $166,000 in revenues realized from the distribution of our T.NAV software through a newly added reseller. Revenues also increased due to increased production capacity and increased sales efforts.

Cost of Revenue. Cost of revenue increased 21.5% from $870,000 in 1997 to $1,057,000 in 1998. The increase was primarily attributable to increased volume of business. As a percentage of revenues, cost of revenue 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 50.7% 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 conversion of educational and training content to a Web-enabled format as well as from the addition of production and technology personnel.

Selling, General and Administrative. Selling, general and administrative expenses increased 68.8% from $875,000 in 1997 to $1,477,000 in 1998. As a percentage of revenues, selling, general and administrative expenses increased from 69.0% in 1997 to 86.1% in 1998. The increase was primarily due to an expansion of our sales force, client services staff and senior management and related recruitment fees and increased marketing, branding campaigns and support cost.

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 65.6% from $960,000 in 1997 to $1,590,000 in 1998 due to the factors described above.

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Revenues. Revenues increased 128.1% from $556,000 in 1996 to $1,268,000 in 1997. The increase in revenues was driven primarily by increased production capacity through an increase in personnel from 25 employees at the end of 1996 to 41 employees at the end of 1997. We also began to realize revenues from sales of our T.NAV system in 1997.

Cost of Revenue. Cost of revenue increased 83.2% from $475,000 in 1996 to $870,000 in 1997. The increase was primarily attributable to increased volume of business. As a percentage of revenues, cost of revenue decreased from 85.4% in 1996 to 68.6% in 1997. The decrease as a percentage of revenues was primarily due to an increase in the proportion of development work performed in-house and an increase in the efficiencies in our development process.

Product Development. Product development expenses increased 107.0% from $142,000 in 1996 to $294,000 in 1997. The increase in costs was primarily due to increased variable expenses associated with the development of multimedia content as well as from additional production and technology personnel. As a percentage of revenues, product development decreased from 25.5% in 1996 to 23.2% in 1997.

Selling, General and Administrative. Selling, general, and administrative expenses increased 29.6% from $675,000 in 1996 to $875,000 in 1997. The increase was primarily due to an expansion of our sales force, client services staff and senior management and related recruitment fees and increased marketing campaigns and support cost. As a percentage of revenues, selling, general and administrative expenses decreased from 121.4% in 1996 to 69.0% in 1997. The decrease as a percentage of revenues was attributable to slower growth of our sales force than the growth of our customer base.

Other Income/Expense. Other expense increased 339.5% from $43,000 in 1996 to $189,000 in 1997. The increase was primarily attributable to increased interest expense due to additional related party loans incurred to fund operations

Net Loss. Net loss increased 23.2% from $779,000 in 1996 to $960,000 in 1997 due to the factors set forth above.

LIQUIDITY AND CAPITAL RESOURCES

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

Our current ratio at December 31, 1997, 1998 and June 30, 1999 was 0.2 to 1, 0.2 to 1 and 2.0 to 1, respectively.

Net cash used in operating activities was $705,000, $872,000 and $1.2 million for the years ended December 31, 1996, 1997 and 1998, respectively. Net cash used in operating activities for the six months ended June 30, 1999 was $1.1 million. Cash used in operating activities from January 1, 1996 through June 30, 1999 was attributable to funding net operating losses and increases in accounts receivable and prepaid expenses, which were partially offset by increases in deferred revenues, accrued liabilities and accounts payable.

Net cash used in investing activities was $113,000, $240,000 and $209,000 for the years ended December 31, 1996, 1997 and 1998, respectively. Net cash used in investing activities for the six months ended June 30, 1999 was $175,000. Cash used in investing activities was for the purchase of property and equipment.

Cash provided by financing activities was $831,000, $1.2 million and $1.4 million for the years ended December 31, 1996, 1997 and 1998, respectively. For the six months ended June 30, 1999, cash provided by financing activities was $5.2 million and was attributable to the issuance of $5.5 million of preferred stock. As of June 30, 1999, our primary source of liquidity was $4.0 million of cash and cash equivalents. As of this date, we had no bank credit facility.

On August 23, 1999 we called the remainder of the commitments made pursuant to a round of equity financing completed in April and May 1999. The total amount raised under the remainder of these commitments was approximately $5.0 million. Holders of series A preferred stock and series B preferred stock were also granted an option to purchase an aggregate of 221,300 shares of our series B preferred stock, which expires on October 15, 1999.

We raised an additional $6.3 million in connection with the sale of an aggregate of 627,406 shares of our series C preferred stock in August and September 1999.

In July and August 1999, a related party exercised options to purchase an aggregate of 225,000 shares of common stock for $225,000.

As of September 30, 1999, we had approximately $14.0 million in cash.

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 and 10.5%. 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 completion of this offering. Mr. Frist has indicated to us his intent to convert the note into shares of series B preferred stock.

We expect to incur significantly higher costs, particularly content creation costs and sales and marketing costs, to grow our business. For 1999, we expect total marketing costs, and related capital expenditures, to be approximately $729,000, $273,000 of which had been expended through June 30, 1999.

We believe that the net proceeds from this offering, together with current cash and cash equivalents and any cash generated from operations, 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 had no effect on our 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

Many currently installed computer systems and software products are coded to accept only two-digit entries in the date code field and cannot reliably distinguish dates falling on or after January 1, 2000 from earlier dates. Many software and computer systems used by businesses and governmental agencies may need to be upgraded or replaced in order to correctly process dates beginning in 2000 and comply with Year 2000 requirements.

We are conducting a comprehensive review of both information technology and non-information systems to ensure that they are, or prior to the end of 1999 will be, 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 includes 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 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 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.

To date, we have spent approximately $90,000 on Year 2000 compliance issues and expect to incur approximately an additional $30,000 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 expect to identify and resolve by October 15, 1999 all Year 2000 problems that could harm our business, financial condition or operating results. We cannot assure you, however, that we will achieve full Year 2000 compliance before the end of 1999. A failure of our computer systems or the failure of our suppliers or customers to effectively upgrade their software and systems for transition to the Year 2000 could harm our business, financial condition and results of operations. In addition, we cannot be certain that governmental agencies, utility companies, Internet access companies, third-party service providers and others outside of our control will be Year 2000 compliant. The failure by these entities to be Year 2000 compliant could result in a systemic failure beyond our control, such as a prolonged Internet, telecommunications or electrical failure, that could prevent us from delivering our services to our customers, decrease the use of the Internet or prevent users from accessing our services, any of which could have a material adverse effect on our business, financial condition and results of operations.

We completed an acquisition during 1999 and are finalizing the integration of the systems of the acquired business into our operations. Those systems are included in our Year 2000 review. For any other acquisitions that we may complete prior to the end of 1999, we will evaluate the extent of the Year 2000 problems associated with the potential acquisitions and the cost and timing of remediation. This work will be done as part of the due diligence process as well as post-acquisition integration. We cannot assure you, however, that the systems of any acquired business will be Year 2000 compliant when we acquire them or will be capable of timely remediation.

As discussed above, we are engaged in an ongoing Year 2000 assessment. We have taken the results of our assessment into account in determining the nature and extent of our contingency plans. We have established a contingency plan to remedy issues for a key element of our production system. If the planned remediation is not successful by November 15, 1999 we will execute our contingency plan. This plan will involve outsourcing the service and could be implemented within a reasonable time frame.

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, 1998, we had solely fixed 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, 1998 and June 30, 1999, the fair value of our total fixed rate debt was estimated to be $2.9 million and $171,000, respectively, 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 $279,000 and $2,200, respectively. The amount was determined by considering the effect of the hypothetical interest rate decrease on our borrowing cost at December 31, 1998 and June 30, 1999 borrowing levels.

Subsequent to December 31, 1998, we converted approximately $1.5 million of the notes payable -- related party to equity. We converted the interest rate payable on the remaining note payable from a fixed

interest rate to a variable interest rate. At June 30, 1999, the fair value of our total variable debt was estimated to be $1.5 million, which approximated carrying value based on our current incremental borrowing rates for similar types of borrowing arrangements. At this borrowing level, a hypothetical 10% adverse change in interest rates on the variable rate debt would increase interest expense and increase net loss by approximately $85,000. The amount was determined by considering the impact of the hypothetical interest rate increase on our borrowing cost at the June 30, 1999 borrowing level.

At June 30, 1999, we had $4.0 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 $18,000.

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 comprehensive Web-based solution to the continuing education and training needs of the healthcare community utilizing our proprietary technology. Continuing education and training for healthcare workers is often mandated by federal, state and professional licensing agencies. We currently provide one of the largest online libraries of continuing education and training content for doctors, nurses, allied health professionals and other healthcare workers through our network of distribution partners, which reaches more than 400 health Web sites, 2,000 hospitals and clinics and 400,000 healthcare professionals. We are developing and implementing a comprehensive set of online administrative and management tools which we will host on an ASP basis and which 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 that our comprehensive online solution will result in lower costs and enhanced access in comparison to traditional continuing education and training, provide a superior user experience in terms of convenience and breadth of content, increase distribution opportunities for providers of content and improve the efficiency of licensing content for distributors.

Through strategic relationships with our content partners, including Vanderbilt University Medical Center, Duke University Medical Center, The Cleveland Clinic Foundation and Challenger Corporation, we have amassed over 1,000 hours of continuing education and training content throughout a range of medical specialities. We currently distribute over 675 hours of this continuing education and training content to healthcare professionals and other healthcare workers through our network of strategic distribution partners, which includes GE Medical Systems, Medsite.com, IDX.com, PhyCor and HealthGate. We plan to leverage our existing relationships with premier healthcare institutions and our position as a neutral content provider to extend our position as a leading aggregator of continuing education and training content for the healthcare industry.

We launched our online continuing education and training 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 education management system that serves as the application for our online continuing education and training 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 continuing education and training content and the reach of our distribution partnerships positions us to be a leading provider of comprehensive Web-based solutions to the continuing education and training 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. To keep abreast of the latest developments and to meet licensing and certification requirements, healthcare professionals must obtain continuing education. In addition, 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. 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 600,000 active physicians, 2.3 million nurses, 5.0 million allied healthcare professionals and 2.4 million non-clinical healthcare workers. The healthcare industry spends over $6.0 billion annually on continuing education and training, including over $3.0 billion

on continuing medical education, or CME, for physicians and continuing education units, or CEU, for nurses. According to a recent study, healthcare workers receive more training than workers in any other industry, with approximately 82% of all healthcare workers receiving some kind of continuing education or work-related training every year.

Regulations administered by various state and Federal agencies require continuing education and training for healthcare professionals and other healthcare workers. Continuing education and training typically consist 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 physicians and selected healthcare professionals to fulfill continuing education and training requirements and to certify annually that they have accumulated a minimum number of CME or CEU hours to maintain their licenses. For physicians, these licensing boards require up to 50 CME hours 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 the Occupational Safety and Health Administration, or OSHA, the Healthcare Financing Administration, or HCFA, 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.

The continuing education and training market in the healthcare industry is highly fragmented, with thousands of providers offering a limited selection of programs on specific topics. 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 extremely 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 continuing education and training 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.

- Continuing education and training 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.

- 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 continuing education and training, 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 Internet users in the U.S. will increase from approximately 80.8 million in 1999 to approximately 177 million by the end of 2003. Increasingly, the Internet is being used for electronic commerce between businesses. Forrester Research, Inc. estimates that the volume of electronic commerce among businesses over the Web in the U.S. will increase from $109 billion in 1999 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 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 bandwith 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 50% 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 continuing education and training 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 continuing education and training 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 comprehensive Web-based solution to the continuing education and training needs of the healthcare community utilizing our proprietary technology. We bring authors and publishers of continuing education and training content, including both commercial publishers and educational institutions, together with end users, which include healthcare professionals, other healthcare workers and healthcare organizations, through our network of distribution partners, including health Web sites, healthcare equipment vendors and healthcare providers. We are also developing a comprehensive set of

online administrative and management tools, based on our existing installed software products, which we will host on an ASP basis and which 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 a comprehensive online continuing education and training solution for our end users, distribution partners and content partners.

Value to End Users

Comprehensive Continuing Education and Training Offerings. We offer healthcare professionals and other healthcare workers a centralized location to satisfy their continuing education and training needs. We provide one of the largest online libraries of continuing education and training 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 and Challenger Corporation.

Cost-Effective Continuing Education and Training. We believe our online solution will reduce the cost of meeting continuing education and training 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 continuing education and training. Our end users pay for our services on a per transaction and/or subscription basis, eliminating the need for substantial up-front expenditures.

Convenient Access and Compelling User Experience. We offer healthcare professionals and other healthcare workers a convenient, efficient and easy to use system. Our online service allows our end users the freedom to utilize our services when it is convenient for them. Users of our service have immediate access to a broad selection of continuing education and training programs and instantaneous and targeted feedback from anywhere there is an Internet connection, any time, day or night. 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. In addition, upon completion 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.

Convenient and Cost-Effective Access to and Administration of Education and Training Services for Healthcare Providers. We will offer organizations which employ healthcare workers the ability to provide access to high quality content on a cost-effective basis as a means of providing for the continuing education and training needs of their employees. Currently, these organizations often pay for the cost of meeting continuing education and training requirements. Our services allow these organizations to contribute to and enhance the content provided through our service and to configure training to meet the specific needs of different groups of employees. In addition, we plan to provide administrators with the ability to track compliance with certification requirements and measure the effectiveness and results of training.

Value to Distribution Partners

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

Premier Healthcare Content. We offer our distribution partners access to content from premier healthcare organizations through our established relationships with medical education and professional institutions and commercial publishers such as Vanderbilt University Medical Center, Duke University Medical Center, The Cleveland Clinic Foundation and Challenger Corporation. We have the exclusive right to distribute some of these institutions' content online. 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.

Substantial Recurring Traffic. We offer our distribution partners a predictable source of online traffic due to the recurring nature of regulated continuing education and training requirements. Physicians and nurses are required to complete a certain amount of continuing medical education every year. Allied healthcare professionals and other healthcare workers may also be required by their employers or regulatory agencies to complete relevant continuing education and training annually. We believe these users will visit Web sites that provide a convenient and compelling experience to meet their continuing education and training requirements. Because our system enables our distribution partners to store, track and generate reports about regulatory requirements and completed coursework, they can become a repository of a healthcare professional's continuing education and training data, creating a compelling relationship between themselves 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 Distribution Channel. We believe we offer our content partners the largest online distribution channel, which is expected to reach 400 health Web sites, 3,000 hospitals and 400,000 healthcare professionals. Through our distribution channels, our content partners can realize new product sales by targeting a broader audience than they could on their own.

Comprehensive Outsourcing Solution. By providing a comprehensive conversion and distribution solution, 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 allows our partners to refine their materials.

Significant Expertise in Content Conversion. We offer publishers and authors of continuing education and training 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 complete Web-based continuing education and training solutions for the healthcare community. We plan to achieve this objective by pursuing the following strategies.

Expand and Enhance Our Online Continuing Education and Training Library. We plan to expand our online continuing education and training library through proprietary development and licensing arrangements. We also plan to grow our library through acquisitions, such as our recently completed acquisition of SilverPlatter Education, Inc., a provider of CD-ROM and Web-based CME for physicians. We plan to use our existing relationships with premier healthcare institutions and our position as a neutral content provider 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 on an exclusive or non-exclusive basis. 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 continuing education and training content.

Develop Strategic Relationships to Enhance Distribution. We have strategic relationships with a network of distribution partners which is expected to reach more than 400 health Web sites, 3,000 hospitals and 400,000 healthcare professionals. We plan to increase our distribution reach and market share through developing additional strategic and distribution relationships. We believe that potential distribution partners will be attracted to our position as a neutral content provider, the recurring nature of continuing education and training 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 three main groups: Web sites that target healthcare professionals; healthcare providers, such as hospitals and clinics, that provide continuing education and training content to their professionals and other healthcare workers; and pharmaceutical and equipment manufacturers that promote their products and services to healthcare professionals and train their sales forces.

Implement a Focused Branding Strategy. We plan to develop HealthStream as the leading brand for online continuing education and training 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 through co-branding arrangements with our distribution partners.

Enhance Online Product Offerings Through Learning Service Provider Model. We plan to offer an online solution that allows organizations to provide access to our continuing education and training services through an ASP-type approach, which we refer to as our LSP model. Under the LSP model, our training software is hosted in a central data center that allows end users Web-based access to our continuing education and training services, eliminating the need for onsite installations of software. Our LSP model also includes a set of administrative and management tools which enable administrators to configure and modify training materials and monitor training expenses. We plan to leverage the existing functionalities of our training software that is installed at more than 250 hospitals and clinic locations, including facilities owned and operated by Gambro Healthcare, Columbia/HCA Healthcare Corporation and The Cleveland Clinic Foundation. We plan to transition those organizations to our LSP 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 continuing education and training solution as a service will accelerate customer purchase decisions and increase adoption among new customers.

Expand Multiple Revenue Sources. 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 continuing education and training products. 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 complete Web-based continuing education and training services to two types of end users in the healthcare community: individual healthcare professionals and healthcare organizations.

Services for Healthcare Professionals

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 HealthStreamUniversity.com Web site is targeted to healthcare professionals and includes primarily CME and CEU accredited 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 CME 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.

E-Commerce Offerings. 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. We will offer these products through affiliate programs with selected e-commerce partners. In addition, we plan to provide online registration for live seminars and conduct online surveys of our registered users on a contract basis for pharmaceutical and medical equipment vendors and other healthcare organizations.

Services for Healthcare Organizations

Healthcare organizations are responsible for providing both government mandated and internally required training to their employees. We are developing our LSP model to enable these healthcare organizations to provide, assess and manage this training process. Under our LSP 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 LSP service is scalable to meet the need of 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:

Online Courseware. The courseware we provide under our LSP model will primarily focus on mandated training content. In addition, employers may make some CME and CEU content from our library available to their professional employees. Most end users accessing the LSP 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.

Administrative and Management Tools. 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 administrator software will be used to configure continuing education and training 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 continuing education and training. 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 curriculum based on their job profiles. In addition, our system will provide comprehensive tools for administrative personnel using our system to manage their employees' training performance data.

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.

STRATEGIC RELATIONSHIPS AND ACQUISITIONS

We have recently entered into a number of strategic relationships with content and distribution partners and plan to continue to 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 increase our brand awareness. Selected content and distribution partners include:

Content Partners

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 developed by us with their assistance.

Duke University Medical Center. In July 1999, we entered into an 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. We are in active discussions with Duke regarding developing additional CME courses under a new agreement.

The Cleveland Clinic Foundation. In June 1999, we entered into an agreement with The Cleveland Clinic Foundation, a leading research and medical institution, to license its prestigious 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. In addition, in March 1999, we entered into a separate agreement with The Cleveland Clinic Foundation under which they licensed our training software for use over their intranet to train over 10,000 employees.

Challenger Corporation. In December 1998, we signed an agreement to convert Challenger's entire library of accredited CME materials from a CD-ROM to a Web-enabled format. This agreement also gives us the exclusive right to resell their content on the Internet.

Distribution Partners

GE Medical Systems. In June 1999, we entered into an 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 description and will act as a reseller of their content through our 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 June 1999, we entered into an 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.

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

PhyCor. In March 1999, we entered into an agreement with PhyCor, the nation's leading physician practice management company, to be the exclusive provider of CME for PhyCor Online, the company's private intranet. PhyCor Online reaches over 24,000 physicians who have access to the system through their relationship with PhyCor.

HealthGate. In September 1999, we entered into 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.

Recent Acquisition

SilverPlatter Education. We recently acquired selected assets, assumed certain liabilities and hired all of the employees of SilverPlatter Education, Inc., a leading provider of CD-ROM and Web-based CME for physicians. The acquisition of SilverPlatter Education provides us with access to additional online CME content and expertise in developing this content. In addition, SilverPlatter Education is certified to provide accreditation for CME courses, allowing us to internally develop and certify our own courseware. We are in the process of integrating SilverPlatter Education's operations and employees, which are located in Boston.

SALES AND MARKETING

As of September 30, 1999, we had a sales force of seven individuals with an average of over seven years of healthcare sales experience. Our sales team continues to focus on selling our continuing education and training service to hospitals and health 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 LSP 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 a public relations firm to assist our three 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.

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 two 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.

T.NAV

T.NAV has become the application for our comprehensive online continuing education and training solution. T.NAV is a scalable computer managed instruction system that delivers interactive courseware. 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 redundant power sources and network connectivity. 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 capable of carrying traffic at 160 gigabites per second. 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 online continuing education and training for the healthcare industry is new and rapidly evolving. We face competitive pressures from numerous actual and potential competitors, including:

- 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;
- other Web-based continuing education and training providers;
- 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. We do not currently collect sales, use or other taxes on the sale of CME 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

CME. State licensing boards, professional organizations and employers require physicians to certify that they have accumulated a minimum number of CME 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 specialty 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 CME. 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 hours.

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.

CEU. As with CMEs, the state's 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 CEU 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.

Other Disciplines. Various allied health professionals are required to obtain continuing education to maintain their licenses. Generally, these professionals meet this requirement by obtaining continuing education. For example, a physician assistant must acquire 100 continuing education hours every two years in order to renew his or her license.

Joint Commission on Accreditation of Healthcare Organizations. The JCAHO imposes CME 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.

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.

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 as 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. 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 registrations for the marks "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 do the laws of the United States, and effective copyright, trademark and trade secret protection may not be available in those jurisdictions.

We currently hold the domain names "HealthStream.com" and "HealthStreamUniversity.com." 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, diversion of 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 September 30, 1999, we employed 93 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 13,454 square feet at this location expires in 2005. The lease provides for two five-year renewal options. As a result of our acquisition of SilverPlatter Education, we also lease space in Boston, Massachusetts. We are currently negotiating terms for additional contiguous space at our Nashville headquarters that will increase our total square footage to approximately 20,000.

LEGAL PROCEEDINGS

We are not a party to any material legal proceedings.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

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

NAME	AGE	POSITION
Robert A. Frist, Jr.	32	Chief Executive Officer and Chairman of the Board of Directors
Jeffrey L. McLaren	32	President and Director
Michael Pote	38	Senior Vice President
Scott Portis	33	Vice President of Technology
Stephen Clemens	35	Vice President of Interactive Development
Robert H. Laird, Jr.	31	Vice President, Director of Finance, General Counsel and Secretary
Charles N. Martin, Jr.	57	Director
Steve Kellett	44	Director
Thompson S. Dent	48	Director
M. Fazle Husain	35	Director
John H. Dayani, Sr., Ph.D.	52	Director
James F. Daniell, M.D.	56	Director
William W. Stead, M.D.	51	Director

Robert A. Frist, Jr. 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 has served as our president and as one of our directors since 1990. 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.

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 is a director of eLearnX, Inc., an online continuing education provider for the legal, accounting and real estate markets. 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. 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, director of finance and general counsel since March 1997 and secretary since October 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.

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. 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.

Steve Kellett has served as one of our directors since June 1999 as the designee of General Electric pursuant to a purchase agreement dated May 10, 1999. Mr. Kellett serves as general manager of Global eCommerce, GE Medical Systems. Mr. Kellett joined General Electric after 13 years in the computer industry with Honeywell and Data General. He holds a Bachelor of Business Administration from the University of Notre Dame and a Masters of Business Administration from Emory University.

Thompson S. Dent has served as one of our directors since March 1995. Mr. Dent is a founder of PhyCor, Inc. and 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., pursuant to a purchase agreement 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 is executive chairman of Network Health Services, Inc. Dr. Dayani was the founder, president and chief executive officer of Medifax, Inc., 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 maintains a private medical practice at Centennial Medical Center in Nashville. 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 is the associate vice chancellor of Vanderbilt University. Dr. Stead is also the chief technology officer of WebEBM. 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.

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 2000. Messrs. Dayani, Kellett and McLaren will be Class II directors whose terms will expire at the annual meeting of shareholders in 2001. Messrs. Frist, Husain and Martin will be Class III directors whose terms will expire at the annual meeting of shareholders in 2002.

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. . 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 1999 Stock Incentive Plan. During 1998, our non-employee directors each received a grant of options to purchase 2,000 shares of our common stock at an exercise price of $4.25 per share. During 1999, each of our non-employee directors received a grant of options to purchase 8,000 shares of our common stock at an exercise price of $7.52 per share.

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 1996, 1997 and 1998, by our chief executive officer and the other executive officer whose aggregate cash compensation exceeded $100,000 during the year ended December 31, 1998.

SUMMARY COMPENSATION TABLE FOR FISCAL YEAR 1998

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS
NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY($)	BONUS($)	OTHER ANNUAL COMPENSATION($)	SECURITIES UNDERLYING OPTIONS(#)
Robert A. Frist, Jr.	1998	$66,027	$2,296	$ --	25,900
Chief Executive Officer	1997	62,113	6,690	--	--
	1996	51,544	5,686	--	--
Michael Pote	1998	98,058	7,296	--	25,900
Senior Vice President	1997	34,042	5,728	--	--
	1996	--	--	--	--

STOCK OPTIONS GRANTED DURING FISCAL YEAR 1998

The following table presents all individual grants of stock options during the year ended December 31, 1998 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.

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERMS	
NAME	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.	25,900	10.2%	$4.25	6/25/05	$44,807	$104,973
Michael Pote	25,900	10.2	4.25	6/25/05	44,807	104,973

YEAR-END OPTION VALUES

The following table sets forth information about the number and year-end value of exercisable and unexercisable options held by the executive officers named in the Summary Compensation Table for the year ended December 31, 1998.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 1998(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 1998($)(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Robert A. Frist, Jr.	395,000	25,900	$	$
Michael Pote	2,000	25,900		

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(1) Based on an assumed initial public offering price of $ per share, minus the exercise price, multiplied by the number of shares underlying the option.

No options were exercised during 1998 by the chief executive officer or any of our other executive officers.

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 October 12, 1999, we have granted options under this plan for the purchase of 1,246,116 shares of common stock to employees, consultants, directors and other persons having a business relationship with us.

1999 Stock Incentive Plan. The 1999 Stock Incentive Plan was adopted by our board of directors on October 11, 1999. 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 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. Except for specific grants set forth in the plan, outside directors are not entitled to any awards under the plan. 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.

EMPLOYMENT AGREEMENTS

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. 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 1996, we issued 400,000 shares of our common stock in private placements at $1.00 a share to Robert A. Frist, Jr., our chief executive officer and chairman.

In April 1999, we issued 231,481 shares of our common stock upon the conversion of $1.0 million of debt at $4.32 per share to Robert A. Frist, Jr., our chief executive officer and chairman.

In 1999, we issued 225,000 shares of our common stock upon the exercise of options at $1.00 a share to Robert A. Frist, Jr., our chief executive officer and chairman.

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;
- 5,000 shares to Dr. Scott Portis, father of Scott Portis, our vice president of technology;
- 100,000 shares to GE Capital Equity Investments, Inc., an affiliate of the General Electric Company, and together with GE Medical Systems is one of our more than five percent shareholders. Steve Kellett, one of our directors is the general manager of Global eCommerce, GE Medical Systems.
- 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:

- 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 and one of our directors;
- 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. Mr. Martin, 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, Jr., 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;
- 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;
- 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 2.3148 shares of common stock upon consummation of this offering. Each share of series C preferred stock will be converted into 1.3298 shares of common stock upon consummation of this offering.

In 1998 and 1999, we granted the following number of options to purchase shares of our common stock at $4.25, $4.32 and $7.52 per share, respectively, to the following directors, executive officers and shareholders who beneficially own five percent or more of our stock:

- 25,900, 0 and 45,000 to Robert A. Frist, Jr., our chief executive officer and chairman;
- 25,900, 0 and 45,000 to Jeffrey L. McLaren, our president and one of our directors;
- 25,900, 0 and 45,000 to Michael Pote, our senior vice president;
- 25,900, 0 and 40,000 to Scott M. Portis, our vice president of technology and brother-in-law of Robert Frist, Jr., our chief executive officer and chairman;
- 12,950, 6,475 and 40,000 to Robert H. Laird, Jr., our vice president, director of finance, general counsel and secretary;
- 12,950, 6,475 and 40,000 to Stephen Clemens, our vice president of interactive development;
- 6,475, 0 and 4,000 to John Dayani, Jr., one of our employees and son of one of our directors;
- 2,000, 0 and 8,000 to Thompson S. Dent, one of our directors;
- 2,000, 1,500 and 8,000 to James F. Daniell, M.D., one of our directors;
- 2,000, 0 and 8,000 to John H. Dayani, Sr., Ph.D., one of our directors;

- 2,000, 0 and 8,000 to William Stead, M.D., one of our directors;

- 0, 0 and 8,000 to M. Fazle Husain, one of our directors;

- 0, 0 and 8,000 to Steve Kellett, one of our directors; and

- 0, 0 and 8,000 to Charles N. Martin, Jr., one of our directors.

On June 14, 1999 we issued a warrant to purchase 132,450 shares of our common stock at $7.52 per share to GE Medical Systems. Mr. Kellett, one of our directors, is the general manager of Global eCommerce, GE Medical Systems.

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 and 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 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. We repaid this note in full on August 23, 1999. Interest expense on the loans to Robert A. Frist, Jr. and Scott M. Portis for the years ended December 31, 1996, 1997 and 1998 and the six months ended June 30, 1999 totaled $46,801, $182,708, $328,412 and $137,073, respectively.

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 October 12, 1999 and as adjusted to reflect the sale of the shares of common stock offered in this offering by: (1) each shareholder who owns beneficially more than 5% 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 6,967,143 shares outstanding on October 12, 1999, on an as if converted basis, and shares outstanding after this offering. Shares of common stock subject to options that are currently exercisable or that will become exercisable within 60 days after , 1999 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.	2,743,431(1)	515,600	39.38%	
Entities Associated with Morgan Stanley 1221 Avenue of the Americas New York, New York 10020	615,645(2)	--	8.84%	
Martin Investment Partnership III 20 Burton Hills Boulevard Suite 100 Nashville, Tennessee 37215	461,732	69,444	6.63%	
HealthStream Partners 900-A, 3319 West End Avenue Nashville, Tennessee 37203	398,940	--	5.73%	
Entities associated with The General Electric Company 120 Long Ridge Rd. Stamford, CT 06927	410,226	178,746	5.89%	
Jeffrey L. McLaren	189,489	82,100	2.72%	
Michael Pote	47,727(3)	14,950	*	
Scott Portis	264,498(4)	68,462	3.80%	
Stephen Clemens	--	--	--	
Robert H. Laird, Jr.	6,475	6,475	*	
Charles N. Martin, Jr.	469,732(5)	77,444	6.74%	
Steve Kellett	8,000	8,000	*	
Thompson S. Dent	39,778(6)	16,630	*	
M. Fazle Husain	623,645(7)	8,000	8.95%	
John H. Dayani, Sr., Ph.D.	56,173	16,944	*	
James F. Daniell, M.D.	28,891	13,500	*	
William Stead, M.D.	10,000	10,000	*	
All executive officers and directors as a group (13 persons)	4,494,318	844,580	64.51%	

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* Less than one percent

(1) 76,955 of these shares are held by Carol Frist, mother of Robert A. Frist, Jr., 57,870 of these shares are held by Dr. Robert Frist, father of Robert A. Frist, Jr. and 19,085 of these shares are held by a family partnership known as Frist Family Internet Partners.
(2) 540,155 of these shares are held by Morgan Stanley Venture Partners III, L.P., 51,863 are held by MS Venture Investors III, L.P. and 23,627 of these shares are held by The Morgan Stanley Venture Partners Entrepreneur Fund, L.P.
(3) 32,777 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 therein.
(4) 15,391 of these shares are held by Dr. Scott Portis, father of Scott Portis.
(5) 461,732 of these shares are owned by Martin Investment Partnership III, of which Mr. Martin is managing partner. Mr. Martin disclaims beneficial ownership of 250,874 of these shares except to the extent of his pecuniary interest therein.
(6) 27,778 of these shares are held by The Seven Partnership of which Mr. Dent is one of the partners. Mr. Dent disclaims beneficial ownership of 13,889 of these shares except to the extent of his pecuniary interest therein.
(7) 615,645 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 therein.

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. Our authorized capital stock consists 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 October 12, 1999, there were 2,245,743 shares of common stock outstanding held of record by eight shareholders, 76,000 shares of series A preferred stock outstanding held of record by five shareholders, 1,110,301 shares of series B preferred stock outstanding held of record by 30 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 the common stock are entitled to receive, as, when and if declared by the 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 the 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. Before this offering, there were 1,813,707 shares of preferred stock outstanding. All of these shares will be converted into shares of common stock upon consummation of the 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, the holders of 3,580,374 shares of common stock issuable upon conversion of the preferred stock 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, demand registration rights. In addition, pursuant to that agreement, the holders are entitled, subject to certain limitations, 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 , or %, 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

The 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

The 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 prior to the first anniversary of the date our notice of annual meeting was provided with respect to the previous year's annual meeting of shareholders; provided, that 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 not more than 90 days before nor later than the later of 60 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. The bylaws also specify requirements as to the form and content of a shareholders'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 and officers in addition to the indemnification provided in our charter and bylaws. These agreements, among other things, indemnify our directors and officers 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 or officer. 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 . Its address is , and its telephone number at this location is ( ) .

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.

After the offering, 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 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. The remaining shares of common stock held by existing shareholders 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 shares immediately after this offering; 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 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 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 BancBoston Robertson Stephens Inc.

REGISTRATION RIGHTS

Upon completion of this offering, the holders of 3,879,677 shares of our common stock 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 shares of common stock reserved for issuance under our stock option plans. As of October 12, 1999, options to purchase 1,246,116 shares of common stock were issued and outstanding. When the lock-up agreements described above expire, at least 514,178 shares of common stock will be subject to vested options (based on options outstanding as of October 12, 1999). 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.

UNDERWRITING

The underwriters named below, acting through their representatives, BancBoston 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
BancBoston Robertson Stephens Inc.	
CIBC World Markets Corp.	
J.C. Bradford & Co.	
E*OFFERING Corp.	
INTERNATIONAL UNDERWRITERS	
BancBoston Robertson Stephens International Limited	
CIBC World Markets Inc.	
J.C. Bradford & Co.	
Total	

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 of not in excess of $ per share, of which $ may be reallowed to other dealers. After this offering, the public offering price, concession and reallowance 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 herein, 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 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 shares of common stock, the underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof 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 hereby are being sold. We will be obligated, pursuant to 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:

		TOTAL	
	PER SHARE	WITHOUT OVER-ALLOTMENT	WITHOUT 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 and directors and shareholders will agree, during the period of 180 days after the effective 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 or any options or warrants to purchase any shares of common stock, or any securities convertible into or exchangeable for shares of common stock owned as of the date of this prospectus or thereafter acquired directly by those holders or with respect to which they have the power of disposition, without the prior written consent of BancBoston Roberston Stephens Inc. However, BancBoston 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 BancBoston Roberston 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

We intend to make application to list our common stock 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.

A copy of the prospectus in electronic format will be made available on the Internet Web sites hosted by E*OFFERING Corp. and E*TRADE Securities, Inc. E*TRADE will accept conditional offers to purchase shares from all of its customers that pass and complete an online eligibility profile. In the event that the demand for shares from customers of E*TRADE exceeds the amount of shares allocated to it, E*TRADE will use a random allocation methodology to distribute shares in even lots of 100 shares per customer.

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. Including the shares received by J.C. Bradford & Co. as payment for its acting as our financial advisor, J.C. Bradford & Co. and JCB Healthstream Investors LLC, JCB Venture Partnership IV, JCB CF Healthstream Partners LLC, Savvy Investment Partners LLC and Robert Doolittle, each of which are affiliates of J.C. Bradford & Co., collectively own shares of our preferred stock representing 206,547 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.

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. The underwriters have been represented by Cravath, Swaine & Moore, New York, New York.

EXPERTS

The financial statements of HealthStream, Inc. and SilverPlatter Education, Inc. appearing in this prospectus and registration statement have been audited by Ernst & Young LLP, independent auditors, to the extent indicated in their reports thereon also appearing elsewhere herein and in the registration statement. These financial statements have been included herein in reliance upon those reports given on the authority of that firm 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 and schedule. For more information about us and the common stock being offered, you should review the registration statement and the related exhibits and schedule. 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 and schedule 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.

INDEX TO FINANCIAL STATEMENTS

PRO FORMA CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

On July 23, 1999, we acquired certain assets and assumed certain liabilities of SilverPlatter Education, Inc. from SilverPlatter Information, Inc. for a combination of cash and shares. The acquisition was accounted for as a purchase. In August and September 1999 we issued 225,000 shares of Common Stock on the exercise of options and also in August we issued 2,500 shares of Common Stock for service provided by an outside consultant. In July, August and September 1999, we sold 1,209,957 shares of Series B and C Preferred Stock for $12,099,570.

The unaudited pro forma balance sheet gives effect to: (i) the acquisition of SilverPlatter Education, Inc. by HealthStream; (ii) the issuance of our Common Stock and Series B and C Preferred Stock as described in the preceding paragraph; (iii) the conversion of Series A, B and C Preferred Stock into our Common Stock; (iv) the conversion of $1,293,000 of notes payable-related party to Series B Preferred Stock and conversion to our Common Stock; and (v) the issuance of our Common Stock in the offering (the "Offering") at the initial offering price of $ per share (the midpoint of the range set forth on the cover of this prospectus) as described in "Use of Proceeds," as if the Offering and each of the other transactions had been completed as of June 30, 1999.

The unaudited pro forma condensed statements of operations give effect to: (i) the acquisition of SilverPlatter Education, Inc.; (ii) the issuance of our Common Stock and Series B and C Preferred Stock as described above; (iii) the conversion of Series A, B and C Preferred Stock into our Common Stock; (iv) the conversion of $1,293,000 of notes payable-related party to Series B Preferred Stock and conversion to our Common Stock; and (v) the issuance of our Common Stock in the Offering at the assumed initial offering price of $ per share (the midpoint of the range set forth on the cover of this prospectus) as described in "Use of Proceeds," as if the Offering and each of the other transactions had been completed as of January 1, 1998.

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 upon acquisition of SilverPlatter Education, Inc. 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
JUNE 30, 1999

	HEALTHSTREAM	SILVERPLATTER EDUCATION	ACQUISITION PRO FORMA ADJUSTMENTS(1)	PRE-OFFERING PRO FORMA ADJUSTMENTS(2)	PRE-OFFERING PRO FORMA CONSOLIDATED
ASSETS					
Current assets:					
Cash and cash equivalents	$3,967,456	$ 347,287	$ (347,287)(a) (800,000)(a)	11,849,560(b) 225,000(c) 18,800(d)	$15,260,816
Accounts receivable, less allowance for doubtful accounts	509,847	23,520	(23,520)(a)		509,847
Accounts receivable -- unbilled	15,701				15,701
Deferred license fees		22,444			22,444
Prepaid and other assets	21,454	34,475			55,929
Total current assets	4,514,458	427,726	(1,170,807)	12,093,360	15,864,737
Property and equipment, net	748,356	53,559			801,915
Intangible assets		41,672	1,234,393(a)		1,276,065
Other assets	34,000				34,000
Total assets	$5,296,814	$ 522,957	$ 63,586	$12,093,360	$17,976,717
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Current liabilities:					
Accounts payable	$ 171,880	$ 149,703	$ (149,703)(a)		$ 171,880
Accrued liabilities	54,160	62,011	(47,223)(a)		68,948
Deferred revenue	383,879	436,601	(64,846)(a)		755,634
Due to Parent Company		4,376,565	(4,376,565)(a)		
Notes payable -- related parties	1,603,000			$ (250,000)(b)	1,353,000
Current portion of long-term debt-related party	25,037				25,037
Current portion of capital lease obligation	22,113				22,113
Total current liabilities	2,260,069	5,024,880	(4,638,337)	(250,000)	2,396,612
Capital lease obligation, less current portion	64,165				64,165
Shareholders' equity (deficit):					
Common stock	3,056,776	10	(10)(a) 200,000(a)	225,000(c) 18,800(d)	3,500,576
Additional paid-in capital		990	(990)(a)		
Preferred stock	5,887,500			12,099,560(b)	17,987,060
Accumulated deficit	(5,971,696)	(4,502,923)	4,502,923(a)		(5,971,696)
Total shareholders' equity (deficit)	2,972,580	(4,501,923)	4,701,923	12,343,360	15,515,940
	$5,296,814	$ 522,957	$ 63,586	$12,093,360	$17,976,717

	OFFERING PRO FORMA ADJUSTMENTS(3)	PRO FORMA CONSOLIDATED
ASSETS		
Current assets:		
Cash and cash equivalents	$ (g)	$
Accounts receivable, less allowance for doubtful accounts		509,847
Accounts receivable -- unbilled		15,701
Deferred license fees		22,444
Prepaid and other assets		55,929
Total current assets		
Property and equipment, net		801,915
Intangible assets		1,276,065
Other assets		34,000
Total assets	$	$
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable		$ 171,880
Accrued liabilities		68,948
Deferred revenue		755,634
Due to Parent Company		
Notes payable -- related parties	$(1,293,000)(f)	60,000
Current portion of long-term debt-related party		25,037

Current portion of capital lease obligation		22,113
Total current liabilities	(1,293,000)	1,043,612
Capital lease obligation, less current portion		64,165
Shareholders' equity (deficit):		
Common stock	19,280,060(e) (g)	
Additional paid-in capital		
Preferred stock	(19,280,060)(e) $ 1,293,000	
Accumulated deficit		(5,971,696)
Total shareholders' equity (deficit)		
	$	$

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(1) Reflects the effects of the acquisition of SilverPlatter Education.
(2) Reflects the effects of equity transactions subsequent to June 30, 1999 and prior to the closing of the sale of Common Stock in the Offering.
(3) Reflects the effects of the sale of common stock in the offering and the application of the estimated net proceeds thereof and the conversion of series A, B and C Convertible Preferred Stock into Common Stock upon completion of the Offering.

See accompanying notes to unaudited pro forma condensed balance sheet.

HEALTHSTREAM, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED BALANCE SHEET

PRO FORMA ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONDENSED BALANCE SHEET AS OF JUNE 30, 1998.

(a) Reflects the elimination of assets not acquired, liabilities not assumed, Common Stock, additional paid-in capital shareholders' deficit and the payment of $800,000 in cash and issuance of 26,596 shares of Common Stock to purchase SilverPlatter Education, Inc. and the recording of intangible assets.

(b) Reflects the following transactions occurring subsequent to June 30, 1999: the issuance of 582,550 shares of Series B Convertible Preferred Stock for $5,575,500 in cash and the conversion of $250,000 of notes payable to the Company's CEO into Series B Convertible Preferred Stock and the issuance of 627,406 shares of Series C Convertible Preferred Stock for $6,274,060 in cash.

(c) Reflects the exercise of options granted in 1995 and purchase of 225,000 shares of the Company's Common Stock at an exercise price of $1.00 per share by the Company's CEO in July and August 1999.

(d) Reflects the issuance of 2,500 shares of the Company's Common Stock on August 9, 1999 to an outside consultant at $7.52 per share for services provided.

(e) Reflects the conversion, upon completion of the Offering, of 76,000 shares of Series A Convertible Preferred Stock, 1,239,601 shares of Series B Convertible Preferred Stock, and 627,406 shares of Series C Convertible Preferred Stock into 175,925 shares, 2,869,428 shares and 834,324 shares of Common Stock, respectively.

(f) Reflects the conversion of $1,293,000 notes payable-related party into 129,300 shares of Series B Convertible Preferred Stock upon completion of the Offering. Simultaneously, the 129,300 shares of Series B Convertible Preferred Stock convert into 299,304 shares of Common Stock. See Pro Forma adjustment (e).

(g) Reflects the sale of shares of Common Stock in the Offering at the initial public offering price of $ per share for net proceeds of $ as follows:

Common Stock	$
Cash proceeds	

HEALTHSTREAM, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 1998

	HEALTHSTREAM	SILVERPLATTER EDUCATION	ACQUISITION PRO FORMA ADJUSTMENTS	PRE-OFFERING PRO FORMA ADJUSTMENTS	PRE-OFFERING PRO FORMA CONSOLIDATED	OFFERING PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED
Revenues	$ 1,716,094	$2,343,435			$ 4,059,529		$ 4,059,529
Operating costs and expenses:							
Cost of revenue	1,057,453	923,254			1,980,707		1,980,707
Product development	443,336				443,336		443,336
Selling, general and administrative expenses	1,476,639	1,637,370	$ 361,627(a)		3,475,636		3,475,636
Total operating costs and expenses	2,977,428	2,560,624	361,627		5,899,679		5,899,679
Loss from operations	(1,261,334)	(217,189)	(361,627)		(1,840,150)		(1,840,150)
Other income (expense), net	(328,166)			$48,182(b)	(279,984)	$273,030(c)	(6,954)
Net loss	$(1,589,500)	$ (217,189)	$(361,627)	$48,182	$(2,120,134)	$273,030	$(1,847,104)
Net loss per share:							
Basic	$ (0.90)						$ ()
Diluted	$ (0.90)						$ ()
Weighted average number of common and common equivalent shares:							
Basic	1,760,166		26,596(d)		1,786,762	(e)	
Diluted	1,760,166		26,596(d)		1,786,762	(e)	

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

HEALTHSTREAM, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 1999

	HEALTHSTREAM	SILVERPLATTER EDUCATION	ACQUISITION PRO FORMA ADJUSTMENTS	PRE-OFFERING PRO FORMA ADJUSTMENTS	PRE-OFFERING PRO FORMA CONSOLIDATED	OFFERING PRO FORMA ADJUSTMENTS	PRO FORMA CONSOLIDATED
Revenues	$ 1,112,519	$835,847			$ 1,948,366		$ 1,948,366
Operating costs and expenses:							
Cost of revenue	790,911				790,911		790,911
Product development	764,975	350,988			1,115,963		1,115,963
Selling, general and administrative expenses	931,339	504,796	$ 188,321(a)		1,624,456		1,624,456
Total operating costs and expenses	2,487,225	855,784	188,321		3,531,330		3,531,330
Loss from operations	(1,374,706)	(19,937)	(188,321)		(1,582,964)		(1,582,964)
Other income (expense), net	(103,558)			$ 20,025(b)	(83,533)	$ 113,478(c)	29,945
Net loss	$ (1,478,264)	$(19,937)	$ (188,321)	$ 20,025	$(1,666,497)	$ 113,478	$(1,553,019)
Net loss per share:							
Basic	$ (0.77)						$ ()
Diluted	$ (0.77)						$ ()
Weighted average number of common and common equivalents shares:							
Basic	1,923,469		26,596(d)		1,950,065	(e)	
Diluted	1,923,469		26,596(d)		1,950,065	(e)	

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

HEALTHSTREAM, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

PRO FORMA ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONDENSED STATEMENTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1998 AND THE SIX MONTHS ENDED JUNE 30, 1999.

	YEAR ENDED DECEMBER 31, 1998	SIX MONTHS ENDED JUNE 30, 1999
(a) Reflects the elimination of the historical depreciation expense of SilverPlatter Education and the inclusion of HealthStream's depreciation of property and equipment and amortization of goodwill and other intangible assets over a three year life	$361,627	$188,231
(b) Reflects the elimination of the historical interest expense on related-party debt converted to Series B Convertible Preferred Stock upon completion of the Offering (see note (b) of "Notes to Unaudited Pro Forma Condensed Balance Sheet")	48,182	20,025
(c) Reflects the elimination of the historical interest expense on related-party debt of $1,293,000 converted into Series B Convertible Preferred Stock upon completion of the Offering	273,030	113,478

(d) Reflects the issuance of 26,596 shares of Common Stock to purchase SilverPlatter Education, Inc.

(e) Reflects (i) the conversion of Series A, B and C Preferred Stock into 3,879,677 shares of Common Stock; and (ii) the sale of shares of Common Stock in the Offering.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
HealthStream, Inc. formerly NewOrder Media, Inc.

We have audited the accompanying balance sheets of HealthStream, Inc. formerly NewOrder Media, Inc. as of December 31, 1997 and 1998, and the related statements of operations, shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1998. 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 HealthStream, Inc. at December 31, 1997 and 1998, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Nashville, Tennessee
September 24, 1999

HEALTHSTREAM, INC.
FORMERLY NEWORDER MEDIA, INC.

BALANCE SHEETS

	DECEMBER 31,		JUNE 30,
	1997	1998	1999
			(UNAUDITED)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 84,365	$ 50,823	$3,967,456
Accounts receivable, less allowance for doubtful accounts of $0 in 1997, $36,500 in 1998, and $38,000 in 1999 (unaudited)	285,223	481,316	509,847
Accounts receivable -- unbilled	64,971	10,821	15,701
Prepaid expenses and other assets	3,949	8,358	21,454
Total current assets	438,508	551,318	4,514,458
Property and equipment:			
Furniture and fixtures	95,578	114,186	170,445
Equipment	525,780	671,072	814,199
Leasehold improvements	124,255	196,405	234,562
	745,613	981,663	1,219,206
Less accumulated depreciation and amortization	(236,413)	(380,134)	(470,850)
	509,200	601,529	748,356
Other assets	--	--	34,000
Total assets	$ 947,708	$ 1,152,847	$5,296,814
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable	$ 47,160	$ 119,102	$ 171,880
Accrued liabilities	48,151	94,827	54,160
Deferred revenue	235,755	322,760	383,879
Notes payable -- related parties	1,795,000	2,835,000	1,603,000
Current portion of long-term debt -- related party	20,931	23,585	25,037
Current portion of capital lease obligation	--	10,539	22,113
Total current liabilities	2,146,997	3,405,813	2,260,069
Long-term debt -- related party	36,477	12,892	--
Capital lease obligation, less current portion	--	19,076	64,165
Shareholders' equity (deficit):			
Common stock, no par value; 20,000,000 shares authorized; 1,760,166, 1,760,166 and 1,991,647 shares issued and outstanding at December 31, 1997 and 1998 and June 30, 1999 (unaudited), respectively	1,668,166	1,798,498	3,056,776
Preferred Stock, no par value; 1,000,000, 1,000,000 and 5,000,000 (unaudited) shares authorized as of December 31, 1997 and 1998 and June 30, 1999, respectively	--	--	--
Series A Convertible Preferred Stock; no shares, 41,000 and 76,000 shares issued and outstanding as of December 31, 1997 and 1998 and June 30, 1999 (unaudited), respectively	--	410,000	760,000
Series B Convertible Preferred Stock; no shares issued and outstanding as of December 31, 1997 and 1998, and 527,750 shares issued and outstanding as of June 30, 1999 (unaudited)	--	--	5,127,500
Accumulated deficit	(2,903,932)	(4,493,432)	(5,971,696)
Total shareholders' equity (deficit)	(1,235,766)	(2,284,934)	2,972,580
Total liabilities and shareholders' equity (deficit)	$ 947,708	$ 1,152,847	$5,296,814

See accompanying notes.

HEALTHSTREAM, INC.
FORMERLY NEWORDER MEDIA, INC.

STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
Revenues	$ 556,217	$1,268,352	$ 1,716,094	$ 830,333	$ 1,112,519
Operating costs and expenses:					
Cost of revenue	474,580	870,061	1,057,453	577,854	790,911
Product development	142,188	293,706	443,336	183,605	764,975
Selling, general and administrative expenses	674,797	875,416	1,476,639	574,695	931,339
Total operating costs and expenses	1,291,565	2,039,183	2,977,428	1,336,154	2,487,225
Loss from operations	(735,348)	(770,831)	(1,261,334)	(505,821)	(1,374,706)
Other income (expense):					
Interest and other income	3,186	2,226	2,634	954	35,494
Interest expense -- related parties	(46,801)	(182,708)	(328,412)	(141,443)	(137,073)
Interest expense	--	--	(2,070)	(446)	(1,979)
Other expense	--	(8,792)	(318)	--	--
	(43,615)	(189,274)	(328,166)	(140,935)	(103,558)
Net loss	$ (778,963)	$ (960,105)	$(1,589,500)	$ (646,756)	$(1,478,264)
Net loss per share:					
Basic	$ (0.47)	$ (0.55)	$ (0.90)	$ (0.37)	$ (0.77)
Diluted	$ (0.47)	$ (0.55)	$ (0.90)	$ (0.37)	$ (0.77)
Weighted average shares of common stock outstanding:					
Basic	1,659,059	1,760,166	1,760,166	1,760,166	1,923,469
Diluted	1,659,059	1,760,166	1,760,166	1,760,166	1,923,469

See accompanying notes.

HEALTHSTREAM, INC.
FORMERLY NEWORDER MEDIA, INC.

STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998
AND THE SIX MONTHS ENDED JUNE 30, 1999 (UNAUDITED)

	COMMON STOCK		SERIES A CONVERTIBLE PREFERRED STOCK		SERIES B CONVERTIBLE PREFERRED STOCK		ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY (DEFICIT)
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT		
Balance at December 31, 1995	1,360,166	$1,268,166	--	$ --	--	$ --	$(1,164,864)	$ 103,302
Net loss	--	--	--	--	--	--	(778,963)	(778,963)
Issuance of common stock	400,000	400,000	--	--	--	--	--	400,000
Balance at December 31, 1996	1,760,166	1,668,166	--	--	--	--	(1,943,827)	(275,661)
Net loss	--	--	--	--	--	--	(960,105)	(960,105)
Balance at December 31, 1997	1,760,166	1,668,166	--	--	--	--	(2,903,932)	(1,235,766)
Net loss	--	--	--	--	--	--	(1,589,500)	(1,589,500)
Issuance of preferred stock	--	--	41,000	410,000	--	--	--	410,000
Stock options granted	--	130,332	--	--	--	--	--	130,332
Balance at December 31, 1998	1,760,166	1,798,498	41,000	410,000	--	--	(4,493,432)	(2,284,934)
Net loss (unaudited)	--	--	--	--	--	--	(1,478,264)	(1,478,264)
Issuance of preferred stock (unaudited)	--	--	35,000	350,000	527,750	5,127,500	--	5,477,500
Issuance of common stock (unaudited)	231,481	1,000,000	--	--	--	--	--	1,000,000
Issuance of warrant (unaudited)	--	258,278	--	--	--	--	--	258,278
Balance at June 30, 1999 (unaudited)	1,991,647	$3,056,776	76,000	$760,000	527,750	$5,127,500	$(5,971,696)	$ 2,972,580

See accompanying notes.

HEALTHSTREAM, INC.
FORMERLY NEWORDER MEDIA, INC.

STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,			SIX MONTHS ENDED JUNE 30,	
	1996	1997	1998	1998	1999
				(UNAUDITED)	
OPERATING ACTIVITIES:					
Net loss	$(778,963)	$(960,105)	$(1,589,500)	$(646,756)	$(1,478,264)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation	60,897	100,739	132,267	63,631	76,689
Amortization	11,417	7,775	14,648	5,703	108,921
Provision for loss on doubtful accounts	--	--	36,500	15,825	23,000
Loss (gain) on disposal of assets	--	7,624	3,727	(96)	431
Noncash legal expense	--	--	2,100	--	--
Noncash compensation expense	--	--	128,232	--	--
Noncash product development	--	--	--	--	258,278
Changes in operating assets and liabilities:					
Accounts receivable	(76,563)	(165,126)	(232,593)	79,628	(51,531)
Accounts receivable -- unbilled	8,953	(63,696)	54,150	29,326	(4,880)
Prepaid expenses and other assets	-	(502)	(4,409)	(165)	(142,096)
Accounts payable	39,161	(4,936)	71,942	(7,999)	52,778
Accrued liabilities	1,749	29,425	46,676	3,605	(40,667)
Deferred revenue	28,557	177,241	87,005	(122,446)	61,119
Net cash used in operating activities	(704,792)	(871,561)	(1,249,255)	(579,744)	(1,136,222)
INVESTING ACTIVITIES:					
Purchase of property and equipment	(113,367)	(239,939)	(208,577)	(100,815)	(175,261)
Net cash used in investing activities	(113,367)	(239,939)	(208,577)	(100,815)	(175,261)
FINANCING ACTIVITIES:					
Proceeds from notes payable to related parties	450,000	1,185,000	1,040,000	630,000	18,000
Proceeds from issuance of common stock	400,000	--	--	--	--
Proceeds from issuance of preferred stock	--	--	410,000	--	5,227,500
Payments on notes payable to related party	(19,045)	(18,575)	(20,931)	(10,153)	(11,440)
Payments on capital lease obligations	-	-	(4,779)	(1,039)	(5,944)
Net cash provided by financing activities	830,955	1,166,425	1,424,290	618,808	5,228,116
Net increase (decrease) in cash and cash equivalents	12,796	54,925	(33,542)	(61,751)	3,916,633
Cash and cash equivalents at beginning of period	16,644	29,440	84,365	84,365	50,823
Cash and cash equivalents at end of period	$ 29,440	$ 84,365	$ 50,823	$ 22,614	$ 3,967,456
SUPPLEMENTAL CASH FLOW INFORMATION:					
Interest paid	$ 48,927	$ 176,708	$ 320,320	$ 134,143	$ 152,052
Capital lease obligations incurred	$ --	$ --	$ 34,394	$ 19,178	$ 62,607
Conversion of notes payable to common stock	$ --	$ --	$ --	$ --	$ 1,000,000
Conversion of notes payable to Series B preferred stock	$ --	$ --	$ --	$ --	$ 250,000
Issuance of Series B preferred stock in exchange for professional services	$ --	$ --	$ --	$ --	$ 150,000

See accompanying notes.

HEALTHSTREAM, INC.
FORMERLY NEWORDER MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

HealthStream, Inc., formerly NewOrder Media, Inc. ("the Company"), was incorporated in 1990 and is an interactive multimedia systems company based in Nashville, Tennessee. 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.

UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited balance sheet as of June 30, 1999 and the related unaudited statements of operations, shareholders' equity, 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 of 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 June 30, 1999 may not be indicative of operating results for the full year.

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, 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. 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. In March 1999, the Company began providing educational training services via the Internet. Through June 30, 1999 revenues from these services have been less than $5,000.

NET LOSS PER SHARE

The Company computes net loss per share following Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" and SEC Staff Accounting Bulletin ("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 and B Preferred

Stock, are included in diluted net loss per share to the extent these shares are dilutive. Common equivalent shares are not included in the computation of dilutive net loss per share for the years ended December 31, 1996, 1997, 1998 and the six months ended June 30, 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 1996 and 1997, the Company derived approximately 30% and 16% of its revenues from one customer (Mosby, Inc.), respectively. During 1998, the Company derived approximately 48% of its revenues from two customers (Mosby, Inc. and Waverly, Inc.).

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 YEAR	CHARGED TO COSTS AND EXPENSES	WRITE-OFFS	ALLOWANCE BALANCE AT END OF YEAR
Year ended December 31:				
1996	$ --	$ --	$ --	$ --
1997	--	--	--	--
1998	--	36,500	--	36,500

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	5-10
Equipment	3-5
Leasehold improvements	15

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 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 and equipment and has determined that there were no indications of impairment as of December 31, 1996, 1997 and 1998.

DEFERRED REVENUE

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

ADVERTISING

The Company expenses the costs of advertising as incurred. Advertising expense for the years ended December 31, 1996, 1997 and 1998, was approximately $12,500, $8,200 and $2,900, respectively.

PRODUCT DEVELOPMENT COSTS

Research and 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, 1996, 1997 and 1998, the Company has no capitalized computer software development costs.

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 and accrued liabilities: The carrying amounts approximate the fair value because of the short maturity 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.

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. The adoption of SFAS No. 130 had no effect on the Company's financial statements.

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

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

	DECEMBER 31	
	1997	1998
Notes payable-related parties	$1,795,000	$2,835,000
Long-term debt-related party	$ 57,408	$ 36,477
Less current portion	(20,931)	(23,585)
	$ 36,477	$ 12,892

The Company has a demand notes payable to the Chief Executive Officer ("CEO") and principal shareholder totaling $1,285,000 at December 31, 1997 and $2,325,000 at December 31, 1998. Subsequent to December 31, 1998, $1,250,000 of the demand note was converted into Common Stock and Series B Convertible Preferred Stock and the remaining balance was converted into a new promissory note (see Note 10). The Company also had a note payable to the CEO totaling $450,000 at December 31, 1997 and 1998 which was converted to a demand note upon maturity. These notes were partially secured by accounts receivable and equipment. Interest accrued at 12% for the amount secured by accounts receivable, which was $517,000 at December 31, 1998. The remaining balance of $2,258,000 was unsecured and accrued interest at 13%. Interest is payable monthly.

The Company has a partially secured demand note payable to a vice president and stockholder of the Company, totaling $60,000 at December 31, 1997 and 1998. The note accrued interest at 12% and was paid in full on August 23, 1999.

The Company had an unsecured long-term promissory note payable to the CEO, totaling $57,408 at December 31, 1997 and $36,477 at December 31, 1998. The note requires monthly installments of principal and interest of $2,224 through May 23, 2000. The note accrues interest at 12%.

As of December 31, 1998, the annual principal maturities of long-term debt are as follows:

1999	$23,585
2000	12,892
Thereafter	--
	$36,477

3. 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 deferred income taxes includes the effect of recording a net deferred tax asset and corresponding valuation allowance of $57,287.

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

	1996	1997	1998
Tax benefit at the statutory rate	$(264,847)	$(326,436)	$(540,430)
State income taxes, net of federal benefit	(46,738)	(57,606)	(63,335)
Other	376	619	2,086
Tax benefit of losses attributable to shareholders due to S corporation status prior to October 1, 1998	264,847	326,436	336,301
Deferred taxes recorded upon termination of S corporation status	--	--	57,287
Increase in valuation allowance	46,362	56,987	208,091
	$ --	$ --	$ --

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,	
	1997	1998
Deferred tax assets:		
Allowance for doubtful accounts	$ --	$ 13,870
Accrued liabilities	1,131	5,604
Deferred revenue	14,145	122,649
Net operating loss carryforwards	162,281	271,332
Total deferred tax assets	177,557	413,455
Less: Valuation allowance	(172,391)	(380,481)
	5,166	32,974
Deferred tax liability:		
Depreciation	(5,166)	(32,974)
Net deferred tax asset	$ --	$ --

As of December 31, 1998, the Company has federal and state net operating loss carryforwards of $307,528 and $4,169,298, respectively, expiring in years 2012 through 2018.

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 $208,090 during 1998. No federal or state income tax payments were made during the year ended December 31, 1996, 1997 or 1998.

4. STOCK OPTION PLAN

The Company's 1994 Employee Stock Option 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 two years.

The Company accounts for its stock incentive plans in accordance with Accounting Principles Board No. 25 ("APB 25"). The Company has not recognized compensation expense for stock options, because the exercise price of the options equals the market price of the underlying stock on the date of grant, which is the measurement date. If the alternative method of accounting for stock incentive plans prescribed by SFAS No. 123 had been followed, there would be no difference in the Company's net loss and net loss per share for the years ended December 31, 1996 and 1997 since all stock options outstanding during those years were 100% vested at January 1, 1996. In 1998, the Company's net loss would have been $1,670,319 and net loss per share would have been $0.95. 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:

	1998
ASSUMPTIONS (WEIGHTED AVERAGE)	
Risk-free interest rate	5.700%
Expected dividend yield	0.0%
Expected life (in years)	5

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

	1996		1997		1998	
	COMMONS SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	COMMON SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	COMMON SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding -- beginning of year	632,778	$1.06	632,778	$1.06	632,778	$1.06
Granted	--	--	--		268,288	4.25
Exercised	--	--	--	--	--	--
Forfeited	--	--	--	--	(8,750)	4.25
Outstanding -- end of year	632,778	1.06	632,778	1.06	892,316	1.98
Exercisable at end of year	632,778	1.06	632,778	1.06	646,778	1.13

Shares of Common Stock available for future grants of options totaled 3,367,222 at December 31, 1997 and 3,107,684 at December 31, 1998. Exercise prices per share and various other information for options outstanding at December 31, 1998 are segregated into ranges as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICE PER SHARE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
$1.00 -- $1.13	632,778	$1.06	6.12	632,778	$1.06
$4.25	259,538	4.25	6.49	14,000	4.25
	892,316	$1.99	6.23	646,778	$1.13

5. LEASE COMMITMENTS

The Company leases its office facilities. During 1998, the Company leased additional office space and extended the terms of the original lease through May 2005 under an amended lease agreement. The amended lease provides for two five-year renewal options. The Company also leases certain office equipment. Total lease expense under all operating leases was $66,200, $59,184 and $51,756 for the years ended December 31, 1996, 1997 and 1998, respectively. The Company also leases certain computer equipment from various third parties accounted for as capital leases. Future rental payment commitments at December 31, 1998 under the capital and operating leases, having an initial term of one year or more, are as follows:

	CAPITAL LEASES	OPERATING LEASES
1999	$14,123	$132,530
2000	14,123	141,741
2001	7,275	140,512
2002	--	140,848
2003	--	140,848
Thereafter	--	168,233
Total minimum lease payments	35,521	$864,712
Less amounts representing interest	(5,906)	
Present value of net minimum lease payments (including $10,539 classified as current)	$29,615	

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

6. LOSS PER SHARE

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

	YEAR ENDED DECEMBER 31		
	1996	1997	1998
Numerator:			
Net loss	$(778,963)	$(960,105)	$(1,589,500)
Denominator:			
Weighted-average shares	1,659,059	1,760,166	1,760,166
Net loss per share, basic and diluted	$ (0.47)	$ (0.55)	$ (0.90)
Antidilutive options and convertible preferred stock not included in loss per share calculation	224,675	253,091	374,276

7. 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.

8. PREFERRED STOCK

The Company is authorized to issue up to 1,000,000 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. At December 31, 1997 and 1998, zero shares and 50,000 shares had been designated as Series A Convertible Preferred Stock and zero shares and 41,000 shares of Series A Convertible Preferred Stock were issued and outstanding, respectively. Subsequent to December 31, 1998, the number of authorized shares of Preferred Stock was increased to 5,000,000 (see Note 10).

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 Convertible Preferred Stock shares from time to time. At December 31, 1997 and 1998, the Company reserved and kept available zero shares and 94,907 shares of Common Stock to effect the conversion of the Series A Convertible Preferred Stock, respectively.

Reference should be made to Note 10 for a discussion of the voting, conversion, dividend, and liquidation rights and preferences of the Series A Convertible Preferred Stock as amended subsequent to December 31, 1998.

9. STRATEGIC ALLIANCE

On December 31, 1998, the Company entered into a two-year strategic alliance with Challenger Corporation ("Challenger") whereby the Company is granted an exclusive worldwide license for all of Challenger's existing and new products. The Company is to pay Challenger $95,000 in 1999 and $125,000 in 2000 as nonrefundable advances against royalties. The Company will pay Challenger a royalty from revenue generated from its products. In the event that royalties due to Challenger are less than $85,000 through November 15, 1999, the Company has the right to cancel the second year license.

10. EVENTS SUBSEQUENT TO DECEMBER 31, 1998

Preferred Stock

Subsequent to December 31, 1998, the Company filed a Second Amended and Restated Charter authorizing the issuance of 20 million shares of Common Stock, no par value and 5 million shares of Preferred Stock, no par value. The Preferred Stock may be issued from time to time in one or more series. The Company has authorized the issuance of 76,000 shares of Preferred Stock designated as Series A Convertible Preferred Stock and 1,436,961 shares designated as Series B Convertible Preferred Stock. On August 18, 1999, the Company filed a Third Amended and Restated Charter to authorize the Company to issue 650,000 shares of 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 2.3148 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 1.3298 shares of Common Stock per share of Series C Convertible Preferred Stock. These rates are subject to an antidilution adjustment if the Company issues or sells shares of Common Stock at a per share price less than $4.32 for Series A and B Convertible Preferred Stock and a price less than $7.52 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 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 $30,000,000 and an offering price per share greater than or equal to $9.00 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 one and one-fourth (1.25) 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 Preferred Stock for $350,000. In April and May 1999 the Company received commitments to purchase 1,030,500 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 Preferred Stock at $10 per share in August 1999 in exchange for $4,777,500 in cash and the conversion of $250,000 of notes payable to the Company's CEO. Also, each holder of Series A and Preferred Stock and Series B Preferred Stock has an option to purchase up to an additional 20% of the number of shares purchased in April and May and August 1999, at $10 per share. Each investor may 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 expire on October 15, 1999. Through September 15, 1999 investors have exercised options and purchased 79,801 shares of Series B Convertible Preferred Stock for cash at $10 per share.

Notes Payable -- Related Party

In connection with the above private placement, the Company's CEO converted $1,250,000 of the $2,325,000 partially secured demand notes (see Note 2) into Common Stock and Series B Convertible Preferred Stock. On April 21, 1999 the remaining $1,525,000 was converted into a promissory note along

with approximately $18,000 of additional indebtedness loaned to the Company by the CEO subsequent to December 31, 1998. This 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 note matures on October 21, 2006 or the earliest of: (i) the date determined by the Company's Board of Directors; (ii) the closing of an initial public offering of common stock ("IPO") of at least $30 million; (iii) the sale of the Company; or (iv) the bankruptcy of the Company.

This 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. In August 1999, the CEO converted an additional $250,000 of notes payable into Series B Preferred Stock resulting in a principal balance of $1,293,000.

Series C Convertible Preferred Stock

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.

Common Stock and Common Stock Options and Warrants

In July and August 1999, the CEO exercised options granted in 1995 and purchased 225,000 shares of the Company's Common Stock at an exercise price of $1.00 per share.

On August 9, 1999, the Company issued 2,500 shares of the Company's Common Stock to an outside consultant at $7.52 per share, for services provided.

On June 14, 1999, the Company entered into a Development and Distribution Agreement ("the Agreement") with GE Medical Systems, a division of the General Electric Company. In connection with the Agreement, GE Medical Systems received warrants to purchase 132,450 shares of the Company's Common Stock at an exercise price of $7.52 per share. The warrants are exercisable for 10 years. The Company recognized $258,278 in expense in June 1999 in connection with the issuance of the warrants. No warrants have been exercised to date.

Subsequent to December 31, 1998 through September 24, 1999, the Company granted 652,250 options to purchase Common Stock to employees, officers and directors as follows:

EXERCISE PRICE PER SHARE	NUMBER OF SHARES
$4.32	24,250
$7.52	628,000
	652,250

Acquisition of Business

On July 23, 1999, the Company acquired selected assets and assumed certain liabilities of SilverPlatter Education, Inc., a subsidiary of SilverPlatter Information, Inc., for $1 million. The purchase price was paid by issuing 26,596 shares of the Company's Common Stock at $7.52 per share and the payment of cash of $800,000 at closing. The acquisition was accounted for as a purchase.

HEALTHSTREAM, INC.
FORMERLY NEWORDER MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The following unaudited pro forma results of operations give effect to the operations of SilverPlatter Education as if the acquisition had occurred as of the first day of the fiscal year immediately preceding the year of the transaction. The pro forma results of operations do not purport to represent what the Company's results of operations would have been had such transaction 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, 1998	SIX MONTHS ENDED JUNE 30, 1999
Revenue	$ 4,059,529	$ 1,948,346
Net loss	(2,168,316)	(1,686,522)
Net loss per common share:		
Basic	$ (1.21)	$ (0.86)
Diluted	$ (1.21)	$ (0.86)

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 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 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 generally accepted accounting principles.

/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	$(1,197,168)	$ (217,189)	$ (112,840)	$(19,937)

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 PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' DEFICIT
	SHARES	AMOUNT			
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.

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.

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.

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.

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

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.

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 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.

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.

	AMOUNT TO BE PAID
SEC registration fee	$ 15,985
NASD filing fee	6,250
Nasdaq National Market listing fee	
Printing and engraving fees and expenses	
Legal fees and expenses	
Accounting fees and expenses	
Blue sky fees and expenses (including legal fees)	
Transfer agent fees	
Miscellaneous	
Total	$

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, 1996:

- In 1996, an aggregate of 400,000 shares of our common stock were issued to Robert A. Frist, Jr. in private placements pursuant to Section 4(2) of the Securities Act at $1.00 per share;

- In 1999, Robert A. Frist, Jr. exercised options received under our written 1994 stock option plan for 225,000 shares of our common stock under Rule 701 of the Securities Act at $1.00 per share;

- On April 21, 1999, 231,481 shares of our common stock were issued to Robert A. Frist, Jr. upon conversion of $1 million in debt pursuant to Section 3(a)(9) of the Securities Act at $4.32 per share;

- On July 23, 1999, 26,596 shares of our common stock were issued to SilverPlatter Information, Inc. for an aggregate of $200,000 pursuant to Section 4(2) of the Securities Act;

- On August 9, 1999, 2,500 shares of our common stock were issued to Richard Schapiro, for $18,800 worth of consulting services, in a private placement pursuant to Section 4(2) of the Securities Act;

- In October and November 1998 and January and February 1999, an aggregate of 76,000 shares of our series A preferred stock were issued only to accredited investors in private placements under Rule 506 of the Securities Act at $10.00 per share;

- In 1999, an aggregate of 1,060,301 shares of our series B preferred stock were issued only to accredited investors in private placements under Rule 506 of the Securities Act at $10.00 per share;

- In 1999, 50,000 shares of our series B preferred stock were issued to Robert A. Frist, Jr. upon conversion of $500,000 in debt pursuant to Section 3(a)(9) of the Securities Act at $10.00 per share; and

- In August and September 1999, an aggregate of 627,406 shares of our series C preferred stock were issued only to accredited investors in private placements under Rule 506 of the Securities Act at $10.00 per share.

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.
*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
4.4	--	Investors' Rights Agreement, dated April 21, 1999, as amended August 11, 1999, between HealthStream, Inc. and some of its shareholders
*4.5	--	Promissory note, dated August 23, 1999, between HealthStream, Inc., as maker, and Robert A. Frist, Jr., as lender
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
*10.2	--	Series B Convertible Preferred Stock Purchase Agreement
*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 1999 Stock Incentive Plan
*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 NewOrder Media, Inc. d/b/a HealthStream, Inc. and Duke University
+10.11	--	Joint Marketing and Licensing Agreement between HealthStream, Inc. and The Cleveland Clinic Center for Continuing Education
+10.12	--	Strategic Alliance Agreement between HealthStream, Inc. and Challenger Corporation
+10.13	--	Development and Distribution Agreement between HealthStream, Inc. and GE Medical Systems
+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.
*23.1	--	Consent of Ernst & Young LLP
23.2	--	Consent of Bass, Berry & Sims PLC (included in opinion filed as Exhibit 5.1)
*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.

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* Filed herewith

\+ 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 registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Nashville, State of Tennessee, on October 13, 1999.

HEALTHSTREAM, INC.

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

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, each person whose signature appears below hereby constitutes and appoints Robert A. Frist, Jr. and Robert H. Laird, Jr., and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and any registration statement relating to the same offering as this registration statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE(S)	DATE
/s/ ROBERT A. FRIST, JR. Robert A. Frist, Jr.	Chief Executive Officer and Chairman (principal executive officer)	October 13, 1999
/s/ JEFFREY L. MCLAREN Jeffrey L. McLaren	President and Director	October 13, 1999
/s/ ROBERT H. LAIRD, JR. Robert H. Laird, Jr.	Vice President, Director of Finance, General Counsel and Secretary (principal financial and accounting officer)	October 13, 1999
/s/ CHARLES N. MARTIN, JR. Charles N. Martin, Jr.	Director	October 13, 1999
Steve Kellett	Director	October , 1999
/s/ THOMPSON S. DENT Thompson S. Dent	Director	October 13, 1999

SIGNATURE	TITLE(S)	DATE
	Director	October , 1999
M. Fazle Husain		
/s/ JOHN H. DAYANI, SR., PH.D	Director	October 13, 1999
John H. Dayani, Sr., Ph.D		
/s/ JAMES F. DANIELL, M.D.	Director	October 13, 1999
James F. Daniell, M.D.		
/s/ WILLIAM STEAD, M.D.	Director	October 13, 1999
William Stead, M.D.		

INDEX TO EXHIBITS

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\+ 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 2.1

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into this 23rd day of July 1999, among SilverPlatter Education, Inc., a Massachusetts corporation ("Seller"), SilverPlatter Information, Inc. ("Shareholder"), and HealthStream, Inc., a Tennessee corporation ("Buyer"). Seller and Shareholder are sometimes hereinafter collectively referred to as the "Selling Parties."

RECITAL:

WHEREAS, Seller desires to sell to Buyer at the Closing (as hereinafter defined), and Buyer desires to purchase from Seller certain assets for developing and providing continuing medical education programs to physicians on CD-ROM and via the Internet under the names "SilverPlatter Education," "Physicians' Home Page" and "Core Curriculum" (the "Business") , as more fully described herein, upon and subject to the terms and conditions contained in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the premises and of the mutual representations, warranties and covenants which are made and to be performed by the respective parties, it is agreed as follows:

ARTICLE 1. PURCHASE AND SALE OF ASSETS

1.1 PURCHASE AND SALE OF ASSETS. Subject to the terms and conditions of this Agreement, on the Closing Date (as hereinafter defined), Seller shall sell, transfer, convey, assign and deliver to Buyer and Buyer shall purchase, acquire and accept from Seller, effective as of midnight on the Closing Date, all of Seller's right, title and interest in and to the following described assets to the extent used exclusively in the Business, wherever located (collectively, the "Assets"):

(a) all fixed assets, machinery and equipment, software, tools, dies, fixtures, furniture, furnishings, plant and office equipment identified on Schedule 1.1(a);

(b) all inventories, including supplies, work-in-process, spare parts and finished goods;

(c) all prepaid supplies and other prepaid expenses (other than prepaid insurance and postage meter, as set forth on Schedule 1.1(c));

(d) all of Seller's rights in and under leases, contracts set forth on Schedule 4.17, know-how licenses, purchase and sale orders, quotations and other agreements to which Seller is a party as of the Closing Date;

(e) all operating data and records of Seller, including books, records, sales and sales promotional data, advertising materials, customer lists, credit information, cost and pricing information, supplier lists, business plans, reference catalogs, and computer programs and electronic data processing software related to any of the foregoing items, except that minute books and corporate records, tax returns and litigation files of Seller shall not be included in the Assets;

(f) all engineering and production designs, drawings, formulae, technology, trade secrets, know-how and other similar data of Seller;

(g) all titles produced by Seller listed in Schedule 1.1(h);

(h) all patents, patent applications, trademarks listed in Schedule 1.1(i), trade names, service marks, registered user entries, copyrights and all of Seller's right, title and interest in any application for any of the foregoing, and all claims and causes of action relating to any of the foregoing, including claims and causes of action for past infringement; and all rights under permits, licenses, franchises and similar authorizations used by Seller in its business to the extent transferable;

(i) fifty percent (50%) of the cash collected prior to the Closing with respect to Seller's core curriculum seminars which have a commencement date following the Closing Date; and

(j) the goodwill of the business conducted by Seller.

1.2 EXCLUDED ASSETS. Notwithstanding anything else contained herein, the following assets are excluded from the Assets being acquired by or transferred to Buyer on the Closing Date (collectively, the "Excluded Assets"):

(a) cash and cash equivalents and securities of Seller, except as provided in Sections 1.1(i) and 3.2(b)(vi);

(b) accounts receivable and fifty percent (50%) of the balance due on the core curriculum lectures as of the Closing Date as set forth on Schedule 1.2(b);

(c) rights as lessee or occupant of 100 River Ridge Drive, Norwood, Massachusetts;

(d) all minute books and corporate records, tax returns and litigation files of Seller;

(e) any right, title or interest of Seller in any Federal, state, local or foreign tax refunds (and any income with respect thereto) and tax benefits; and

(f) Seller's rights under any license to use the tradename SilverPlatter Education, Inc., the compound trademark SILVERPLATTER EDUCATION, the trademarks SILVERPLATTER (plus design) (which is the subject of United States Trademark Registration No. 2,013,062), SILVERPLATTER (stylized) (which is the subject of United States Trademark Registration No. 1,433,651), _____SPIRS (which is the subject of United States Trademark Application No. 75/571,060), WEBMEDLIT, PHYSICIANS' SILVERPLATTER and the design trademark which is the subject of United States Registration No. 2,122,689, any trade names or trademarks that are similar to any of the foregoing trade names or trademarks in visual appearance, phonetic pronunciation or overall commercial impression.

1.3 ASSUMPTION OF LIABILITIES. Except as set forth on Schedule 1.3 hereto and made a part hereof, or otherwise set forth in this Agreement, Buyer will not assume any debts, liabilities, obligations, expenses, taxes, contracts or commitments of Seller of any kind, character or description, whether accrued, absolute, contingent or otherwise, no matter whether arising before or after the Closing, and whether or not reflected or reserved against in Seller's financial statements, books of accounts or records. The Selling Parties will indemnify Buyer against and hold it harmless from any such obligations and liabilities not assumed by Buyer. The liabilities and obligations set forth on Schedule 1.3 are herein referred to as the "Assumed Liabilities."

1.4 ASSIGNMENT OF CONTRACTS. Anything in this Agreement to the contrary notwithstanding, this

Agreement shall not constitute an agreement to assign, and the Assets shall not include, any claim, contract, instrument, agreement, license, lease, commitment, sales order, purchase order or any claim or right, or any benefit arising thereunder or resulting therefrom, if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach thereof or in any way affect the rights of Buyer or Seller thereunder. Seller will use good faith efforts to obtain the consent of any and all third parties to the assignment of any such contract or agreement. Seller shall be responsible for the payment of any transfer or assignment fees required by any third party to effect the assignment of any such contracts or agreements listed on Schedule 4.17 attached hereto. If such consent is not obtained, or if an attempted assignment thereof would be ineffective or would affect such rights, Seller will cooperate with Buyer (but shall not be obligated to incur any expenses in such efforts) in any arrangement designed to provide for Buyer the benefits under any such claims, contracts, instruments, agreements, licenses, leases, commitments, sales orders or purchase orders, including, without limitation, enforcement for the benefit of Buyer of any and all rights of Buyer or Seller against a third party thereto arising out of a breach or cancellation by such third party or otherwise; and any transfer or assignment to Buyer of any property or property rights or any contract or agreement which shall require the consent or approval of any third party shall be made subject to such consent or approval being obtained.

ARTICLE 2. CONSIDERATION

2.1 PURCHASE PRICE. The purchase price for the Assets shall be $1,000,000 (the "Purchase Price"). Fifty percent (50%) of the Purchase Price shall be paid to the Seller at Closing by cashier's check or wire transfer of funds. Thirty percent (30%) of the Purchase Price shall, at Closing, be deposited in an escrow account at the law firm of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. pursuant to an Escrow Agreement under which Buyer shall receive all interest for deposits in said account, in the form attached as Exhibit A, and shall be paid to the Seller sixty (60) days from the Closing Date as defined herein by certified check or wire transfer of funds. The remaining twenty percent (20%) shall be paid to the Shareholder in the form of Buyer's Common Stock at Closing. The value of Buyer's Common Stock as of the Closing Date shall be $7.52 per share. This is the price per share that Buyer is currently offering Series C Convertible Preferred Stock to a select group of investors. If Buyer sells Series C Convertible Preferred Stock, or any other class of stock, at its next round of financing which secures at least $3 million of proceeds for Buyer for less than $7.52 per share, then the price per share of Buyer's Common Stock that Seller receives under this Agreement shall be reset to the price per share paid by investors at the Buyer's next round of financing, and Buyer shall issue to the Shareholder that number of additional shares of Common Stock that would have been issued at the lower price per share. If Buyer does not close a round of financing which secures at least $3 million of proceeds by December 31, 1999, then the value of the Common Stock shall be reset to $4.32 per share, and Buyer shall issue to the Shareholder that number of additional shares of Common Stock which would have been issued at $4.32 per share.

ARTICLE 3. CLOSING; OBLIGATIONS OF THE PARTIES

3.1 CLOSING DATE. The closing (the "Closing") shall take place on July 23, 1999, at the offices of Buyer, 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203, or at such other time and place as the parties hereto mutually agree (the "Closing Date").

3.2 OBLIGATIONS OF THE PARTIES AT THE CLOSING.

(a) At the Closing, Buyer shall deliver to Seller (or Seller's agent):

(i) the consideration as specified in Section 2.1, as well as payments for the services set forth in Sections 6.9 through 6.11, should Buyer choose to request Seller to perform them;

(ii) payment for the pro rata share of July rent and utilities at 50 Beacon Street, Boston, which equals $1,325 and payment for the right to continue to occupy space at 100 River Ridge Drive, Norwood for the month following the Closing Date, which equals $5,000;

(iii) a copy of resolutions of the Board of Directors of Buyer, certified by Buyer's Secretary, authorizing the execution, delivery and performance of this Agreement and the other documents referred to herein to be executed by Buyer, and the consummation of the transactions contemplated hereby;

(iv) a certificate in the form of Exhibit B hereto of Buyer certifying as to the accuracy of Buyer's representations and warranties at and as of the Closing and that Buyer has performed or complied with all of the covenants, agreements, terms, provisions and conditions to be performed or complied with by Buyer at or before the Closing;

(iv) a copy of the Buyer's Charter, certified by the Tennessee Secretary of State;

(v) certificates of existence and good standing for the Buyer, certified by the Secretary of State of Tennessee, dated within ten (10) business days of Closing:

(vi) the opinion of legal counsel for the Buyer, the terms of which are substantially as set forth in Section 9.4;

(vii) an executed original of the Trademark License, in the form attached as Exhibit C;

(viii) a license to the Selling Parties to MD Digests and Internet Library, in the form attached as Exhibit D; and

(ix) a license to the Selling Parties to use the MD Digests and Internet Library trademarks, in the form attached as Exhibit E;

(x) an executed copy of the Escrow Agreement, in the form attached as Exhibit A;

(xi) permission to KnowledgeCite, Inc. to continue to occupy certain space at 50 Beacon Street, Boston, until July 31, 1999 in the form of Exhibit G-3; and

(xii) such other certificates and documents as Selling Parties or their counsel may reasonably request.

(b) At the Closing, Selling Parties will deliver to Buyer:

(i) such bills of sale, assignments, and other good and sufficient instruments of conveyance and transfer, in form and substance reasonably satisfactory to Buyer, as shall be effective to vest in Buyer all of Seller's and the Shareholders' title to and interest in the Assets, and, simultaneously with such delivery, will take such steps as may be necessary to put Buyer in actual possession and operating control of the Assets;

(ii) a certificate of each of the Selling Parties in the form of Exhibit F hereto certifying as to the accuracy of the Selling Parties representations and warranties at and as of the Closing and that they have performed or complied with all of the covenants, agreements, terms,

provisions and conditions to be performed or complied with by each of them at or before the Closing;

(iii) copy of resolutions of the Board of Directors and Shareholders of Seller, certified by Seller's Secretary, authorizing the execution, delivery and performance of this Agreement and the other documents referred to herein to be executed by Seller, and the consummation of the transactions contemplated hereby;

(iv) the opinion of legal counsel for the Seller, the terms of which are substantially as set forth in Section 8.4;

(v) an assignment of the lease for 50 Beacon Street, Boston, in the form attached as Exhibit G-1, and permission to occupy space at 100 River Ridge Drive, in the form attached as Exhibit G-2;

(vi) fifty percent (50%) of the cash collected prior to the Closing with respect to Seller's core curriculum seminars, which have a commencement date following the Closing Date;

(vii) certificates of existence and good standing for the Seller, certified by the Secretary of State of Massachusetts, dated July 14, 1999;

(viii) a license to Buyer to WebMedLit, in the form attached as Exhibit H;

(ix) a license to Buyer to use the WebMedLit trademarks, in the form attached as Exhibit I;

(x) a license to use the Medline database, buildware and SPIRS software, in the form attached as Exhibit J;

(xi) Selling Parties shall have executed the Non-Competition Agreement in the form of Exhibit K hereto and of even date herewith;

(xii) Selling Parties shall have executed the Shareholders' Agreement in the form of Exhibit L hereto and of even date herewith;

(xiii) an executed Drug Information Handbook Database Agreement, in the form attached as Exhibit M;

(xiv) Selling Parties shall have executed the Voting Agreement in the form of Exhibit N hereto and of even date herewith;

(xv) Selling Parties shall have executed the Co-Sale Agreement in the form of Exhibit O hereto and of even date herewith;

(xvi) payment for the right to continue to occupy 50 Beacon Street, Boston until July 31, 1999, which equals $260.00; and

(xvii) such other certificates and documents as Buyer or its counsel may reasonably request.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES BY SELLING PARTIES

Selling Parties hereby represent and warrant as follows:

4.1 AUTHORIZATION. Seller has full corporate power and authority (including all necessary approvals of Seller's shareholders) to enter into this Agreement and perform its obligations hereunder and carry out the transactions contemplated hereby. The Board of Directors of Seller has taken all action required by law, its Articles of Incorporation and its Bylaws to authorize the execution and delivery by Seller of this Agreement and the consummation by Seller of the transactions contemplated hereby. This Agreement constitutes the valid and binding agreement of Seller, enforceable against Seller in accordance with its terms.

4.2 ORGANIZATION, GOOD STANDING AND QUALIFICATION. Seller is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts. Seller has full corporate power and authority to transfer the Assets to Buyer, to carry on its business as now conducted and possesses all governmental and other permits, licenses and other authorizations to own, lease or operate its assets and properties as now owned, leased and operated and to carry on its business as presently conducted. Seller is not licensed or qualified to do business as a foreign corporation in any jurisdiction and neither the properties owned or leased nor the business transacted by Seller makes such licensing or qualification to do business as a foreign corporation necessary, and no other jurisdiction has demanded, requested or otherwise indicated that (or inquired whether) Seller is required so to qualify.

4.3 SUBSIDIARIES. Seller neither owns nor has an interest in, directly or indirectly, any other corporation, partnership, joint venture or other business organization.

4.4 NO VIOLATION. The execution and delivery of this Agreement by Seller does not, and the consummation of the transactions contemplated hereby will not, (a) violate any provision of, or result in the creation of any lien or security interest under, any agreement, indenture, instrument, lease, security agreement, mortgage or lien to which Seller is a party or by which any of Seller's assets or properties are bound; (b) violate any provision of the Articles of Incorporation or Bylaws of Seller; (c) violate any order, arbitration award, judgment, writ, injunction, decree, statute, rule or regulation applicable to Seller; or (d) violate any other contractual or legal obligation or restriction to which Seller is subject.

4.5 FINANCIAL STATEMENTS. Seller has delivered to Buyer: (a) balance sheets of Seller as at December 31 in each of the years 1996, 1997, and 1998 and for 1998 the related statements of income, changes in stockholders' equity and cash flow including the notes thereto (the "Historical Financial Statements") and (b) a balance sheet of Seller as at June 30, 1999 (the "Interim Balance Sheet") and related statements of income, changes in shareholder's equity and cash flow for the six (6) months then ended (collectively the "Interim Financial Statements," and together with the Historical Financial Statements, the "Financial Statements"). The Financial Statements fairly present the assets, liabilities, financial condition and results of operations of Seller as at the respective dates thereof and for the periods therein referred to, and, with respect to 1998, in accordance with generally accepted United States accounting principles; and the Financial Statements reflect the consistent application of such accounting principles for 1998. The date of the Interim Balance Sheet included in the Financial Statements is sometimes hereinafter referred to as the Balance Sheet Date.

4.6 ASSETS. Except for the trademarks referenced in the Trademark Licenses attached as Exhibits C, E and I hereto, the Assets constitute substantially all the assets owned, leased or used by Seller which are necessary to the operation of Seller's business as now being conducted.

4.7 TANGIBLE ASSETS. Schedule 1.1(a) contains an accurate list as of December 31, 1998, of all material fixed and other tangible assets and personal property owned by Seller. All such plants, structures, machinery and equipment are in good working condition and repair, normal wear and tear excepted, and are adequate for the operations as currently being conducted by Seller. All such plants, structures, machinery and equipment conform in all material respects to applicable health, sanitation, fire, safety and labor laws and ordinances. Seller does not own or lease any real property.

4.8 TITLE TO PROPERTIES; ENCUMBRANCES. Except as set forth in Schedule 4.8, Seller has good, valid and marketable title to all Assets, personal, tangible and intangible, including, without limitation, the Assets reflected in the Financial Statements (except for inventory sold since the date thereof in the ordinary course of business and consistent with past practice). None of the Assets is subject to any mortgage, pledge, lien, security interest, conditional sale agreement, encumbrance or charge of any kind, except (a) liens shown on the Financial Statements as securing specified liabilities (with respect to which no default exists), (b) liens for current taxes not yet due, (c) minor imperfections of title and encumbrances, if any, which are not substantial in amount, do not detract from the value of the property subject thereto and do not impair the use of the property subject thereto or impair the operations of Seller including, but not limited to, those liens and encumbrances described on Schedule 4.8.

4.9 TRADEMARKS, PATENTS, ETC. Schedule 4.9 is an accurate and complete list of all registered patents, trademarks, tradenames, trademark registrations, service names, service marks, copyrights, formulas and applications therefor owned by Seller. Schedule 1.1(i) and the trademarks licensed under the Trademark License and WebMedLit Trademark License are the complete list of trademarks, tradenames, service names and service marks owned by Selling Parties or their affiliates used by Seller in the operation of Seller's business, title to each of which is, except as set forth on Schedule 4.9 hereto, held by Seller free and clear of all adverse claims, liens, security agreements, restrictions or other encumbrances. Except for the copyright infringement claim by the American Academy of Ophthalmology more particularly described in Schedule 4.9 (the "AAO Claim"), there is no infringement action, lawsuit, claim or complaint which asserts that Seller's operations violate or infringe the rights or the trade names, trademarks, trademark registration, service name, service mark or copyright of others with respect to any apparatus or method of Seller or any adversely held trademark, trade name, trademark registration, service name, service mark or copyright, and Seller is not in any way making use of any confidential information or trade secrets of any person except with the consent of such person.

4.10 NO UNDISCLOSED LIABILITY. Except as and to the extent of the amounts specifically reflected or reserved against in the Financial Statements or disclosed in the notes thereto, Seller does not have any knowledge of any material liabilities or obligations of any nature, whether or not absolute, accrued, asserted, liquidated, matured, contingent or otherwise and whether due or to become due (including, without limitation, liabilities for taxes and interest, penalties and other charges payable with respect thereto) which alone or in the aggregate may affect Seller's ability to transfer the Assets hereby or, from and after Closing, Buyer's right, title and interest in and to the Assets and Buyer's use and enjoyment thereof.

4.11 ABSENCE OF CERTAIN CHANGES. Except as and to the extent set forth on Schedule 4.11, since the Balance Sheet Date, Seller has not:

(a) suffered any material adverse change in its working capital, financial condition, assets, liabilities, business or prospects, experienced any labor difficulty, or suffered any material casualty loss (whether or not insured);

(b) made any change in its business or operations or in the manner of conducting its business other than changes in the ordinary course of business; incurred any obligations or liabilities (whether absolute, accrued, contingent or otherwise and whether due or to become due), except items incurred in the ordinary course of business and consistent with past practice, or experienced any change in any assumptions underlying or methods of calculating any bad debt, contingency or other reserves;

(c) paid, discharged or satisfied any claim, lien, encumbrance or liability (whether absolute, accrued, contingent or otherwise and whether due or to become due), other than claims, encumbrances or liabilities (i) which are reflected or reserved against in the Financial Statements and which were paid, discharged or satisfied since the date thereof in the ordinary course of business and consistent with past practice, or (ii) which were incurred and paid, discharged or satisfied since the Balance Sheet Date in the ordinary course of business and consistent with past practice;

(d) written down the value of any inventory, or written off as uncollectible any notes or accounts receivable or any portion thereof, except for immaterial write-downs and write-offs made in the ordinary course of business, consistent with past practice and at a rate no greater than during the fiscal year ended December 31, 1998;

(e) canceled any other debts or claims, or waived any rights, of substantial value;

(f) sold, transferred or conveyed any of its properties or assets (whether real, personal or mixed, tangible or intangible), except in the ordinary course of business and consistent with past practice;

(g) disposed of or permitted to lapse, or otherwise failed to preserve the exclusive rights of Seller to use any registered patent, trademark, trade name, logo or copyright or any such application, or disposed of or permitted to lapse any license, permit or other form of authorization, or disposed of or disclosed to any person any trade secret, formula, process or know-how;

(h) granted any increase in the compensation of any officer, director, employee or agent (including, without limitation, any increase pursuant to any bonus, pension, profit sharing or other plan or commitment) which is out of the ordinary course of business, or adopted any such plan or other arrangements; and no such increase, or the adoption of any such plan or arrangement, is planned or required;

(i) made any capital expenditures or commitments in excess of $10,000 in the aggregate for replacements or additions to property, plant, equipment or intangible capital assets;

(j) made any change in any method of accounting or accounting practice;

(k) paid, loaned or advanced any amount to or in respect of, or sold, transferred or leased any properties or assets (real, personal or mixed, tangible or intangible) to, or entered into any agreement, arrangement or transaction with, any of the Selling Parties or the officers or directors of Seller, any affiliates or associates of any Selling Party or any of their respective officers or directors, or any business or entity in which any of such persons has any direct or material indirect interest, except for compensation to the officers and employees of Seller at rates not exceeding the rates of compensation in effect at the Balance Sheet Date and advances to employees in the ordinary course of business for travel and expense disbursements in accordance with past practice; or

(l) agreed, whether in writing or otherwise, to take any action described in this Section 4.11.

4.12 TAX MATTERS. Seller has duly filed all Tax reports and returns required to be filed by it and has duly paid all Taxes and other charges (whether or not shown on any Tax return) due or claimed to be due from it by federal, foreign, state or local taxing authorities; and true and correct copies of all Tax reports

and returns relating to such Taxes and other charges for the period December 31, 1992 to December 31, 1998 have been heretofore delivered to Buyer. The reserves for Taxes contained in the Financial Statements and carried on the books of Seller are adequate to cover all Tax liabilities as of the date of this Agreement. Since the Balance Sheet Date, Seller has not incurred any Tax liabilities other than in the ordinary course of business; there are no Tax liens (other than liens for current Taxes not yet due) upon any properties or assets of Seller (whether real, personal or mixed, tangible or intangible), and, except as reflected in the Financial Statements, there are no pending or threatened questions or examinations relating to, or claims asserted for, Taxes or assessments against Seller, and there is no basis for any such question or claim. Seller has not granted or been requested to grant any extension of the limitation period applicable to any claim for Taxes or assessments with respect to Taxes. For purposes of this Agreement, "Tax" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Section 59A of the Internal Revenue Code of 1986, as amended ("Code")), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

4.13 COMPLIANCE WITH APPLICABLE LAW. To Seller's knowledge, Seller has in the past duly materially complied and is presently duly materially complying, in the conduct of its business and the ownership of its assets with all applicable laws, whether statutory or otherwise, rules, regulations, orders, ordinances, judgments and decrees of all governmental authorities (federal, state, local or otherwise) (collectively, "Laws"). None of the Selling Parties has received any notice of, or notice of any investigation of, a possible violation of any applicable Laws, or any other Law or requirement relating to or affecting the operations or properties of Seller.

4.14 LITIGATION. Except for the AAO Claim, to the best of the Selling Parties' knowledge, there are no claims, actions, suits, proceedings or investigations pending or threatened by or against, or otherwise affecting the Assets or the Business at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, agency, instrumentality or authority. The Selling Parties do not know or have any reason to know of any basis for any such claim, action, suit, proceeding or investigation.

4.15 INSURANCE. Seller has not been refused any insurance, nor has its coverage been limited, by any insurance carrier to which it has applied for insurance or with which it has carried insurance during the last five years.

4.16 EMPLOYEES AND FRINGE BENEFIT PLANS.

(a) Schedule 4.16 sets forth the names, ages and titles of all employees of Seller earning in excess of $25,000 per annum, and the annual rate of compensation (including bonuses) being paid to each such employee as of the most recent practicable date.

(b) Schedule 4.16 lists each employment, bonus, deferred compensation, pension, stock option, stock appreciation right, profit-sharing or retirement plan, arrangement or practice, each medical, vacation, retiree medical, severance pay plan, and each other agreement or fringe benefit plan, arrangement or practice, of Seller, whether legally binding or not, which affects one or more of its employees, (collectively, the "Plans"). Included in the Plans listed on Schedule 4.16 are all "employee benefit plans" as defined by Section 3(3) of the Employee Retirement Income Security Act of 1974, as

amended ("ERISA"). Seller has delivered to Buyer a copy of the Sanford Herald 401(k) Profit Sharing Plan ("Seller's 401(k) Plan"). Seller maintains no Plans which are subject to Title IV of ERISA or the minimum funding standards of Section 412 of the Code.

(c) Seller does not have any commitment, whether formal or informal and whether legally binding or not, (i) to create any additional such Plan, or (ii) to modify or change any such Plan so as to provide greater benefits.

(d) To Seller's knowledge, Seller has complied in all material respects with all applicable federal, state and local laws, rules and regulations relating to employees' employment and/or employment relationships, including, without limitation, wage related laws, antidiscrimination laws, employee safety laws and COBRA (defined herein to mean the requirements of Code Section 4980B, Proposed Treasury Regulations Section 1.162-26 and Section 54.4980B-1 and Part 6 of Subtitle B of Title I of ERISA).

(e) Seller is not a party to any contract or agreement or requirement of law which would require Buyer to hire, or subject Buyer to liability if it did not hire, any employee of Seller or which would require Buyer to pay or provide, or subject Buyer to liability if it did not pay or provide, any employee benefits (other than COBRA continuation coverage) to any employee of Seller for periods prior to or after the Closing Date (including any and all employee benefits and any compensatory, overtime, vacation, sick or holiday pay).

(f) None of the Plans which are "welfare benefit plans," within the meaning of Section 3(l) of ERISA, provide for continuing benefits or coverage after termination or retirement from employment, except for COBRA rights under Seller's group medical plan, a "group health plan" as defined in Code Section 4980B(g) and ERISA.

(g) Neither the Seller nor any affiliate of Seller (as defined in ERISA) has ever participated in or withdrawn from a multi-employer plan as defined in Section 4001(a)(3) of Title IV of ERISA, and Seller has not incurred and does not owe any liability as a result of any partial or complete withdrawal by any employer from such a multi-employer plan as described under Sections 4201, 4203, or 4205 of ERISA.

(h) Seller maintains for its eligible employees the Seller's 401(k) Plan, a profit sharing plan that permits employee elective deferrals under Section 401(k) of the Code. Buyer maintains for its eligible employees a profit sharing plan that permits employee elective deferrals under Section 401(k) of the Code ("Buyer's 401(k) Plan"). Seller's 401(k) Plan has been determined by the Internal Revenue Service to be qualified under Section 401(a) of the Code and the trust related thereto has been determined to be exempt from tax pursuant to Section 501(a) of the Code. No event has occurred since the date of such determination, including effective changes in laws or modifications to Seller's 401(k) Plan or arrangement, that would adversely affect such qualification or tax exempt status, other than the failure to make any required amendments, the time for adoption of which has not yet expired. Seller has delivered to Buyer complete copies of the most recent Internal Revenue Service determination letter with respect to Seller's 401(k) Plan.

4.17 CONTRACTS AND COMMITMENTS. Schedule 4.17 sets forth the list of contracts included in the Assets. Except as set forth on Schedule 4.17:

(a) The legal enforceability after the Closing of the rights of Seller under any of its contracts will not be affected in any manner by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(b) Seller has no sales or purchase commitments which are in excess of the normal, ordinary and usual capacity or requirements of its business.

(c) Except as described on Schedule 4.16, Seller is not a party to or bound by (i) any outstanding contracts with officers, employees, agents, consultants, advisors, salesmen, or sales representatives, that are not cancelable by Seller on notice of not longer than 30 days and without liability, penalty or premium, (ii) any agreement or arrangement providing for the payment of any bonus or commission based on sales or earnings, or (iii) any agreements that contain any severance or termination pay, liabilities or obligations.

(d) Seller is not a party to any licensing agreement as licensee.

(e) Seller is not restricted or purported to be restricted by agreement or otherwise from carrying on its business anywhere in the world.

4.18 ACCOUNTS PAYABLE. All accounts and notes payable of Seller, whether reflected in the Financial Statements or otherwise, with an invoice date prior to the Closing shall be paid by the Selling Parties.

4.19 ORDERS, COMMITMENTS AND RETURNS. The aggregate of all accepted and unfilled orders for the sale of merchandise entered into by Seller does not exceed an amount which can reasonably be expected to be filled in the ordinary course of business, assuming it is operated following the Closing in a comparable manner as it is being operated prior to Closing (all of which orders, contracts and commitments were made in the ordinary course of business). Seller does not know or have reason to believe that either the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby will result in any cancellations or withdrawals of accepted and unfilled orders for the sale of Seller's merchandise.

4.20 SUPPLIERS. Neither of the Selling Parties has received any indication from any supplier (or otherwise has any reason to believe) that any such supplier will not continue as a supplier of Buyer after the Closing. Schedule 4.20 contains the name and address of the company which masters and duplicates Sellers CD-ROMs, and fulfills the Physicians' SilverPlatter CD-ROMs.

4.21 LABOR AND EMPLOYMENT MATTERS. There are no collective bargaining agreements in effect between Seller and labor unions or organizations representing any of Seller's employees. During the past seven years, there has been no request for collective bargaining or for an employee election from any employee, union or the National Labor Relations Board. Seller is, to its knowledge, in compliance with all federal, state and local laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and is not engaged in any unfair labor practice. There is no unfair labor practice complaint against Seller pending or threatened before the National Labor Relations Board or the United States Department of Labor or any state or local governmental body or agency. There is no labor strike, dispute, slowdown or stoppage in progress or threatened against or involving Seller. No question concerning representation has been raised or is threatened respecting the employees of Seller. No grievance or arbitration proceeding is pending and no claim therefor exists. No private agreement restricts Seller from relocating, closing or terminating any of its operations or facilities. Seller has not in the past five years experienced any labor strike, dispute, slowdown, stoppage or other labor difficulty.

4.22 NO BREACH. Each written contract or agreement referred to in this Agreement or in any Schedule hereto under which Seller has any right, interest or obligation is in full force and effect. Except for the AAO Claim, there have been no threatened cancellations thereof nor outstanding disputes thereunder,

and Seller has not breached any provision of, nor does there exist any default in any material respect under, or event (including the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby) which is, or with the giving of notice or the passage of time or both would become, a breach or default in any material respect under the terms of any such arrangement.

4.23 INVENTORY. All inventory of Seller, whether reflected in the Financial Statements or otherwise, is of good and merchantable quality and is usable and saleable in the ordinary course of business, except for items of obsolete materials and materials of below standard quality, all of which have been written down in the Financial Statements to realizable market value or for which adequate reserves have been provided therein. The present quantities of all inventory of Seller are reasonable in the present circumstances of its business. Except as set forth in its end-user licenses, Seller is not under any liability or obligation with respect to the return of inventory or merchandise in the possession of wholesalers, retailers or other customers.

4.24 PROFESSIONAL FEES. Neither Seller nor any of the Selling Parties has done anything to cause or incur any liability or obligation for investment banking, brokerage, finders, agents or other fees, commissions, expenses or charges in connection with the negotiation, preparation, execution or performance of this Agreement or the consummation of the transactions contemplated hereby, and Seller does not know of any claim by anyone for such a fee, commission, expense or charge.

4.25 CONSENTS AND APPROVALS. Except as set forth in Section 4.17 regarding Contracts or described in Section 4.29 regarding ACCME Accreditation, Seller has obtained all consents, approvals, authorizations or orders of third parties, including governmental authorities, necessary for the authorization, execution and performance of this Agreement by Seller.

4.26 SHAREHOLDER AUTHORITY. This Agreement constitutes the legal, valid and binding obligation of Shareholder, enforceable against the Shareholder in accordance with its terms. Shareholder has the absolute and unrestricted right, power, authority and capacity to execute and deliver this Agreement and to perform his or its obligations under this Agreement.

4.27 CORPORATE RECORDS. Seller has delivered or provided to Buyer for its review true complete and correct copies of the following items, as amended and presently in effect, for Seller: (a) Articles of Incorporation, (b) Bylaws, (c) minute books, and (d) stock certificate receipts (all hereinafter referred to as the "Corporate Records"). The Minute Books contain a record of all shareholder and director meetings and actions taken without a meeting from December 29, 1992 to the date hereof. The stock certificate receipts reflect all transactions in Seller's capital stock from the date of its incorporation to the date hereof.

4.28 FULL DISCLOSURE. Neither the information provided by the Selling Parties in this Agreement, nor any Schedule, exhibit, list, certificate or other instrument and document furnished by any Selling Party to Buyer pursuant to this Agreement, contains any untrue statement of a material fact or omits to state any material fact required to be stated herein or therein or necessary to make the statements and information contained herein or therein not misleading. No Selling Party has withheld from Buyer disclosure of any event, condition or fact which such Selling Party knows, or has reasonable grounds to know, may materially adversely affect Seller's assets, prospects or condition (financial or otherwise).

4.29 ACCME ACCREDITATION. To the best of Seller's knowledge, its continuing medical education ("CME") product line complies with the rules and regulations of the Accreditation Council for Continuing Medical Education ("ACCME"). Seller's CME product line conforms to the "Essentials and

Guidelines" in the form of Exhibit P hereto as articulated by the ACCME. Seller has no knowledge of any acts or omissions by Seller in its business practices that would impede continued ACCME accreditation in the near future and Seller shall, for up to one year following the Closing, use reasonable efforts to assist Buyer in securing the CME accreditation of Seller's current CME titles going forward. However, the ACCME operates outside the control of Seller and Shareholder and therefore there can be no guarantees that ACCME accreditation will continue into the future.

4.30 PURCHASE ENTIRELY FOR OWN ACCOUNT. This Agreement is made with the Selling Parties in reliance upon such Selling Parties' representation to the Buyer, which by such Selling Parties' execution of this Agreement Selling Parties hereby confirm, that the Common Stock to be purchased by Selling Parties (the "Securities") will be acquired for investment for such Selling Parties' own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that Selling Parties have no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, Selling Parties further represent that Selling Parties do 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 Securities.

4.31 RELIANCE UPON SELLING PARTIES' REPRESENTATIONS. Selling Parties understand 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 Buyer's reliance on such exemption is predicated on the Selling Parties' representations set forth herein.

4.32 RECEIPT OF INFORMATION. Selling Parties believe they have received all the information Selling Parties consider necessary or appropriate for deciding whether to purchase the Common Stock. Selling Parties further represent that they have had an opportunity to ask questions and receive answers from the Buyer regarding the terms and conditions of the offering of the Common Stock and the business, properties, prospects, and financial condition of the Buyer and to obtain additional information (to the extent the Buyer possessed such information or could acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information furnished to Selling Parties or to which Selling Parties had access. The foregoing, however, does not limit or modify the representations and warranties of the Buyer in Section 5 of this Agreement or the right of the Selling Parties to rely thereon.

4.33 INVESTMENT EXPERIENCE. Selling Parties represent that they are experienced in evaluating and investing in private placement transactions of securities of companies in a similar stage of development and acknowledges that Selling Parties are able to fend for himself, herself or itself, can bear the economic risk of Selling Parties' 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. If other than an individual, Selling Parties also represent that the 100% shareholder of each Selling Party (each an "Investor Owner") meets the requirements of the preceding sentence.

4.34 ACCREDITED INVESTOR.

(a) The term "Accredited Investor" as used herein refers to any corporation not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

(b) Shareholder, but not Seller, represents to the Buyer that Shareholder (and its Investor Owner) is an Accredited Investor.

4.35 RESTRICTED SECURITIES. Selling Parties understand 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, Selling Parties are 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 Buyer. Such information is not now available and the Buyer has no present plans to make such information available.

4.36 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 BUYER HAS RECEIVED AN OPINION OF COUNSEL OR OTHER EVIDENCE, SATISFACTORY TO THE BUYER AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

(b) Any legend imposed or required by applicable state securities laws.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES BY BUYER

Buyer hereby represents and warrants to Seller as follows:

5.1 ORGANIZATION AND GOOD STANDING. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Tennessee and has full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby.

5.2 AUTHORIZATION. Buyer has full corporate power and authority (including all necessary approvals of Buyer's shareholders) to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement, issue the Common Stock to Seller, and perform its obligations hereunder and carry out the transactions contemplated hereby. The Board of Directors of Buyer has taken all action required by law, its Articles of Incorporation, its Bylaws and otherwise to authorize the execution and delivery by Buyer of this Agreement and the consummation by Buyer of the transactions contemplated hereby.

5.3 VALID AND BINDING AGREEMENT. This Agreement constitutes a valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms.

5.4 NO VIOLATION. The execution and delivery of this Agreement by Buyer does not, and the consummation of the transactions contemplated hereby will not, (a) violate any provision, or result in the creation of any lien or security interest under, any agreement, indenture, instrument, lease, security agreement, mortgage or lien to which Buyer is a party or by which it is bound; (b) violate any provision

of Buyer's Articles of Incorporation or Bylaws; (c) violate any order, arbitration award, judgment, writ, injunction, decree, statute, rule or regulation applicable to Buyer; or (d) violate any other contractual or legal obligation or restriction to which Buyer is subject.

5.5 PROFESSIONAL FEES. Buyer has not done anything to cause or incur any liability for investment banking, brokerage, finders, agents or other fees, commissions, expenses or charges in connection with the negotiation, preparation, execution and performance this Agreement or the consummation of the transactions contemplated hereby, and Buyer does not know of any claim by anyone for such a commission or fee.

5.6 CONSENTS AND APPROVALS. Buyer has obtained all consents, approvals, authorizations or orders of third parties, including governmental authorities, necessary for the authorization, execution and performance of this Agreement by Buyer.

5.7 FINANCIAL STATEMENTS. Buyer has delivered to Seller the audited consolidated balance sheet of the Buyer and its subsidiaries as of the end of December 31, 1998, and the related consolidated statements of income, stockholders' equity and changes in financial position for the fiscal year then ended, prepared in accordance with generally accepted accounting principles and accompanied by an opinion of a firm of independent public accountants of recognized national standing selected by the Board of Directors of the, the last fiscal year, and the related consolidated statements of income, stockholders' equity and changes in financial position for the fiscal year then ended, prepared in accordance with generally accepted accounting principles. These financial statements fairly present the assets, liabilities, financial condition and results of operations of Buyer as of December 31, 1998 and for the period therein referred to.

5.8 FULL DISCLOSURE. To the best of Buyer's knowledge, neither the information provided by the Buyer in this Agreement, nor any Schedule, exhibit, list, certificate or other instrument and document furnished by Buyer to the Selling Parties pursuant to this Agreement, contains any untrue statement of a material fact or omits to state any material fact required to be stated herein or therein or necessary to make the statements and information contained herein or therein not misleading. Buyer has not withheld from the Selling Parties disclosure of any event, condition or fact which Buyer knows, or has reasonable grounds to know, may materially adversely affect Buyer's assets, prospects or condition (financial or otherwise).

5.9 LITIGATION. To the best of Buyer's knowledge, there are no claims, actions, suits, proceedings or investigations pending or threatened by or against, or otherwise affecting Buyer at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, agency, instrumentality or authority. The Buyer does not know or have any reason to know of any basis for any such claim, action, suit, proceeding or investigation.

5.10 AUTHORIZED CAPITAL STOCK. The authorized capital stock of the Buyer consists of (i) 76,000 shares of Series A Convertible Preferred Stock, (ii) 1,436,961 shares of Series B Convertible Preferred Stock, and (iii) 20,000,000 shares of Common Stock, in each case with no par value. Immediately prior to the Closing, 76,000 shares of the Series A Convertible Preferred Stock, 527,751 shares of the Series B Convertible Preferred Stock, and 1,991,647 shares of the Common Stock will be validly issued and outstanding, fully paid and nonassessable. The designations, powers, preferences, rights, qualifications limitations and restrictions in respect of each class and series of authorized capital stock of the Buyer are as set forth in the Charter, a copy of which, as certified by the Secretary of State of Tennessee, is attached as Exhibit Q, and all such designations, powers, preferences, rights qualifications, limitations

and restrictions are valid, binding and enforceable and in accordance with all applicable laws. All of the outstanding securities of the Buyer were issued in compliance with all applicable federal and state securities laws.

5.11 BY-LAWS. The current by-laws of the Buyer are attached as Exhibit R.

5.12 ACCOUNTS PAYABLE. All accounts and notes payable relating to the Assets or the Business, with a due date following the Closing shall be paid by the Buyer.

ARTICLE 6. COVENANTS AND AGREEMENTS OF SELLER

Seller agrees that from the date hereof until the Closing, and thereafter if so specified, it will, and Shareholder will cause Seller to, fulfill the following covenants and agreements unless otherwise consented to by Buyer in writing:

6.1 CONDUCT OF BUSINESS PENDING THE CLOSING.

(a) Seller will take such action as may be necessary to maintain, preserve, renew and keep in full force and effect the existence, rights and franchises of Seller, to preserve the business organizations of Seller intact, and will use good faith efforts to preserve for Buyer the present relationships of Seller with its employees, suppliers and customers and others having business relationships with it.

(b) Seller will not do or omit to do any act, or permit any act or omission to act, which may cause a breach of any contract, commitment or obligation of Seller, or any breach of any representation, warranty, covenant or agreement made by Seller herein.

(c) Seller will duly comply with all laws applicable to it and its respective business and operations and all laws, compliance with which is required for the valid consummation of the transactions contemplated by this Agreement.

(d) Seller will not (i) grant any increase in the wages or salary of any officer, employee or agent of Seller, except normal wage or salary increases for employees (other than officers and other management employees) in the ordinary course of business and consistent with past practice; (ii) by means of any bonus or pursuant to any plan or arrangement or otherwise, increase by any amount or to any extent the benefits or compensation of any such officer, employee or agent; (iii) enter into any employment agreement, sales agency or other contract or arrangement with respect to the performance of personal services which is not terminable by it without liability on not more than 30 days notice; (iv) enter into or extend any labor contract with any hourly-paid employees or any union; or (v) agree to take any such action.

(e) Seller will not terminate or modify any lease, license, permit, contract or other agreement to which it is a party.

(f) Seller will not mortgage, pledge or subject to lien or any other encumbrance, any of Seller's assets.

(g) Seller will not enter into any transaction involving more than $10,000 or a commitment extending more than three months.

(h) None of the Selling Parties will directly or indirectly (through a representative or otherwise) solicit or furnish information to any prospective acquirors, commence negotiations with any

other party or enter into any agreement with any other party concerning the sale of Seller's capital stock or assets or any part thereof, or involving the merger, consolidation or combination of or share exchange with any other entity.

(i) Seller will not enter into any transaction outside the ordinary course of business. For purposes of this Agreement, the term "ordinary course of business" shall mean the conduct of Seller's business as it has historically been conducted over the past 24 months.

(j) Selling Parties will not enter into any agreement to do any of the foregoing.

6.2 ACCESS; FURTHER ASSURANCES.

(a) After the execution of this Agreement and continuing until the Closing, Selling Parties shall cause Seller to permit Buyer and its counsel, accountants, engineers and other representatives full access during normal business hours, upon reasonable notice, to all of the directors, officers, facilities, properties, books, contracts, commitments and records of or relating to Seller (including without limitation, the right to conduct any physical count of inventory of Seller or otherwise be present at or participate in any such occurrence at any time prior to the Closing) and will furnish Buyer and its representatives during such period with all such information concerning Seller's affairs and such copies of such documents relating thereto, as Buyer or its representatives may reasonably request.

(b) At any time and from time to time after the Closing, at Buyer's request and without further consideration, Selling Parties will execute and deliver such other instruments of sale, transfer, conveyance, assignment, and delivery and confirmation and take such action as the Buyer may reasonably deem necessary or desirable in order more effectively to transfer, convey and assign to Buyer and to place Buyer in possession and control of, and to confirm Buyer's title to, the Assets, and to assist Buyer in exercising all rights and enjoying all benefits with respect thereto.

6.3 SCHEDULES. Selling Parties shall have, until the Closing, the continuing obligation to supplement or amend promptly the Schedules being delivered pursuant to this Agreement with respect to any matter hereafter arising or discovered which, if existing or known at the date of this Agreement, would have been required to be set forth or described in these Schedules. Furthermore, Selling Parties shall have the right, but not the obligation, within 14 days of the Closing to supplement or amend Exhibit T, the Accrued but untaken Vacation schedule, and other schedules or exhibits to be accurate as of the Closing Date.

6.4 TAXES. Shareholder or Seller will be responsible for, and hereby agree to assume and pay, all sales and similar taxes which may be due to any jurisdiction or governmental body as a result of the sale and transfer of the Assets; except that Buyer agrees to pay ordinary transfer fees arising by virtue of the transfer of the Assets hereunder, including fees, if any, for the assignment of the lease at 50 Beacon Street, Boston.

6.5 CONSENTS AND APPROVALS. Seller shall, in a timely, accurate and complete manner, take all necessary corporate and other action and use all reasonable efforts to obtain all consents, approvals, permits, licenses and amendments of agreements required of Seller to carry out the transactions contemplated in this Agreement and shall provide to Buyer such information as Buyer may reasonably require to make such filings and prepare such applications as may be required for the consummation by Buyer of the transactions contemplated by this Agreement. Notwithstanding the above, Buyer acknowledges that Seller cannot assure that ACCME accreditation will continue in the future.

6.6 BULK SALES COMPLIANCE. Buyer acknowledges that Seller is not complying with the provisions of the bulk sales or similar laws of any and all states (the "Bulk Sales Laws"), and Seller covenants and agrees to pay and discharge when due all claims, liabilities and related expenses which may be asserted against Buyer by reason of such noncompliance to the extent that such liabilities are not part of the Assumed Liabilities.

6.7 SELLER'S 401(K) PLAN. Buyer shall not adopt Seller's 401(k) Plan and the participants in Seller's 401(k) Plan who become employees of Buyer shall be entitled to a distribution of their benefits under the terms of Seller's 401(k) Plan.

6.8 PAYMENTS OF FUTURE CASH RECEIVED. Seller will promptly pay to Buyer any cash received after the Closing Date for subscriptions, if the cash does not relate to an account receivable as of the Closing Date. Seller will promptly pay to Buyer fifty percent (50%) of any cash received after the Closing Date for core curriculum lectures if the cash relates to a "balance due" on Schedule 1.2(b).

6.9 EMAIL FORWARDING. Until December 31, 1999, Seller shall forward emails sent to the addresses set forth on Schedule 6.12 to addresses which Buyer shall provide. Seller shall have absolutely no liability under this provision except for willful misconduct. Seller agrees to perform email forwarding services for Buyer set forth on Schedule 6.12 in exchange for $2,000 paid to Seller at Closing.

6.10 URL REDIRECTING. Until December 31, 1999, Seller shall redirect the URLs set forth on Schedule 6.13 to the URLs which Buyer shall provide. Seller shall have absolutely no liability under this provision except for willful misconduct. Seller agrees to perform URL forwarding services for Buyer set forth on Schedule 6.13 in exchange for $2,000 paid to Seller at Closing.

6.11 ACCOUNTING SERVICES. Until July 31, 1999, Seller shall perform the accounting services for Buyer set forth on Schedule 6.14. Seller shall have absolutely no liability under this provision except for willful misconduct. Seller agrees to perform the accounting services for Buyer set forth on Schedule 6.14 during the month of August, 1999 in exchange for $4,000 paid to Seller at Closing.

6.12 BONUS. Shareholder has agreed to pay bonuses to Seller's employees and one contractor for assisting in the transition to Buyer. Shareholder will pay the bonus to Steve Blinn and Cynthia Bush promptly following the Closing. Shareholder will not pay bonuses to the other individuals until six (6) months following the Closing Date, provided, however, that Shareholder will pay the bonus to these individuals sooner if Buyer terminates the employment of these individuals prior to six (6) months following the Closing Date. Shareholder will not pay the bonus to these individuals if the individual voluntarily leaves employment with the Buyer or if Buyer terminates the individual for cause prior to six (6) months following the Closing Date.

ARTICLE 7. COVENANTS AND AGREEMENTS OF BUYER

Buyer agrees that from the date hereof until the Closing, and thereafter if so specified, it will fulfill the following covenants and agreements unless otherwise consented to by Seller in writing:

7.1 CONFIDENTIALITY. In the event the transactions contemplated by this Agreement are not consummated, for any reason, Buyer promptly will return to Seller all records and information provided to Buyer from Selling Parties. Buyer and Seller have entered into a separate confidentiality agreement

dated February 9, 1999 (the "Confidentiality Agreement"), which shall survive the execution of this Agreement, a copy of which is attached hereto as Exhibit S. Subject to specific exceptions contained in the Confidentiality Agreement, Buyer shall not at any time, before or after Closing, disclose the Purchase Price paid hereby.

7.2 CONSENTS AND APPROVALS. Buyer shall, in a timely, accurate and complete manner, take all necessary corporate and other action and use all reasonable efforts to obtain all consents, approvals, permits, licenses and amendments of agreements required of Buyer to carry out the transactions contemplated in this Agreement and shall provide to Seller such information as Seller may reasonably require to make such filings and prepare such applications as may be required for the consummation by Seller of the transactions contemplated by this Agreement.

7.3 FULFILLMENT OF UNEXPIRED SUBSCRIPTIONS. Buyer shall fulfill all unexpired subscriptions set forth on Exhibit T.

7.4 RETENTION OF EMPLOYEES. Buyer agrees to continue to employ all individuals currently employed by Seller at salaries no less than those currently received by such employees. Should Buyer terminate any of such employees unless for cause prior to 12 months following the Closing Date, Buyer shall offer any such employee one month salary for each full year of employment as an employee of Seller or Buyer, in the aggregate, up to a maximum of four months salary, plus any accrued and untaken vacation time, and shall reimburse up to $3,000 in outplacement fees, if incurred by the employee within 12 months of the date of termination, all in exchange for such employee's full release of claims against Buyer and the Selling Parties.

7.5 FINANCIAL STATEMENTS. The Buyer shall furnish to the Seller within one hundred twenty (120) days after the end of each fiscal year of the Buyer an audited consolidated balance sheet of the Buyer and its subsidiaries as of the end of such fiscal year and the related consolidated statements of income, stockholders' equity and changes in financial position for the fiscal year then ended, prepared in accordance with generally accepted accounting principles and accompanied by an opinion of a firm of independent public accountants of recognized national standing selected by the Board of Directors of the Buyer.

7.6 ASSIGNMENT OF 50 BEACON STREET LEASE. The Buyer shall be responsible for paying to Shareholder pro rata any rent for July, 1999 which the Shareholder or an affiliate has already paid to the landlord of 50 Beacon Street.

7.7 ACCOUNTS RECEIVABLE. The Buyer shall promptly pay to Seller any amounts that it collects on accounts receivable which existed as of the Closing Date. The Buyer will promptly pay to Seller 50% of any cash received after the Closing Date for core curriculum lectures if the cash relates to a "balance due" on Schedule 1.2(b).

7.8 PAYMENT OF ASSUMED LIABILITIES. The Buyer shall pay when due all Assumed Liabilities.

7.9 PAYMENT OF CERTAIN PREPAID ROYALTIES. The Buyer will pay to Seller royalties for the products shown on Schedule 7.11 up to the amounts shown as "balance" on Schedule 7.11.

ARTICLE 8. CONDITIONS TO BUYER'S OBLIGATIONS

All obligations of Buyer hereunder are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

8.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the Selling Parties in this Agreement and the statements contained on the Schedules attached hereto or in any instrument, list, certificate or writing delivered by the Selling Parties pursuant to this Agreement shall be true when made and at and as of the time of the Closing as though such representations and warranties were made at and as of the Closing.

8.2 PERFORMANCE BY SELLING PARTIES. Selling Parties shall have performed and complied in all material respects with all covenants, agreements, obligations and conditions required by this Agreement, the Non-Competition Agreement and the Warrant Agreement to be so complied with or performed.

8.3 CERTIFICATES OF SELLING PARTIES. Each of the Selling Parties shall have delivered to Buyer a certificate in the form of Exhibit F hereto, dated the Closing Date, certifying as to the fulfillment of the conditions specified in Sections 8.1 and 8.2.

8.4 OPINION OF COUNSEL FOR SELLING PARTIES. Buyer shall have received an opinion of the Seller's counsel dated the Closing Date, in form and substance satisfactory to Buyer's counsel, (a final draft of which shall have been furnished to Buyer's counsel not less than three days before the Closing), to the effect that:

(a) Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the Commonwealth of Massachusetts, and has full corporate power and authority to enter into this Agreement, to carry out the transactions contemplated hereby and to carry on its business as presently conducted.

(b) This Agreement has been duly executed and delivered by each of the Selling Parties.

(c) Neither the execution nor the delivery of this Agreement nor the consummation of the transactions contemplated hereby, or compliance with and fulfillment of the terms and provisions hereof will conflict with or result in the breach of the terms, conditions or provisions of, or constitute a default under, the Articles of Incorporation or the Bylaws of Seller or any agreement or instrument known to such counsel to which any Selling Party is a party or by which any of them is bound or any laws or regulatory provisions which are known to such counsel to be applicable to any of them.

(d) To the knowledge of such counsel, except for the AAO Claim, there are no claims, actions, suits, proceedings or investigations pending or threatened by or against, or otherwise affecting the Assets or the transactions contemplated by this Agreement, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board, agency, instrumentality or authority.

(e) Except as set forth in Schedules 4.17 and 4.29 and as set forth in the Software & Database Licensing Agreement, Selling Parties have obtained all consents, approvals, authorizations or orders of

third parties, including governmental authorities, necessary for the authorization, execution and delivery of this Agreement and the Non-Compete Agreements and the consummation of the transactions contemplated hereby.

(f) Such opinion shall also cover such other matters incident to the transactions contemplated by the Agreement as Buyer may reasonably request.

8.5 CONSENTS AND APPROVALS. Buyer shall have received from the Selling Parties executed counterparts of the consents referred to in Section 4.25, all of which consents shall be in form and substance satisfactory to Buyer.

8.6 LITIGATION. On the date of the Closing, there shall be no lawsuits pending against any of the Selling Parties seeking to enjoin, prohibit, restrain or otherwise prevent the transactions contemplated hereby or which might adversely affect Seller's ability to transfer Assets hereby or, from and after Closing, and except for the AAO Claim, Buyer's right, title or interest in the Assets or Buyer's use and enjoyment thereof.

ARTICLE 9. CONDITIONS TO SELLING PARTIES' OBLIGATIONS

All obligations of the Selling Parties under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

9.1 REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the Buyer in this Agreement shall be true when made and at and as of the time of the Closing as though such representations and warranties were made at and as of such date.

9.2 PERFORMANCE. Buyer shall have performed and complied with all agreements, obligations and conditions required by this Agreement, the Escrow Agreement, the Non-Competition Agreement and the Warrant Agreement to be so complied with or performed including payment of the Purchase Price.

9.3 OFFICER'S CERTIFICATE. Buyer shall have delivered to Selling Parties a Certificate of the President of Buyer in the form as Exhibit B hereto, in his representative capacity and not individually, dated the Closing Date, certifying as to the fulfillment of and/or the conditions specified in Sections 9.1 and 9.2.

9.4 OPINION OF COUNSEL FOR BUYER. Seller shall have received opinions of Buyer's counsel dated the Closing Date, in form and substance satisfactory to Seller's counsel (a final draft of which shall have been provided to Seller's counsel not less than three days before the Closing), to the effect that:

(a) Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Tennessee and has full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby.

(b) This Agreement has been duly executed and delivered by Buyer.

(c) This Agreement is a valid and binding obligation of Buyer enforceable against Buyer and subject to any applicable bankruptcy, reorganization, insolvency or other laws, now or hereafter in effect, affecting creditors' rights generally and subject to equitable defenses and to the discretion of the Court before which any proceeding therefor may be brought.

(d) Neither the execution nor the delivery of this nor the consummation of the transactions contemplated hereby or thereby, nor compliance with and fulfillment of the terms and provisions hereof or thereof will conflict with or result in the breach of the terms, conditions or provisions of, or constitute a default under, the Charter or the Bylaws of Buyer or any agreement or instrument known to such counsel to which Buyer is a party or by which it is bound.

(e) The authorized capital stock of the Buyer consists of (i) 76,000 shares of Series A Convertible Preferred Stock, (ii) 1,436,961 shares of Series B Convertible Preferred Stock, and (iii) 20,000,000 shares of Common Stock, in each case with no par value. Immediately prior to the Closing, 76,000 shares of the Series A Convertible Preferred Stock, 527,751 shares of the Series B Convertible Preferred Stock, and 1,991,647 shares of the Common Stock will be validly issued and outstanding, fully paid and nonassessable. The designations, powers, preferences, rights, qualifications limitations and restrictions in respect of each class and series of authorized capital stock of the Buyer are as set forth in the Charter, a copy of which, as certified by the Secretary of State of Tennessee, is attached as Exhibit Q, and all such designations, powers, preferences, rights qualifications, limitations and restrictions are valid, binding and enforceable and in accordance with all applicable laws. All of the outstanding securities of the Buyer were issued in compliance with all applicable federal and state securities laws.

9.5 LITIGATION. On the date of the Closing, there shall be no lawsuits pending against the Buyer seeking to enjoin, prohibit, restrain or otherwise prevent the transactions contemplated hereby.

ARTICLE 10. INDEMNIFICATION

10.1 INDEMNIFICATION BY SELLING PARTIES. Selling Parties, jointly and severally, hereby agree to defend, indemnify and hold harmless Buyer, the Subsidiaries, each fiduciary of Buyer's employee benefit plans and each of Buyer's shareholders, affiliates, officers, directors, employees, agents, successors and assigns ("Buyer's Indemnified Persons") and shall reimburse Buyer's Indemnified Persons for, from and against each claim, fine, judgment, oversight cost, assessment, loss, liability, cost and expense (including without limitation, interest, penalties, costs of preparation and investigation, and the reasonable fees, disbursements and expenses of attorneys, accountants and other professional advisors but excluding consequential damages, including without limitation, lost profits) (collectively, "Losses"), directly or indirectly relating to, resulting from or arising out of:

(a) Any untrue representation, misrepresentation, breach of warranty or nonfulfillment of any covenant, agreement or other obligation by or of any Selling Party contained herein, any Schedule hereto or in any certificate, document or instrument delivered to Buyer pursuant hereto.

(b) Any Tax liability of Seller relating to the Assets not previously paid, or for which adequate reserves have not been established in the balance sheet included in the Financial Statements, which is successfully asserted or assessed against it for any event or period prior to the Closing Date (regardless of whether the possibility of the assertion or assessment of any such Tax liability shall have been disclosed to Buyer at or prior to the Closing).

(c) Any obligation or liability of Seller not included in the Assumed Liabilities, and any and all loss, liability or damage suffered or incurred by Buyer by reason of the failure by Seller to comply with Bulk Sales Laws.

(d) The AAO Claim;

(e) Any other Losses incidental to any of the foregoing.

10.2 EXPIRATION AND LIMITATION. Notwithstanding the foregoing:

(a) The indemnification obligations under this Article 10, or under any certificate or writing furnished in connection herewith, shall terminate as follows:

(i) with respect to claims relating to, resulting from or arising out of Sections 10.1(b) and (c) or the representations and warranties set forth in Section 4.1 , Section 4.8, Section 4.12 or Section 4.24, (A) the date that is six (6) months after the expiration of the longest applicable federal or state statute of limitation (including extensions thereof), or (B) if there is no applicable statute of limitation, five (5) years after the Closing Date for any other claim covered by clause (i) of this Section 10.2(a); or

(ii) with respect to all claims other than those referred to in clause (i) of this Section 10.2(a), on the date that is 12 months following the Closing Date.

(b) The aggregate amount of the Selling Parties' liability under this Article 10 shall not exceed $500,000. There shall be no liability for indemnification under Section 10.1 unless the aggregate amount of Losses exceeds $25,000, provided, however, that at such time as the aggregate amount of Losses exceeds $25,000, the Selling Parties shall be liable for the full amount of the Losses. The Selling Parties have the right, but not the obligation, to pay its obligations hereunder by transferring to the Buyer that number of shares of Common Stock, which for this purpose only shall have the same value as on the date of issuance.

(c) The Selling Parties' obligations to indemnify hereunder shall not extend to Losses attributable to Buyer's negligence or willful misconduct.

10.3 INDEMNIFICATION BY BUYER. Buyer hereby agrees to defend, indemnify and hold harmless the Selling Parties, their respective subsidiaries, each fiduciary of the Selling Parties' employee benefit plans and each of the Selling Parties' shareholders, affiliates, officers, directors, employees, agents, successors and assigns ("Selling Parties' Indemnified Persons") and shall reimburse the Selling Parties' Indemnified Persons for, from and against each claim, fine, judgment, oversight cost, assessment, loss, liability, cost and expense (including without limitation, interest, penalties, costs of preparation and investigation, and the reasonable fees, disbursements and expenses of attorneys, accountants and other professional advisors but excluding consequential damages, including without limitation, lost profits) (collectively, "Losses"), directly or indirectly relating to, resulting from or arising out of:

(a) Any untrue representation, misrepresentation, breach of warranty or non-fulfillment of any covenant, agreement or other obligation by or of Buyer contained herein or in any certificate, document or instrument delivered to Selling Parties pursuant hereto.

(b) Any Assumed Liabilities.

(c) Any Losses with respect to the operations of Seller following Closing, other than (i) those Losses which are determined by a court to arise out of any breach by Seller of any covenant, representation or warranty contained in this Agreement, or (ii) those Losses that are determined by a court to be subject to indemnification by Seller under Section 10.1.

(d) Any other Losses incidental to the foregoing.

The aggregate amount of the Buyer's liability under this Article 10 shall not exceed $500,000. In addition, there shall be no liability for indemnification under this Section 10.3 unless, the aggregate amount of Losses exceeds $25,000, provided, however, that at such time as the aggregate amount of Losses exceeds $25,000, the Buyers shall be liable for the full amount of the Losses, provided that such $25,000 minimum indemnification shall not apply to Losses related to Assumed Liabilities. For the Assumed Liabilities, Buyer has the obligation to repay these to the Selling Parties without reaching any minimum.

10.4 PROCEDURE. The indemnified party shall promptly notify the indemnifying party of any claim, demand, action or proceeding for which indemnification will be sought under Sections 10.1 or 10.3, and, if such claim, demand, action or proceeding is a third party claim, demand, action or proceeding, the indemnifying party will have the right at its expense to assume the defense thereof using counsel reasonably acceptable to the indemnified party. The indemnified party shall have the right to participate, at its own expense, with respect to any such third party claim, demand, action or proceeding. In connection with any such third party claim, demand, action or proceeding, Buyer and the Selling Parties shall cooperate with each other and provide each other with access to relevant books and records in their possession. No such third party claim, demand, action or proceeding shall be settled without the prior written consent of the indemnified party. If a firm written offer is made to settle any such third party claim, demand, action or proceeding, which offer does not involve any injunctive or non-monetary relief against the indemnified party, and the indemnifying party proposes to accept such settlement and the indemnified party refuses to consent to such settlement, then: (i) the indemnifying party shall be excused from, and the indemnified party shall be solely responsible for, all further defense of such third party claim, demand, action or proceeding; and (ii) the maximum liability of the indemnifying party relating to such third party claim, demand, action or proceeding shall be the amount of the proposed settlement if the amount thereafter recovered from the indemnified party on such third party claim, demand, action or proceeding is greater than the amount of the proposed settlement.

ARTICLE 11. SURVIVAL OF REPRESENTATIONS

11.1 SURVIVAL OF REPRESENTATIONS. All representations, warranties, covenants and agreements by the parties contained in this Agreement shall survive the Closing and any investigation at any time made by or on behalf of any party hereto for a period to one (1) year from the Closing Date; provided, however, that the representations of Seller contained in Sections 4.1, 4.8, 4.12 and 4.24 shall survive for the duration of the applicable statute of limitations period.

11.2 REMEDIES CUMULATIVE. The remedies provided herein shall be cumulative and shall not preclude the assertion by any party hereto of any other rights or the seeking of any other remedies against the other party hereto.

ARTICLE 12. TERMINATION OF AGREEMENT

This Agreement may be terminated at any time prior to the Closing:

(a) By mutual agreement of Selling Parties and Buyer.

(b) By Buyer, upon ten (10) business days' prior written notice to Selling Parties if (i) there has been a material violation or breach by any of the Selling Parties of any of the agreements, representations or warranties contained in this Agreement, or (ii) if any of the conditions set forth in Article 8 have not been materially satisfied by the Closing and either (i) or (ii) have not been waived in writing by Buyer or cured within such ten-day period.

(c) By Selling Parties, upon ten (10) business days' prior written notice to Buyer if (i) there has been a material violation or breach by the Buyer of any of the agreements, representations or warranties contained in this Agreement, or (ii) if any of the conditions set forth in Article 9 have not been materially satisfied by the Closing and either (i) or (ii) have not been waived in writing by Seller or cured within such ten-day period.

(d) By either Buyer or Selling Parties if the transactions contemplated by this Agreement shall not have been consummated on or before July 30, 1999.

(e) By either Buyer or Selling Parties if any of the other makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy or seeks or consents to any reorganization or similar relief under any present or future bankruptcy act or similar law, or is adjudicated a bankrupt or insolvent, or if a third party commences any bankruptcy, insolvency, reorganization or similar proceeding involving the other.

ARTICLE 13. MISCELLANEOUS

13.1 EXPENSES. All fees and expenses incurred by Seller, including without limitation, legal fees and expenses in connection with this Agreement will be borne by Seller or the Shareholder as they may determine and all fees and expenses incurred by Buyer, including without limitation, legal fees and expenses, in connection with this Agreement will be borne by Buyer.

13.2 ASSIGNABILITY; PARTIES IN INTEREST.

(a) Buyer may assign any or all of its rights hereunder to any affiliate or any direct or indirect subsidiary of Buyer, and Buyer shall advise Selling Parties of any such assignment and shall designate such party as the assignee and transferee of the Assets purchased. Any such assignee shall assume all of Buyer's duties, obligations and undertakings hereunder, but the Buyer shall remain liable hereunder.

(b) Seller may not assign, transfer or otherwise dispose of any of its rights hereunder without the prior written consent of Buyer.

(c) All the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective heirs, successors, assigns and legal or personal representatives of the parties hereto, provided that the rights and obligations under all licenses of trademarks hereunder shall under no circumstances be assignable.

13.3 ALLOCATION OF PURCHASE PRICE. The Purchase Price for the Assets shall be allocated as set forth on Schedule 13.3. The parties agree to follow the allocation for federal and state income tax purposes.

13.4 KNOWLEDGE. An individual will be deemed to have "knowledge" of a particular fact or other matter if: (i) such individual is actually aware of such fact or other matter; or (ii) a prudent individual could be expected to discover or otherwise become aware of such fact or other matter in the course of

conducting a reasonably comprehensive investigation concerning the existence of such fact or other matter. A person (other than an individual) will be deemed to have "knowledge" of a particular fact or other matter if any individual who is serving, or who has within the last eight months served, as a director, officer or trustee of such person (or in any similar capacity) has, or at any time had knowledge of such fact or other matter.

13.5 ENTIRE AGREEMENT; AMENDMENTS. This Agreement, including the exhibits, Schedules, lists and other documents and writings referred to herein or delivered pursuant hereto, which form a part hereof, and the Confidentiality Agreement set forth as Exhibit F contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein or therein. This Agreement supersedes all prior agreements and understandings between the parties with respect to its subject matter, except for the Confidentiality Agreement. This Agreement may be amended only by a written instrument duly executed by all parties or their respective heirs, successors, assigns or legal personal representatives. Any condition to a party's obligations hereunder may be waived but only by a written instrument signed by the party entitled to the benefits thereof. The failure or delay of any party at any time or times to require performance of any provision or to exercise its rights with respect to any provision hereof, shall in no manner operate as a waiver of or affect such party's right at a later time to enforce the same.

13.6 HEADINGS. The section and paragraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretations of this Agreement.

13.7 REFERENCES. References to a section or subsection when used without further attribution shall refer to the particular section or subsection of this Agreement.

13.8 SEVERABILITY. The invalidity of any term or terms of this Agreement shall not affect any other term of this Agreement, which shall remain in full force and effect.

13.9 NOTICES. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed (registered or certified mail, postage prepaid, return receipt requested) as follows:

If to Selling Parties:

David Mirchin
Vice President and General Counsel
SilverPlatter Information, Inc.
100 River Ridge Drive
Norwood, MA 02062

If to Buyer:

Robert H. Laird, Jr.
Vice President and General Counsel
HealthStream, Inc.
209 10th Ave. South
Suite 450
Nashville, TN 37203

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

13.10 GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Tennessee, without regard to its conflict of laws rules.

13.11 COUNTERPARTS. This Agreement may be executed simultaneously in one or more counterparts, with the same effect as if the signatories executing the several counterparts had executed one counterpart, provided, however, that the several executed counterparts shall together have been signed by all parties to be bound hereby. This Agreement shall be binding upon each signatory hereto when one or more counterparts, as provided above, have been signed by Buyer, Seller and the Shareholders. All such executed counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of Buyer and by each of the Selling Parties on the date first above written.

BUYER:

HEALTHSTREAM, INC.
209 10th Ave. South
Suite 450
Nashville, TN 37203

By: ----------
Title: ----------

SELLER:

SILVERPLATTER EDUCATION, INC.
100 River Ridge Drive
Norwood, MA 02062

By: ----------
Title: ----------

SHAREHOLDER:

SILVERPLATTER INFORMATION, INC.
100 River Ridge Drive
Norwood, MA 02062

By: ----------
Title: ----------

EXHIBIT 3.1

FOURTH AMENDED AND RESTATED CHARTER OF HEALTHSTREAM, INC.

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-20-107 of the Tennessee Business Corporation Act (the "Act"), the undersigned corporation hereby amends and restates its Third Amended and Restated Charter to supersede the Third Amended and Restated Charter and any and all prior amendments thereto as follows:

I. The name of the corporation is HealthStream, Inc.

II. The text of the Fourth Amended and Restated Charter is as follows:

"1. The name of the corporation is HealthStream, Inc.

2. The corporation is for profit.

3. The duration of the corporation is perpetual.

4. The street address and zip code of the corporation's principal office will be:

209 10th Avenue, Suite 450
Nashville, Tennessee 37203
County of Davidson

5. (a) The name of the corporation's registered agent is Robert H. Laird, Jr.

(b) The street address, zip code, and county of the corporation's registered office and registered agent in Tennessee shall be:

209 10th Avenue, Suite 450
Nashville, Tennessee 37203
County of Davidson

6. The corporation is organized to do any and all things and to exercise any and all powers, rights, and privileges that a corporation may now or hereafter be organized to do or to exercise under the Tennessee Business Corporation Act, as amended from time to time.

7. The maximum number of shares of stock the corporation is authorized to issue is:

a. Seventy-five million (75,000,000) shares of common stock, no par value per share, which shall be entitled to one vote per share and, upon dissolution of the corporation, shall be entitled to receive the net assets of the corporation.

b. Ten million (10,000,000) shares of preferred stock without par value. Shares of preferred stock may be issued from time to time in one or more classes or series, each such class or series to be so designated as to distinguish the shares thereof from the shares of all other classes and series. The Board of Directors is hereby vested with the authority to divide preferred stock into classes or series and to fix and determine the relative rights, preferences, qualifications, and limitations of the shares of any class or series so established.

8. The shareholders of the corporation shall not have preemptive rights.

9. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, a Board of Directors. The directors shall be divided into three classes, designated Class I, Class II, and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. Each class of directors shall be elected for a three year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting of shareholders for the year in which his or her term expires and until his or her successor shall be elected and shall qualify; subject, however, to prior death, resignation, retirement, disqualification, or removal from office. Any vacancy on the Board of Directors, including a vacancy that results from an increase in the number of directors or a vacancy that results from the removal of a director with cause, may be filled only by the Board of Directors.

Any director may be removed from office but only for cause and only by the affirmative vote of the holders of a majority of the voting power of the shares entitled to vote in the election of directors, considered for this purpose as one class, unless a vote of a special voting group is otherwise required by law.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies, and other features of such directorships shall be governed by the terms of this Charter applicable thereto.

Notwithstanding any other provision of this Charter, the affirmative vote of holders of two-thirds of the voting power of the shares entitled to vote at an election of directors shall be required to amend, alter, change or repeal, or to adopt any provisions as part of this Charter or as part of the corporation's Bylaws inconsistent with the purpose and intent of this Article 9.

10. To the fullest extent permitted by the Tennessee Business Corporation Act as in effect on the date hereof, and as hereafter amended from time to time, a director of the corporation shall not be liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. If the Tennessee Business Corporation Act or any successor statute is amended after adoption of this provision to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Tennessee Business Corporation Act, as so amended from time to time, or such successor statute. Any repeal or modification of this Article 10 by the shareholders of the corporation shall not affect adversely any right or protection of a director of the corporation existing at the time of such repeal or modification or with respect to events occurring prior to such time.

11. The corporation shall indemnify every person who is or was a party or is or was threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he or she is or was a director or officer or is or was serving at the request of the corporation as a director, officer, employee, agent, or trustee of another corporation or of a partnership, joint venture, trust, employee benefit plan, or other enterprise, including service on a committee formed for any purpose (and, in each case, his or her heirs, executors, and administrators), against all expense, liability, and loss (including counsel fees, judgments, fines, ERISA excise taxes, penalties, and amounts paid in settlement) actually and reasonably incurred or suffered in connection with such action, suit, or proceeding, to the fullest extent permitted by applicable law, as in effect on the date hereof and as hereafter amended. Such indemnification may include advancement of expenses in advance of final disposition of such action, suit, or proceeding, subject to the provision of any applicable statute.

The indemnification and advancement of expenses provisions of this Article 11 shall not be exclusive of any other right that any person (and his or her heirs, executors, and administrators) may have or hereafter acquire under any statute, this Charter, the corporation's Bylaws, resolution adopted by the shareholders, resolution adopted by the Board of Directors, agreement, or insurance, purchased by the corporation or otherwise, both as to action in his or her official capacity and as to action in another capacity. The corporation is hereby authorized to provide for indemnification and advancement of expenses through its Bylaws, resolution of shareholders, resolution of the Board of Directors, or agreement, in addition to that provided by this Charter.

12. The corporation shall hold a special meeting of shareholders only in the event of a call of the Board of Directors of the corporation or the officers authorized to do so by the Bylaws of the corporation.

Notwithstanding any other provision of this Charter, the affirmative vote of holders of two-thirds of the voting power of the shares entitled to vote at an election of directors shall be required to amend, alter, change or repeal, or to adopt any provisions as part of this Charter or as part of the corporation's Bylaws inconsistent with the purpose and intent of this Article 12."

HEALTHSTREAM, INC.

By:

Robert A. Frist, Jr.
Chief Executive Officer and Chairman

EXHIBIT 3.2

AMENDED AND RESTATED BYLAWS OF HEALTHSTREAM, INC. (THE "CORPORATION")

ARTICLE I. OFFICES

The Corporation may have such offices, either within or without the State of Tennessee, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

ARTICLE II. SHAREHOLDERS

2.1 ANNUAL MEETING.

An annual meeting of the shareholders of the Corporation shall be held on such date as may be determined by the Board of Directors. The business to be transacted at such meeting shall be the election of directors and such other business as shall be properly brought before the meeting.

2.2 SPECIAL MEETINGS.

Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by law, may be called by the Chairman or a majority of the Board of Directors. Business transacted at all special meetings shall be confined to the purpose or purposes stated in the notice of meeting.

2.3 PLACE OF MEETINGS.

The Board of Directors may designate any place, either within or without the State of Tennessee, as the place of meeting for any annual meeting or for any special meeting. If no place is fixed by the Board of Directors, the meeting shall be held at the principal office of the Corporation.

2.4 NOTICE OF MEETINGS; WAIVER.

(A) NOTICE. Notice of the date, time and place of each annual and special shareholders' meeting and, in the case of a special meeting, a description of the purpose or purposes for which the meeting is called, shall be given no fewer than ten (10) days nor more than two (2) months before the date of the meeting. Such notice shall comply with the requirements of Article XI of these Bylaws.

(B) WAIVER. A shareholder may waive any notice required by law, the Charter or these Bylaws before or after the date and time stated in such notice. The waiver must be in writing, be signed by the shareholder entitled to the notice and be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. A shareholder's attendance at a meeting: (1) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting; and (2) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

2.5 RECORD DATE.

The Board of Directors shall fix as the record date for the determination of shareholders entitled to notice of a shareholders' meeting, to vote or to take any other action, a date not more than seventy (70) days before the meeting or action requiring a determination of shareholders.

A record date fixed for a shareholders' meeting is effective for any adjournment of such meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than four (4) months after the date fixed for the original meeting.

2.6 SHAREHOLDERS' LIST.

After the record date for a meeting has been fixed, the Corporation shall prepare an alphabetical list of the names of all shareholders who are entitled to notice of a shareholders' meeting. Such list will be arranged by voting group (and within each voting group by class or series of shares), and will show the address of and number of shares held by each shareholder. The shareholders' list will be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the Corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent or attorney is entitled on written demand to inspect and, subject to the requirements of the Tennessee Business Corporation Act (the "Act"), to copy the list, during regular business hours and at his expense, during the period it is available for inspection.

2.7 VOTING GROUPS; QUORUM; ADJOURNMENT.

All shares entitled to vote and be counted together collectively on a matter at a meeting of shareholders shall be a "voting group." Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Except as otherwise required by the Act or provided in the Charter, a majority of the votes entitled to be cast on a matter by a voting group constitutes a quorum of that voting group for action on that matter.

Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting.

If a quorum of a voting group shall not be present or represented at any meeting, the shares entitled to vote thereat shall have power to adjourn the meeting to a different date, time or place without notice other than announcement at the meeting of the new time, date or place to which the meeting is adjourned. At any

adjourned meeting at which a quorum of any voting group shall be present or represented, any business may be transacted by such voting group which might have been transacted at the meeting as originally called.

2.8 VOTING OF SHARES.

Unless otherwise provided by the Act or the Charter, each outstanding share is entitled to one (1) vote on each matter voted on at a shareholders' meeting. Only shares are entitled to vote. Shareholders are not entitled to cumulative voting for the election of directors.

If a quorum exists, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Charter or the Act requires a greater number of affirmative votes. Unless otherwise provided in the Charter, directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present.

2.9 PROXIES.

A shareholder may vote his shares in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for him by signing an appointment either personally or by his attorney-in-fact. An appointment of a proxy is effective when received by the Secretary or other officer or agent authorized to tabulate votes. An appointment is valid for eleven (11) months unless another period is expressly provided in the appointment form. An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest.

2.10 ACCEPTANCE OF SHAREHOLDER DOCUMENTS.

If the name signed on a shareholder document (a vote, consent, waiver, or proxy appointment) corresponds to the name of a shareholder, the Corporation, if acting in good faith, is entitled to accept such

shareholder document and give it effect as the act of the shareholder. If the name signed on such shareholder document does not correspond to the name of a shareholder, the Corporation, if acting in good faith, is nevertheless entitled to accept such shareholder document and to give it effect as the act of the shareholder if:

(I) the shareholder is an entity and the name signed purports to be that of an officer or agent of the entity;

(II) the name signed purports to be that of a fiduciary representing the shareholder and, if the Corporation requests, evidence of fiduciary status acceptable to the Corporation has been presented with respect to such shareholder document;

(III) the name signed purports to be that of a receiver or trustee in bankruptcy of the shareholder, and, if the Corporation requests, evidence of this status acceptable to the Corporation has been presented with respect to the shareholder document;

(IV) the name signed purports to be that of a pledgee, beneficial owner or attorney-in-fact of the shareholder, and, if the Corporation requests, evidence acceptable to the Corporation of the signatory's authority to sign for the shareholder has been presented with respect to such shareholder document; or

(V) two or more persons are the shareholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one (1) of the co-owners and the person signing appears to be acting on behalf of all the co-owners.

The Corporation is entitled to reject a shareholder document if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has a reasonable basis for doubt about the validity of the signature on such shareholder document or about the signatory's authority to sign for the shareholder.

2.11 ACTION WITHOUT MEETING.

Action required or permitted by the Act must be taken at a shareholders' meeting and may not be taken without a meeting.

2.12 PRESIDING OFFICER AND SECRETARY.

Meetings of the shareholders shall be presided over by the Chairman, or if he is not present or if the Corporation shall not have a Chairman, by the Chief Executive Officer or President, or if neither the Chairman nor the Chief Executive Officer or President is present, by a chairman to be chosen by a majority of the shareholders entitled to vote at such meeting. The Secretary or, in his absence, an Assistant Secretary shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present, the shareholders entitled to vote at such meeting shall choose any person present to act as secretary of the meeting.

2.13 NOTICE OF NOMINATIONS.

Nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors authorized to make such nominations or by any shareholder entitled to vote in the election of directors generally. However, any such shareholder nomination may be made only if written notice of such nomination has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (a) with respect to an election to be held at an annual meeting of shareholders, one hundred twenty (120) days prior to the first anniversary of the date the corporation's notice of annual meeting was provided with respect to the previous year's annual meeting, and (b) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to shareholders. In the case of any nomination by the Board of Directors or a committee appointed by the Board

of Directors authorized to make such nominations, compliance with the proxy rules of the Securities and Exchange Commission shall constitute compliance with the notice provisions of the preceding sentence.

In the case of any nomination by a shareholder, each such notice shall set forth: (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the Corporation which are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies with respect to nominees for election as directors, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such person's written consent to being named in the proxy statement as a nominee and to serving as a director, if elected); and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such shareholder, (ii) the class and number of shares of the Corporation which are beneficially owned by such shareholder, (iii) a representation that the shareholder is a record or beneficial holder of at least one percent (1%) or $1,000 in market value of stock of the Corporation entitled to vote at such meeting; has held such stock for at least one year and shall continue to own such stock through the date of such meeting; and intends to appear in person or by proxy at the meeting to present the nomination; and (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder. The Chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

2.14 NOTICE OF NEW BUSINESS.

At an annual meeting of the shareholders only such new business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before the meeting. To be properly brought before the annual meeting such new business must be (a) specified in the notice of meeting (or any supplement

thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a shareholder. For a proposal to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation and the proposal and the shareholder must comply with Regulation 14A under the Securities Exchange Act of 1934. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) calendar days prior to the first anniversary of the date the Corporation's notice of annual meeting was provided with respect to the previous year's annual meeting. If the Company did not hold an annual meeting the previous year, or if the date of the annual meeting has been changed to be more than thirty (30) calendar days earlier than or sixty (60) calendar days after that anniversary, then, in order to be timely, a shareholder's notice must be received at the principal executive offices of the Corporation not more than ninety (90) calendar days before nor later than the later of sixty (60) days prior to the date of such annual meeting or the tenth day following the date on which public announcement of such annual meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a shareholder's notice as described above.

A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the proposal desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business, (c) the class and number of shares of the Corporation which are beneficially owned by the shareholder, (d) a representation that the shareholder is a record or beneficial holder of at least one percent (1%) or $1,000 in market value of stock of the Corporation entitled to vote at such meeting; has held such stock for at least one year and shall continue

to own such stock through the date of such meeting; and intends to appear in person or by proxy at the meeting to present the proposal specified in the notice, and (e) any financial interest of the shareholder in such proposal.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 2.14. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that new business or any shareholder proposal was not properly brought before the meeting in accordance with the provisions of this Section 2.14, and if he should so determine, he shall so declare to the meeting that any such business or proposal not properly brought before the meeting shall not be acted upon at the meeting. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, directors and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided.

2.15 CONDUCT OF MEETINGS.

Meetings of the shareholders generally shall follow accepted rules of parliamentary procedure, subject to the following:

(A) The Chairman of the meeting shall have absolute authority over the matters of procedure, and there shall be no appeal from the ruling of the Chairman. If, in his absolute discretion, the Chairman deems it advisable to dispense with the rules of parliamentary procedure as to any meeting of shareholders or part thereof, he shall so state and shall state the rules under which the meeting or appropriate part thereof shall be conducted.

(B) If disorder should arise which prevents the continuation of the legitimate business of the meeting, the Chairman may quit the chair and announce the adjournment of the meeting; and upon so doing, the meeting is immediately adjourned.

(C) The Chairman may ask or require that anyone not a bona fide shareholder or proxy leave the meeting.

(D) The resolution or motion shall be considered for vote only if proposed by a shareholder or a duly authorized proxy and seconded by a shareholder or duly authorized proxy other than the individual who proposed the resolution or motion.

(E) Except as the Chairman may permit, no matter shall be presented to the meeting which has not been submitted for inclusion in the agenda at least thirty (30) days prior to the meeting.

ARTICLE III.
DIRECTORS

3.1 POWERS AND DUTIES.

All corporate powers shall be exercised by or under the authority of and the business and affairs of the Corporation managed under the direction of the Board of Directors.

3.2 NUMBER AND TERM.

(A) NUMBER. The Board of Directors shall consist of no fewer than two (2) nor more than twelve (12) members. The exact number of directors, within the minimum and maximum, or the range for the size of the Board, or whether the size of the Board shall be fixed or variable-range may be fixed, changed or determined from time to time by the Board of Directors.

(B) TERM. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. Each class of directors shall be elected for a three-year term. At the 2000 annual meeting of shareholders, Class I directors shall be elected for a three-year term; at the 2001 annual meeting Class II directors shall be elected for a three-year term; and at the 2002 annual meeting Class III directors shall be elected for a three-year term. If the number of directors is changed, any

increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, and any additional director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

3.3 MEETINGS; NOTICE.

The Board of Directors may hold regular and special meetings either within or without the State of Tennessee. The Board of Directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

(A) REGULAR MEETINGS. Unless the Charter otherwise provides, regular meetings of the Board of Directors may be held without notice of the date, time, place or purpose of the meeting.

(B) SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman, the President or any two (2) directors. Unless the Charter otherwise provides, special meetings must be preceded by at least twenty-four (24) hours' notice of the date, time and place of the meeting but need not describe the purpose of such meeting. Such notice shall comply with the requirements of Article XI of these Bylaws.

(C) ADJOURNED MEETINGS. Notice of an adjourned meeting need not be given if the time and place to which the meeting is adjourned are fixed at the meeting at which the adjournment is taken, and if the period of adjournment does not exceed one (1) month in any one (1) adjournment.

(D) WAIVER OF NOTICE. A director may waive any required notice before or after the date and time stated in the notice. Except as provided in the next sentence, the waiver must be in writing, signed by the director and filed with the minutes or corporate records. A director's attendance at or participation in a meeting waives any required notice to him of such meeting unless the director at the beginning of the meeting (or promptly upon his arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

3.4 QUORUM.

Unless the Charter requires a greater number, a quorum of the Board of Directors consists of a majority of the fixed number of directors if the Corporation has a fixed board size or a majority of the number of directors prescribed, or if no number is prescribed, the number in office immediately before the meeting begins, if the Corporation has a variable-range board.

3.5 VOTING.

If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors, unless the Charter or these Bylaws require the vote of a greater number of directors. A director who is present at a meeting of the Board of Directors when corporate action is taken is deemed to have assented to such action unless:

(I) he objects at the beginning of the meeting (or promptly upon his arrival) to holding the meeting or transacting business at the meeting;

(II) his dissent or abstention from the action taken is entered in the minutes of the meeting; or

(III) he delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

3.6 ACTION WITHOUT MEETING.

Unless the Charter otherwise provides, any action required or permitted by the Act to be taken at a Board of Directors' meeting may be taken without a meeting. If all directors consent to taking such action without a meeting, the affirmative vote of the number of directors that would be necessary to authorize or take such action at a meeting is the act of the Board of Directors. Such action must be evidenced by one or more written consents describing the action taken, signed by each director in one (1) or more counterparts, indicating each signing director's vote or abstention on the action, which consents shall be included in the minutes or filed with the corporate records reflecting the action taken. Action taken by consent is effective when the last director signs the consent, unless the consent specifies a different effective date.

3.7 COMPENSATION.

Directors, and members of any committee created by the Board of Directors, shall be entitled to such compensation for their services as directors and members of such committee as shall be fixed from time to time by the Board, and shall also be entitled to reimbursement for any reasonable expenses incurred in attending meetings of the Board or of any such committee meetings. Any director receiving such compensation shall not be barred from serving the Corporation in any other capacity and receiving reasonable compensation for such other services.

3.8 RESIGNATION.

A director may resign at any time by delivering written notice to the Board of Directors, the Chairman, Chief Executive Officer or President, or to the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.

3.9 VACANCIES.

If a vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors or a vacancy resulting from the removal of a director, the Board of Directors may fill such vacancy by an affirmative vote of a majority of the Board of Directors then in office, even though the directors remaining in office may constitute fewer than a quorum of the Board of Directors.

3.10 REMOVAL OF DIRECTORS.

Any director may be removed from office, but only for cause, by the affirmative vote of the holders of a majority of the voting power of the shares entitled to vote for the election of directors, considered for this purpose as one class.

A director may be removed by the shareholders only at a meeting called for the purpose of removing him, and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of directors.

ARTICLE IV.
COMMITTEES

4.1 COMMITTEES.

Unless the Charter otherwise provides, the Board of Directors may create one (1) or more committees, each consisting of one (1) or more members. All members of committees of the Board of Directors that exercise powers of the Board must be members of the Board and serve at the pleasure of the Board.

The creation of a committee and appointment of a member or members to it must be approved by the greater of (i) a majority of all directors in office when the action is taken or (ii) the number of directors required by the Charter or these Bylaws to take action.

To the extent specified by the Board of Directors or in the Charter, each committee may exercise the authority of the Board of Directors. A committee may not, however:

(I) authorize distributions, except according to a formula or method prescribed by the Board of Directors;

(II) fill vacancies on the Board or on any of its committees;

(III) adopt, amend or repeal the Bylaws;

(IV) authorize or approve reacquisitions of shares, except according to a formula or method prescribed by the Board of Directors; or

(V) authorize or approve the issuance or sale or contract for sale of shares, or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize such committee (or senior executive officer of the Corporation) to do so within limits specifically prescribed by the Board.

All such committees and their members shall be governed by the same statutory requirements regarding meetings, action without meetings, notice and waiver of notice, quorum and voting requirements as are applicable to the Board of Directors and its members.

ARTICLE V.
OFFICERS

5.1 NUMBER.

The officers of the Corporation shall be a Chairman and Chief Executive Officer, a President, one or more Vice-Presidents, a Secretary, a Treasurer and such other officers as may be from time to time appointed by the Board of Directors or by the Chief Executive Officer with the approval of the Board. One person may simultaneously hold more than one office except the President may not simultaneously hold the office of Secretary.

5.2 APPOINTMENT.

The principal officers shall be appointed annually by the Board at the first meeting of the Board following the annual meeting of the shareholders, or as soon thereafter as is conveniently possible. Each officer shall serve at the pleasure of the Board and until his successor shall have been appointed, or until his death, resignation or removal.

5.3 RESIGNATION AND REMOVAL.

An officer may resign at any time by delivering notice to the Corporation. Such resignation is effective when such notice is delivered unless such notice specifies a later effective date. An officer's resignation does not affect the Corporation's contract rights, if any, with the officer.

The Board of Directors may remove any officer at any time with or without cause, but such removal shall not prejudice the contract rights, if any, of the person so removed.

5.4 VACANCIES.

Any vacancy in an office from any cause may be filled for the unexpired portion of the term by the Board of Directors.

5.5 DUTIES.

(A) CHAIRMAN. The Chairman shall preside at all meetings of the shareholders and the Board of Directors and shall see that all orders and resolutions of the Board of Directors are carried into effect.

(B) CHIEF EXECUTIVE OFFICER. The Chief Executive Officer of the Corporation shall have general supervision over the active management of the business of the Corporation.

(C) PRESIDENT. The President shall have the general powers and duties of supervision and management usually vested in the office of the President of a corporation and shall perform such other duties as the Board of Directors may from time to time prescribe.

(D) VICE PRESIDENT. The Vice President or Vice Presidents (if any) shall be active officers of the Corporation, shall assist the Chairman and the President in the active management of the business, and shall perform such other duties as the Board of Directors may from time to time prescribe. The Board may designate a Vice President to be the chief financial officer of the Corporation, in which event such authority shall preempt the duties and responsibilities set forth herein for the Secretary and Treasurer.

(E) SECRETARY. The Secretary shall attend all meetings of the Board of Directors and all meetings of the shareholders and shall prepare and record all votes and all minutes of all such meetings in a book to be kept for that purpose; he shall perform like duties for any committee when required. The Secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board of Directors when required, and unless directed otherwise by the Board of Directors, shall keep a stock record containing the names of all persons who are shareholders of the Corporation, showing their place of residence and the number of shares held by them respectively. The Secretary shall have the responsibility of authenticating records of

the Corporation. The Secretary shall perform such other duties as may be prescribed from time to time by the Board of Directors.

(F) TREASURER. The Treasurer shall have the custody of the Corporation's funds and securities, shall keep or cause to be kept full and accurate account of receipts and disbursements in books belonging to the Corporation, and shall deposit or cause to be deposited all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse or cause to be disbursed the funds of the Corporation as required in the ordinary course of business or as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Chairman, the President and directors at the regular meetings of the Board, or whenever they may require it, an account of all of his transactions as Treasurer and the financial condition of the Corporation. He shall perform such other duties as may be incident to his office or as prescribed from time to time by the Board of Directors. The Treasurer shall give the Corporation a bond, if required by the Board of Directors, in a sum and with one or more sureties satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

(G) OTHER OFFICERS. Other officers appointed by the Board of Directors shall exercise such powers and perform such duties as may be delegated to them.

(H) DELEGATION OF DUTIES. In case of the absence or disability of any officer of the Corporation or of any person authorized to act in his place, the Board of Directors may from time to time delegate the powers and duties of such officer to any officer, or any director, or any other person whom it may select, during such period of absence or disability.

5.6 INDEMNIFICATION AND INSURANCE.

(A) INDEMNIFICATION. The Corporation shall indemnify and advance expenses to each present and future director and officer of the Corporation, or any person who may have served at its request as a director or officer of another corporation (and, in either case, his heirs, executors and administrators), to the full extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted. The Corporation may indemnify and advance expenses to any employee or agent of the Corporation who is not a director or officer (and his heirs, executors and administrators) to the same extent as to a director or officer, if the Board of Directors determines that to do so is in the best interests of the Corporation.

(B) NON-EXCLUSIVITY OF RIGHTS. The indemnification and advancement of expenses provisions of subsection (a) of this Section 5.6 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Charter, provision of these Bylaws, resolution adopted by the shareholders, or resolution adopted by the Board of Directors providing for such indemnification or advancement of expenses.

(C) INSURANCE. The Corporation may maintain insurance, at its expense, to protect itself and any individual who is or was a director, officer, employee or agent of the Corporation, or who, while a director, officer, employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Act.

ARTICLE VI.
SHARES OF STOCK

6.1 SHARES WITH OR WITHOUT CERTIFICATES.

The Board of Directors may authorize that some or all of the shares of any or all of the Corporation's classes or series of stock be evidenced by a certificate or certificates of stock. The Board of Directors may also

authorize the issue of some or all of the shares of any or all of the Corporation's classes or series of stock without certificates. The rights and obligations of shareholders with the same class and/or series of stock shall be identical whether or not their shares are represented by certificates.

(A) SHARES WITH CERTIFICATES. If the Board of Directors chooses to issue shares of stock evidenced by a certificate or certificates, each individual certificate shall include the following on its face: (i) the Corporation's name, (ii) the fact that the Corporation is organized under the laws of the State of Tennessee, (iii) the name of the person to whom the certificate is issued, (iv) the number of shares represented thereby, (v) the class of shares and the designation of the series, if any, which the certificate represents, and (vi) such other information as applicable law may require or as may be lawful.

If the Corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series) shall be summarized on the front or back of each certificate. Alternatively, each certificate shall state on its front or back that the Corporation will furnish the shareholder this information in writing, without charge, upon request.

Each certificate of stock issued by the Corporation shall be signed (either manually or in facsimile) by the Chairman, the President or a Vice President, and by the Secretary, an Assistant Secretary, the Treasurer or an Assistant Treasurer. If the person who signed a certificate no longer holds office when the certificate is issued, the certificate is nonetheless valid.

(B) SHARES WITHOUT CERTIFICATES. If the Board of Directors chooses to issue shares of stock without certificates, the Corporation, if required by the Act, shall, within a reasonable time after the issue or transfer of shares without certificates, send the shareholder a written statement of the information required on certificates by Section 6.1(a) of these Bylaws and any other information required by the Act.

6.2 SUBSCRIPTIONS FOR SHARES.

Subscriptions for shares of the Corporation shall be valid only if they are in writing. Unless the subscription agreement provides otherwise, subscriptions for shares, regardless of the time when they are made, shall be paid in full at such time, or in such installments and at such periods, as shall be determined by the Board of Directors. All calls for payment on subscriptions shall be uniform as to all shares of the same class or of the same series, unless the subscription agreement specifies otherwise.

6.3 TRANSFERS.

Transfers of shares of the capital stock of the Corporation shall be made only on the books of the Corporation by (i) the holder of record thereof, (ii) by his legal representative, who, upon request of the Corporation, shall furnish proper evidence of authority to transfer, or (iii) his attorney, authorized by a power of attorney duly executed and filed with the Secretary of the Corporation or a duly appointed transfer agent. Such transfers shall be made only upon surrender, if applicable, of the certificate or certificates for such shares properly endorsed and with all taxes thereon paid.

6.4 LOST, DESTROYED, OR STOLEN CERTIFICATES.

No certificate for shares of stock of the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen except on production of evidence, satisfactory to the Board of Directors or Transfer Agent for the Corporation's stock, of such loss, destruction or theft, and, if the Board of Directors or Transfer Agent for the Corporation's stock so requires, upon the furnishing of an indemnity bond in such amount and with such terms and such surety as either the Board of Directors or Transfer Agent for the Corporation's stock may in its discretion require.

ARTICLE VII.
CORPORATE ACTIONS

7.1 CONTRACTS.

Unless otherwise required by the Board of Directors, the Chairman, the Chief Executive Officer, the President or any Vice President shall execute contracts or other instruments on behalf of and in the name of the Corporation. The Board of Directors may from time to time authorize any other officer, assistant officer or agent to enter into any contract or execute any instrument in the name of and on behalf of the Corporation as it may deem appropriate, and such authority may be general or confined to specific instances.

7.2 CHECKS, DRAFTS, ETC.

Unless otherwise required by the Board of Directors, all checks, drafts, bills of exchange and other negotiable instruments of the Corporation shall be signed by either the Chairman, the Chief Executive Officer, the President, a Vice President or such other officer, assistant officer or agent of the Corporation as may be authorized so to do by the Board of Directors, the Chairman, the Chief Executive Officer, the chief financial officer or the President. Such authority may be general or confined to specific business, and, if so directed by the Board of Directors, the Chairman, the Chief Executive Officer, the chief financial officer or the President, the signatures of two or more such officers may be required.

7.3 DEPOSITS.

All funds of the Company not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks or other depositories as the Board of Directors may authorize.

7.4 VOTING SECURITIES HELD BY THE CORPORATION.

Unless otherwise required by the Board of Directors, the Chairman, the Chief Executive Officer or the President shall have full power and authority on behalf of the Corporation to attend any meeting of security holders, or to take action on written consent as a security holder, of other corporations in which the Corporation may hold securities. In connection therewith the Chairman, the Chief Executive Officer or the President shall possess and may exercise any and all rights and powers incident to the ownership of such securities which the Corporation possesses. The Board of Directors may, from time to time, confer like powers upon any other person or persons.

7.5 DIVIDENDS.

The Board of Directors may, from time to time, declare, and the Corporation may pay, dividends on its outstanding shares of capital stock in the manner and upon the terms and conditions provided by applicable law. The record date for the determination of shareholders entitled to receive the payment of any dividend shall be determined by the Board of Directors, but which in any event shall not be less than ten (10) days prior to the date of such payment.

ARTICLE VIII.
FISCAL YEAR

The fiscal year of the Corporation shall be determined by the Board of Directors, and in the absence of such determination, shall be the calendar year.

ARTICLE IX.
CORPORATE SEAL

The Corporation shall not have a corporate seal.

ARTICLE X.
AMENDMENT OF BYLAWS

These Bylaws may be altered, amended or repealed, and new Bylaws may be adopted at any meeting of the shareholders by the affirmative vote of a majority of the stock represented at such meeting, or by the affirmative vote of a majority of the members of the Board of Directors who are present at any regular or special meeting; provided, however, Sections 2.2, 2.11, 3.2(b) and 3.10 of these Bylaws may only be altered, amended or repealed at a meeting of the shareholders by the affirmative vote of at least 66 2/3% of the stock represented at such meeting.

ARTICLE XI.
NOTICE

Unless otherwise provided for in these Bylaws, any notice required shall be in writing except that oral notice is effective if it is reasonable under the circumstances and not prohibited by the Charter or these Bylaws. Notice may be communicated in person; by telephone, telegraph, teletype or other form of wire or wireless communication; or by mail or private carrier. If these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where published; or by radio, television or other form of public broadcast communication. Written notice to a domestic or foreign corporation authorized to transact business in Tennessee may be addressed to its registered agent at its registered office or to the corporation or its secretary at its principal office as shown in its most recent annual report or, in the

case of a foreign corporation that has not yet delivered an annual report, in its application for a certificate of authority.

Written notice to shareholders, if in a comprehensible form, is effective when mailed, if mailed postpaid and correctly addressed to the shareholder's address shown in the Corporation's current record of shareholders. Except as provided above, written notice, if in a comprehensible form, is effective at the earliest of the following: (a) when received, (b) five (5) days after its deposit in the United States mail, if mailed correctly addressed and with first class postage affixed thereon; (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee; or (d) twenty (20) days after its deposit in the United States mail, as evidenced by the postmark if mailed correctly addressed, and with other than first class, registered or certified postage affixed. Oral notice is effective when communicated if communicated in a comprehensible manner.

EXHIBIT 4.5

PROMISSORY NOTE

$ 1,293,000.00

NASHVILLE, TENNESSEE
AUGUST 23RD, 1999

FOR VALUE RECEIVED, HealthStream, Inc., a Tennessee corporation ("Maker"), promises to pay to Robert A. Frist, Jr. ("Lender"), the principal sum of One Million Two Hundred Ninety Three Thousand and 00/100ths Dollars (US$1,293,000.00), together with interest on the outstanding principal balance hereof at a variable rate, adjusted as changes occur, equal to the lesser of: (i) the rate charged to Lender as the then existing margin rate of interest on his Charles Schwab & Co., Inc. brokerage account (or similar replacement account); and (ii) ten and one half percent (10.5%); provided that in no event shall the rate of interest payable in respect of the indebtedness evidenced hereby exceed the maximum rate of interest from time to time allowed to be charged by applicable law.

Interest shall be payable monthly during the term hereof commencing September 23rd, 1999 and on the same day of each month thereafter, and all principal and any unpaid, accrued interest shall be payable in full upon the date (the "Due Date") that is the earliest of: (i) the date determined by Maker's Board of Directors; (ii) the closing of a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Maker's Common Stock in which the gross proceeds are at least $30 million and the per share price is at least $9.00 (an "IPO"); (iii) the closing of Maker's sale of all or substantially all of its assets or the acquisition of Maker by another entity by means of a merger or consolidation resulting in the exchange of the outstanding shares of Maker's capital stock for securities or consideration issued, or caused to be issued, by the acquiring entity or its subsidiary (other than a merger to reincorporate Maker in a different jurisdiction, or a consolidation or merger in which the outstanding voting capital stock of Maker immediately prior to such consolidation or merger constitutes a majority of the voting capital stock of the surviving entity); (iv) the bankruptcy of Maker; or (v) October 23rd, 2006.

For purposes of this Note, the term "bankruptcy of Maker" shall mean: (i) the appointment of any receiver, custodian, liquidator, or trustee of Maker or of any of its real, personal, tangible, intangible or mixed property or assets ("Property") by the order or decree of any court or agency or supervisory authority having jurisdiction; (ii) any Property is sequestered by court order; (iii) an involuntary petition is filed against Maker under any state or federal bankruptcy, reorganization, debt arrangement, insolvency, readjustment of debt, dissolution, liquidation or receivership law of any jurisdiction, whether now or hereafter in effect and such petition is not dismissed within 60 days of the date of filing; (iv) Maker files (or takes affirmative steps to prepare to file) a voluntary bankruptcy petition or other petition to seek relief under any provision of any bankruptcy, reorganization, debt arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction or consents to the filing of any such petition against it under any such law; (v) Maker makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee or liquidator of itself or of all or any part of its Property; or (vi) Maker discontinues substantially all of its usual businesses or commences to dissolve, wind-up or liquidate itself.

Amounts due under this Note are payable to Lender at 209 10th Avenue South, Suite 450, Nashville, Tennessee 37203 or at such other place as Lender may designate in writing from time to time, in lawful money of the United States of America.

This Note and all amounts due hereunder is convertible into Series B Convertible Preferred Stock of Maker, at the option of Lender, upon the occurrence of: (i) Lender's employment with Maker is terminated by the reasons stated in Sections 9(b), 9(f), 9(g) or 9(h) in the Executive Employment Agreement of even date herewith executed between Maker and Lender; (ii) any liquidation, dissolution, winding up, consolidation, sale or merger of Maker as set forth in paragraph 2 of the Third Amended and Restated Charter of Maker, dated August 18, 1999 (the "Amended Charter"); or (iii) an IPO. If Lender exercises such conversion option by giving notice to Maker, Lender shall be entitled to all rights and payments as a holder of Series B Convertible Preferred Stock as set forth in the Amended Charter. If such conversion option is exercised, Lender shall be entitled to receive that number of shares determined by dividing the total amount of indebtedness hereunder by $10.00.

Prepayments, in whole or in part, may be made at any time at the sole discretion of Maker, without premium or penalty.

If any amount of principal due under this Note is not paid by the Due Date, this Note may be declared immediately due and payable, without notice, at the option of Lender. Default in the payment of interest due under this Note shall not allow Lender to accelerate and declare the principal amount hereof payable prior to the Due Date set forth above.

Maker, for itself, its successors and assigns, hereby waives demand, presentment for payment, notice of dishonor, protest, notice of protest, diligence and collection, and all other notices or demands whatsoever with respect to this Note or the enforcement hereof, and consents that the Due Date may be extended by Lender, but only in writing, all without in any way modifying, altering, releasing, affecting or limiting the liability of Maker hereunder. No failure to accelerate the indebtedness evidenced hereby by reason of default hereunder, acceptance of a past-due installment or other indulgences granted from time to time shall be construed as a novation of this Note or as a waiver of any right of acceleration or of the right of Lender thereafter to insist upon strict compliance with the terms of this Note. This Note may not be changed orally, but only by a written instrument signed by Maker and Lender.

It is expressly understood and agreed by both Maker and Lender that if it is necessary to enforce payment of this Note through an attorney or by suit, Maker shall pay reasonable attorneys fees, court costs and all reasonable costs of collection incurred by Lender.

This Note is not a "security" as defined in the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

This Note is intended as a Tennessee contract and is to be so construed.

This Note replaces and supercedes the previous notes executed between Maker and Lender dated January 18, 1994, February 23, 1994, March 30, 1994, July 11, 1997, December 31, 1997 and April 21, 1999.

IN WITNESS WHEREOF, this Note has been duly executed by the undersigned on the date set forth above.

HEALTHSTREAM, INC.

By: /s/

Title: General Counsel

EXHIBIT 10.1

HEALTHSTREAM, INC.

SERIES A CONVERTIBLE PREFERRED STOCK
PURCHASE AGREEMENT

THIS SERIES A CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT (this "Agreement") is made as of the 13th day of October, 1998, by and between HealthStream, Inc., a Tennessee corporation f/k/a NewOrder Media, Inc. (the "Company"), and JCB HealthStream Investors, L.L.C., a Tennessee limited liability company, and any other person or entity designated as an investor on Schedule A hereto (each an "Investor").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. PURCHASE AND SALE OF STOCK.

1.1 SALE AND ISSUANCE OF SERIES A CONVERTIBLE PREFERRED STOCK.

(a) The Company shall adopt and file with the Secretary of State of the State of Tennessee on or before the Closing (as defined below) an Amended and Restated Charter in the form attached hereto as Exhibit A (the "Restated Charter").

(b) Subject to the terms and conditions of this Agreement, each Investor agrees, severally and not jointly, to purchase at the Closing and the Company agrees to sell and issue to each Investor, severally and not jointly, at the Closing the number of shares of the Company's Series A Convertible Preferred Stock set forth opposite each Investor's name on Schedule A hereto at a purchase price of $10.00 per share. The Series A Convertible Preferred Stock will have the rights, preferences, privileges and restrictions set forth in the Restated Charter.

1.2 CLOSING.

(a) The purchase and sale of the Series A Convertible Preferred Stock shall take place at the offices of Waller Lansden Dortch & Davis, A Professional Limited Liability Company, Nashville, Tennessee, at 1:00 p.m., on October 13, 1998, or at such other time and place as the Company and Investors acquiring in the aggregate more than half the shares of Series A Convertible Preferred Stock being sold pursuant hereto shall mutually agree, either oral or in writing (which time and place are designated as the "Closing").

(b) At the Closing, the Company shall deliver to each Investor a certificate representing the shares of Series A Convertible Preferred Stock that such Investor is purchasing against payment of the purchase price therefor by check, wire transfer, or such other form of payment as shall be mutually agreed upon by such Investor and the Company.

1.3 SUBSEQUENT SALE OF SERIES A CONVERTIBLE PREFERRED STOCK.

If less than all of the authorized number of shares of Series A Convertible Preferred Stock are sold at the Closing, then, subject to the terms and conditions of this Agreement, the Investors shall have the right to buy the balance of the authorized but unissued Series A Convertible Preferred Stock, which right may be transferred by the Investors to persons reasonably acceptable to the Company, at the same price per share as the Series A Convertible Preferred Stock was purchased and sold at the Closing. Any

such sale shall be made upon the same terms and conditions as those contained herein, and such persons or entities shall become parties to this Agreement and shall have the rights and obligations of an Investor hereunder and thereunder.

1.4 RESET PROVISION.

The Company and the Investors hereby acknowledge that the investment called for by this Agreement is being made in connection with the engagement by the Company of J.C. Bradford & Co., L.L.C. ("Bradford") to act as financial advisor to the Company. Among other things, Bradford has been retained to assist the Company in a private placement of equity securities, which may include one or more additional series of convertible preferred stock of the Company (any such transaction, if consummated, a "Bradford Placement"). The Company and the Investors agree that in the event of any Bradford Placement involving convertible preferred stock of the Company, the rights and preferences of the Series A Convertible Preferred Stock (but not the purchase price therefor) shall be automatically amended to be identical to the rights and preferences agreed to in the Bradford Placement. The Company and the Investors shall cooperate in good faith to prepare and execute appropriate documentation regarding such amended rights and preferences, and shall make all necessary filings in connection therewith. In the event of any Bradford Placement not involving convertible preferred stock of the Company, the Company and the Investors shall negotiate in good faith to conform the rights and preferences of the Series A Convertible Preferred Stock to the rights and preferences agreed to in the Bradford Placement , and the Company and the Investors shall cooperate in good faith to prepare and execute appropriate documentation regarding such amended rights and preferences, and shall make all necessary filings in connection therewith.

2. COVENANTS AND REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby covenants, represents and warrants to each Investor that as of the date of this Agreement, except as set forth on a Schedule of Exceptions furnished to each Investor and special counsel for the Investors, specifically identifying the relevant subparagraph(s) hereof, which exceptions shall be deemed to be representations and warranties as if made hereunder:

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 Series A Convertible Preferred Stock and the Common Stock issuable upon conversion thereof, and to carry out the provisions of this Agreement the Restated Charter 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 corporate 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 Series A Convertible Preferred Stock being sold hereunder and the Common Stock issuable upon conversion thereof has been taken or will be taken prior to he 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 PREFERRED AND COMMON STOCK.

The Series A Convertible Preferred 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, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement and under applicable state and federal securities laws. The Common Stock issuable upon conversion of the Series A Convertible Preferred Stock being purchased under this Agreement has been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Restated Charter, will be duly and validly issued, fully paid, and nonassessable and will be free of restrictions on transfer other than restrictions on transfer under this Agreement and under applicable state and federal securities laws.

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 Series A Convertible Preferred Stock by the Company or the issuance of Common Stock upon conversion of the Series A Convertible Preferred Stock, except (i) the filing of the Restated Charter with the Secretary of State of the State of Tennessee, and (ii) 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 CAPITALIZATION AND VOTING RIGHTS.

The authorized capital of the Company consists, or will consist immediately prior to the Closing, of:

(a) Preferred Stock. 1,000,000 shares of Preferred Stock, no par value, of which 50,000 shares have been designated as Series A Convertible Preferred Stock, up to all of which will be sold pursuant to this Agreement. The rights, privileges and preferences of the Series A Convertible Preferred Stock are as stated in the Restated Charter.

(b) Common Stock. 20,000,000 shares of common stock, no par value ("Common Stock"), of which 1,760,166 shares are issued and outstanding. An additional 4,000,000 shares of Common Stock are reserved for issuance pursuant to the Employee Stock Option Plan, dated April 15, 1994 (the "Option Plan"). The Company has granted options under the Option Plan to acquire a total of 865,276 shares of Common Stock.

(c) The outstanding shares of Common Stock and options granted under the Option Plan are owned by the stockholders and option holders in the numbers specified in Exhibit B hereto.

(d) The outstanding shares of Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, and were issued in accordance with the registration or qualification provisions of the Securities Act and any relevant state securities laws or pursuant to valid exemptions therefrom.

(e) Except for (i) the conversion privileges of the Series A Convertible Preferred Stock, and (ii) currently outstanding options under the Option Plan, there are no outstanding options, warrants, rights (including conversion or preemptive rights and rights of first refusal), proxy or stockholder agreements or agreements of any kind for the purchase or acquisition from the Company of any of its securities. Other than the Stockholder's Agreement, dated April 15, 1994 (the "Stockholder's Agreement"), the Company is not a party or subject to any agreement or understanding, and, to the best of the Company's knowledge, there is no agreement or understanding between any persons that affects or relates to the Common Stock or the voting or giving of written consents with respect to any security or the voting by a director of the Company.

2.6 SUBSIDIARIES.

The Company does not own or control, directly or indirectly, any interest in any other corporation, partnership, limited liability company, association, or other business entity. The Company is not a participant in any joint venture, partnership, or similar arrangement.

2.7 CONTRACTS AND OTHER COMMITMENTS.

The Company does not have and is not bound by any contract, agreement, lease, commitment, or proposed transaction, judgment, order, writ or decree, written or oral, absolute or contingent, other than (i) contracts for the purchase of supplies and services that were entered into in the ordinary course of business and at do not involve more than $50,000, and do not extend for more than one (1) year beyond the date hereof, (ii) sales contracts entered into in the ordinary course of business, and (iii) contracts terminable at will by the Company on no more than thirty (30) days' notice without cost or liability to the Company and that do not involve any employment or consulting arrangement and are not material to the conduct of the Company's business. For the purpose of this paragraph, employment and consulting contracts and contracts with labor unions, and license agreements and any other agreements relating to the Company's acquisition or disposition of patent, copyright, trade secret or other proprietary rights or technology (other than standard end-user license agreements) shall not be considered to be contracts entered into in the ordinary course of business.

2.8 RELATED-PARTY TRANSACTIONS.

No employee, officer, stockholder or director of the Company or member of his or her immediate family is indebted to the Company, nor is the Company indebted (or committed to make loans

or extend or guarantee credit) to any of them, other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Company, and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Company). To the best of the Company's knowledge, none of such persons has any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation that competes with the Company, except that employees, stockholders, officers, or directors of the Company and members of their immediate families may own stock in publicly traded companies that may compete with the Company. To the best of the Company's knowledge, no officer, director, or stockholder or any member of their immediate families is, directly or indirectly, interested in any material contract with the Company (other than such contracts as relate to any such person's ownership of capital stock or other securities of the Company).

2.9 REGISTRATION RIGHTS.

The Company is presently not under any obligation and has not granted any rights to register under the Securities Act any of its presently outstanding securities or any of its securities that may subsequently be issued.

2.10 PERMITS.

The Company has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, prospects, or financial condition of the Company, and believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as presently planned to be conducted. The Company is not in default in any material respect under any of such franchises, permits, licenses or other similar authority.

2.11 COMPLIANCE WITH OTHER INSTRUMENTS.

The Company is not in violation or default in any material respect of any provision of its Restated Charter or Bylaws or in any material respect of any provision of any mortgage, indenture, agreement, instrument, or contract to which it is a party or by which it is bound or, to the best of its knowledge, of any federal or state judgment, order, writ, decree, statute, rule, regulation or restriction applicable to the Company. The execution, delivery, and performance by the Company of this Agreement, and any Ancillary Agreement, and the consummation of the transactions contemplated hereby and thereby, will not result in any such violation or be in material conflict with or constitute, with or without the passage of time or giving of notice, either a material default under any such provision or an event that results in the creation of any material lien, charge, or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization, or approval applicable to the Company, its business or operations, or any of its assets or properties.

2.11 LITIGATION.

There is no action, suit, proceeding, or investigation pending or, to the Company's knowledge, currently threatened against the Company that questions the validity of this Agreement or any Ancillary Agreement or the right of the Company to enter into such agreements, or to consummate the transactions contemplated hereby or thereby, or that might result, either individually or in the aggregate, in any

material adverse change in the assets, business, properties, prospects, or financial condition of the Company, or in any material change in the current equity ownership of the Company. The foregoing includes, without limitation, any action, suit, proceeding, or investigation pending or currently threatened involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, their obligations under any agreements with prior employers, or negotiations by the Company with potential backers of, or investors in, the Company or its proposed business. The Company is not a party to or, to the best of its knowledge, named in or subject to any order, writ, injunction, judgment, or decree of any ours, government agency, or instrumentality. There is no action, suit, proceeding or investigation by the Company currently pending or that the Company currently intends to initiate.

2.12 BUSINESS PLAN.

The Business Plan dated July 22, 1998 previously delivered to each Investor (the "Business Plan") was prepared in good faith by the Company and does not, to the best of the Company's knowledge after reasonable investigation, contain any untrue statement of a material fact nor does it omit to state a material fact necessary to make the statements therein not misleading, except that with respect to assumptions, projections and expressions of opinion or predictions contained in the Business Plan, the Company represents only that such assumptions, projections, expressions of opinion and predictions were made in good faith and that the Company believes there is a reasonable basis therefor.

2.13 OFFERING.

Subject in part to the truth and accuracy of each Investor's representations set forth in this Agreement, the offer, sale and issuance of the Series A Convertible Preferred 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.

2.14 FINANCIAL STATEMENTS.

The Company has delivered to each Investor its financial statements (balance sheet and profit and loss statement, statement of stockholders' equity and statement of cash flows including notes thereto) at December 31, 1997 and for the fiscal year then ended and its unaudited financial statements (balance sheet and profit and loss statement) as at, and for the six-month period ended June 30, 1998 (the "Financial Statements"). The Financial Statements have been consistently prepared and derived from the books and records of the Company. The Financial Statements fairly present in all material respects the financial condition and operating results of the Company as of the dates, and for the periods, indicated therein. Except as set forth in the Financial Statements and to the best of the Company's knowledge, the Company has no material liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to June 30, 1998 and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which, in both cases, individually or in the aggregate, are not material to the financial condition or operating results of the Company. Except as disclosed in the Financial Statements, the Company is not a guarantor or indemnitor of any indebtedness of any other person, firm, or corporation. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with generally accepted accounting principles.

2.15 CHANGES.

To the best of the Company's knowledge, since June 30, 1998, there has not been:

(a) any change in the assets, liabilities, financial condition, or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse;

(b) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the business, properties, prospects, or financial condition of the Company (as such business is presently conducted and as it is presently proposed to be conducted);

(c) any waiver or compromise by the Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and that is not material to the business, properties, prospects, or financial condition of the Company (as such business is presently conducted and as it is presently proposed to be conducted);

(e) any material change to a material contract or arrangement by which the Company or any of its assets is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder other than in the ordinary course of business;

(g) any sale, assignment, or transfer of any patents, trademarks, copyrights, trade secrets, or other intangible assets;

(h) any resignation or termination of employment of any key officer of the Company; and the Company, to the best of its knowledge, does not know of the impending resignation or termination of employment of any such officer;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Company;

(j) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable or contested by the Company in good faith;

(k) any loans or guarantees made by the Company to or for the benefit of its employees, stockholders, officers, or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(l) any declaration, setting aside, or payment of any dividend or other distribution of the Company's assets in respect of any of the Company's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by the Company;

(m) to the best of the Company's knowledge, any other event or condition of any character that might materially and adversely affect the business, properties, prospects, or financial condition of

the Company (as such business is presently conducted and as it is presently proposed to be conducted); or

(n) any agreement or commitment by the Company to do any of the things described in this paragraph 2.19.

2.16 INTELLECTUAL PROPERTY.

To the best of its knowledge (but without having conducted any special investigation or patent search), the Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, and proprietary rights and processes necessary for its business as now conducted without any conflict with, or infringement of the rights of, others which would have a material adverse effect on the business, properties, prospects or financial condition of the Company. The Schedule of Exceptions contains a complete list of patents and pending patent applications of the Company. Except for agreements with its own employees or consultants, substantially in the form referenced in paragraph 2.23 below, and standard end-user license agreements, there are no outstanding options, licenses, or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses, or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, and proprietary rights and processes of any other person or entity. The Company has not received any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights, trade secrets, or other proprietary rights or processes of any other person or entity. The Company is not aware that any of its employees is obligated under any contract (including licenses, covenants, or commitments of any nature) or other agreement, or subject to any judgment, decree, or order of any court or administrative agency, that would interfere with the use of such employee's best efforts to promote the interests of the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the best of the Company's knowledge, conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any contract, covenant, or instrument under which any if such employees is now obligated. The Company does not believe it is or will be necessary to use any inventions of any of its employees (or persons it currently intends to hire) made prior to their employment by the Company. The Company has taken reasonable efforts to identify any possible liabilities, losses, costs expenses, or other adverse effects it may experience as a result of the potential inability of computer systems to recognize the "Year 2000"and has determined that it will have no material loss, cast, liability, or expense.

2.17 MANUFACTURING AND MARKETING RIGHTS.

The Company has not granted rights to manufacture, produce, assemble, license, market, or sell its products to any other person and is not bound by any agreement that affects the Company's exclusive right to develop, manufacture, assemble, distribute, market, or sell its products.

2.18 EMPLOYEES; EMPLOYEE COMPENSATION.

To the best of the Company's knowledge, there is no strike, labor dispute or union organization activities pending or threatened between it and its employees. None of the Company's employees belongs to any union or collective bargaining unit. To the best of its knowledge, the Company has

complied in all material respects with all applicable state and federal equal opportunity and other laws related to employment. To the best of the Company's knowledge, no employee of the Company is or will be in violation of any judgment, decree, or order, or any term of any employment contract, patent disclosure agreement, or other contract or agreement relating to the relationship of any such employee with the Company, or any other party because of the nature of the business conducted or presently proposed to be conducted by the Company or to the use by the employee of his or her best efforts with respect to such business. Other than the Option Plan, the Company is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement, or other employee compensation agreement. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing. Subject to general principles related to wrongful termination of employees, the employment of each officer and employee of the Company is terminable at the will of the Company.

2.19 TAX RETURNS, PAYMENTS, AND ELECTIONS.

The Company has timely filed all tax returns and reports (federal, state and local) as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due and payable, except those contested by it in good faith. The provision for taxes of the Company as shown in the Financial Statements is adequate for taxes due or accrued as of the date thereof. The Company has not elected pursuant to the Internal Revenue Code of 1986, as amended ("Code"), to be treated as a collapsible corporation pursuant to the Code, nor has it made any other elections pursuant to the Code (other than its "S corporation" election or that relate solely to methods of accounting, depreciation, or amortization) that would have a material effect on the business, properties, prospects, or financial condition of the Company. The Company has never had any tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of the Company's federal income tax returns and none of its state income or franchise tax or sales or use tax returns has ever been audited by governmental authorities. Since the date of the Financial Statements, the Company has made adequate provisions on its books of account for all taxes, assessments, and governmental charges with respect to its business, properties, and operations for such period. The Company has withheld or collected from each payment made to each of its employees, the amount of all taxes, including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositaries.

2.20 ENVIRONMENTAL AND SAFETY LAWS.

To the best of its knowledge, the Company is not in violation of any applicable statute, law, or regulation relating to the environment or occupational health and safety which would have a material adverse effect on the business, properties, prospects or financial condition of the Company, and to the best of its knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law, or regulation.

2.21 SECTION 83(B) ELECTIONS.

To the best of the Company's knowledge, all individuals who have purchased shares of the Company's Common Stock under agreements that provide for the vesting of such shares have filed

timely elections under Section 83(b) of he Internal Revenue Code and any analogous provisions of applicable state tax laws.

2.22 MINUTE BOOKS.

The copy of the minute books of the Company provided to the Investors' special counsel contains minutes of all meetings of directors and stockholders and all actions by written consent without a meeting by the directors and stockholders since the date of incorporation and accurately reflects all actions by the directors (and any committee of directors) and stockholders with respect to all transactions referred to in such minutes in all material respects.

2.23 REAL PROPERTY HOLDING CORPORATION.

The Company is not a real property holding corporation within the meaning of Internal Revenue Code Section 897(c)(2) and any regulations promulgated thereunder.

3. ACKNOWLEDGMENTS, COVENANTS, AND REPRESENTATIONS AND WARRANTIES OF THE INVESTORS.

The Investors hereby represent and warrant to the Company that as of the date of this Agreement:

3.1 AUTHORIZATION.

Such 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 such Investor enforceable in accordance with its terms.

3.2 PURCHASE ENTIRELY FOR OWN ACCOUNT.

This Agreement is made with each 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 Series A Convertible Preferred Stock to be purchased by such Investor and the Common Stock issuable upon conversion thereof (collectively, the "Securities") 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, each 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 Securities.

3.3 RELIANCE UPON INVESTORS' REPRESENTATIONS.

Each Investor understands that the Series A Convertible Preferred Stock is not, and any Common Stock acquired on conversion thereof at the time of issuance may not be, 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. Each Investor realizes that the basis for the exemption may not be present if, notwithstanding such

representations, the Investor has in mind merely acquiring shares of the Series A Convertible Preferred Stock for a fixed or determinable period in the future, or for a market rise, or for sale if the market does not rise. No Investor has any such intention.

3.4 RECEIPT OF INFORMATION.

Each Investor believes such Investor has received all the information such Investor considers necessary or appropriate for deciding whether to purchase the Series A Convertible Preferred Stock. Each 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 Series A Convertible Preferred 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. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or the right of the Investors to rely thereon.

3.5 INVESTMENT EXPERIENCE.

Each 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 Series A Convertible Preferred Stock. If other than an individual, Investor also represents that each record or beneficial owner of any equity interest in Investor (each an "Investor Owner") meets the requirements of the preceding sentence..

3.6 ACCREDITED INVESTOR.

(a) The term "Accredited Investor" as used herein refers to:

(i) A person or entity who is a director or executive officer of the Company;

(ii) Any bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(iii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iv) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

(v) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of the purchase exceeds $1,000,000;

(vi) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(vii) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; or

(viii) Any entity in which all of the equity owners are accredited investors.

As used in this Paragraph 3.6(a), the term "net worth" means the excess of total assets over total liabilities. For the purpose of determining a person's net worth, the principal residence owned by an individual should be valued at fair market value, including the cost of improvements, net of current encumbrances. As used in this Paragraph 3.6(a), "income" means actual economic income, which may differ from adjusted gross income for income tax purposes. Accordingly, each Investor should consider whether such Investor should add any or all of the following items to such Investor's adjusted gross income for income tax purposes in order to reflect more accurately such Investor's actual economic income: any amounts attributable to tax-exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA or Keogh retirement plan, and alimony payments.

(b) Each Investor as to such Investor severally and not jointly further represents to the Company that except as otherwise disclosed to the Company, in writing, prior to such Investor's execution hereof, such Investor and each Investor Owner is an Accredited Investor.

3.7 RESTRICTED SECURITIES.

Each Investor understands that the Series A Convertible Preferred Stock (and any Common Stock issued on conversion thereof) 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 Stock (or the Common Stock issued on conversion thereof) or an available exemption from registration under the Securities Act, the Series A Convertible Preferred Stock (and any Common Stock issued on conversion thereof) must be held indefinitely. In particular, each Investor is aware that the Series A Convertible Preferred Stock (and any Common Stock issued on conversion thereof) 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.

3.8 LEGENDS.

To the extent applicable, each certificate or other document evidencing any of the Series A Convertible Preferred Stock or any Common Stock issued upon conversion thereof 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 the Company's Bylaws or applicable state securities laws.

3.9 PUBLIC SALE.

Each Investor agrees not to make, without the prior written consent of the Company, any public offering or sale of the Series A Convertible Preferred Stock, or any Common Stock issued upon the conversion thereof, although permitted to do so pursuant to Rule 144(k) promulgated under the Securities Act, until the earlier of (i) the date on which the Company effects its initial registered public offering pursuant to the Securities Act or (ii) the date on which it becomes a registered company pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended, or (iii) three years after the Closing of the sale of the Series A Convertible Preferred Stock to such Investor by the Company.

4. CONDITIONS OF INVESTORS' OBLIGATIONS AT CLOSING.

The obligations of each Investor under subparagraph 1.1(b) of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions, the waiver of which shall not be effective against any Investor who does not consent in writing thereto:

4.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company contained in Section 2 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.

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 each Investor at the Closing a certificate certifying that the conditions specified in paragraphs 4.1, 4.2, 4.4, and 4.5 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 Series A Convertible Preferred 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 the Investors' special counsel, which shall have received all such counterpart original and certified or other copies of such documents as it may reasonably request.

4.6 MINIMUM INVESTMENT.

The Company shall sell an aggregate of at least 10,000 shares of Series A Convertible Preferred Stock at the Closing.

5. CONDITIONS OF THE COMPANY'S OBLIGATIONS AT CLOSING.

The obligations of the Company to each Investor under this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions by that Investor.

5.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of each 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 the Closing.

5.3 MINIMUM INVESTMENT.

The Investors shall purchase an aggregate of at least 10,000 shares of Series A Convertible Preferred Stock at the Closing.

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 the Investors 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 Series A Convertible Preferred Stock sold hereunder or any Common Stock issued upon conversion thereof). 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 the Investor of the Series A Convertible Preferred Stock.

Each 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 each 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 EXPENSES.

Irrespective of whether the Closing is effected, the Company shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery, and performance of this Agreement. If the Closing is effected, the Company shall, at the Closing, reimburse the fees of one special counsel for the Investors not to exceed $2500.00 and shall in addition, upon receipt of a bill therefor, reimburse the out-of-pocket expenses of such counsel.

6.10 ATTORNEYS' FEES.

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, any Ancillary Agreement or the Restated Charter, the prevailing party shall be entitled to reasonable attorneys' fees, costs, and disbursements in addition to any other relief to which such party may be entitled.

6.11 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 Investors (or their transferees) holding more than 50% of the Common Stock not previously sold to the public that is issued or issuable upon conversion of the Series A Convertible Preferred Stock. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities have been converted), each future holder of all such securities, and the Company.

6.12 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.

6.13 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.

6.14 EFFECT OF AMENDMENT OR WAIVER.

Each Investor acknowledges that by the operation of paragraph 6.11 hereof the Investors (or their transferees) holding more than fifty percent (50%) of the Common Stock not previously sold to the public that is issued or issuable upon conversion of the Series A Convertible Preferred Stock will have the right and power to diminish or eliminate all rights of such Investor under this Agreement.

6.15 RIGHTS OF INVESTORS.

Each holder of Series A Convertible Preferred Stock (and Common Stock issued upon conversion thereof) shall have the absolute right to exercise or refrain from exercising any right or rights that such holder may have by reason of this Agreement or any Series A Convertible Preferred Stock, including without limitation the right to consent to the waiver of any obligation of the Company under this Agreement and to enter into an agreement with the Company for the purpose of modifying this Agreement or any agreement effecting any such modification, and such holder shall not incur any liability to any other holder or holders of Series A Convertible Preferred Stock (or Common Stock issued upon exercise thereof) with respect to exercising or refraining from exercising any such right or rights.

6.16 EXCULPATION AMONG INVESTORS.

Each Investor acknowledges that such Investor is not relying upon any person, firm, or corporation, other than the Company and its officers and directors, in making its investment or decision to invest in the Company. Each Investor agrees that no Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with the Series A Convertible Preferred Stock (and Common Stock issued upon conversion thereof).

[SIGNATURES FOLLOW THIS PAGE]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

HEALTHSTREAM, INC.

By /s/ Robert A Frist, Jr.

Robert A Frist, Jr.
Chief Executive Officer

Address: HealthStream
209 10th Ave. South
Suite 450
Nashville, TN 37203

INVESTORS:

JCB HEALTHSTREAM INVESTORS, L.L.C

By: /s/ Jim Graves

Jim Graves

Title: Chief Manager

Address: c/o J.C. Bradford & Co., L.L.C.
330 Commerce Street
Nashville, Tennessee 37201

SCHEDULE A

INVESTORS

NAME	NUMBER OF SHARES
JCB Healthstream Investors, LLC	11,000

SCHEDULE OF EXCEPTIONS

2.8 RELATED-PARTY TRANSACTIONS.

Indebtedness to Company by Shareholders

MacDonald Hardcastle owes the Company $1,248.03 due to an outstanding balance of a loan from the Company to purchase shares.

Indebtedness to Shareholders by Company

The Company owes Robert Frist, Jr. $2,773,947.02 for loans made to the Company.

The Company owes Scott Portis $60,000.00 for loans made to the Company.

In addition, Robert Frist, Jr. serves on the Board of Directors of Passport Health Communications. This firm does not directly compete with the Company, but it does do business in the Internet healthcare information industry.

2.14 FINANCIAL STATEMENTS.

The Company has retained the services of Ernst & Young to conduct an audit of its financial statements ending December 31, 1997 and to review its financial statements ending June 30, 1998. This audit is in process and should be completed by October 31, 1998.

2.17 MANUFACTURING AND MARKETING RIGHTS.

The Company has relationships with many Value Added Resellers ("VARs"). The most significant is Lippincott Williams & Wilkins, a large medical publisher based in Baltimore, Maryland, that sells its regulatory training content bundled with the Company's Training Navigator. These VARs will continue to play an integral role in the Company's ongoing business strategy.

EXHIBIT 10.2

HEALTHSTREAM, INC.

SERIES B CONVERTIBLE PREFERRED STOCK
PURCHASE AGREEMENT

THIS SERIES B CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT (this "Agreement") is made as of the 21st day of April, 1999, by and between HealthStream, Inc., a Tennessee corporation (the "Company"), and the persons and entities designated as an investor on Schedule A hereto (each an "Investor").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. PURCHASE AND SALE OF STOCK.

1.1 SALE AND ISSUANCE OF SERIES B CONVERTIBLE PREFERRED STOCK.

(a) The Company shall adopt and file with the Secretary of State of the State of Tennessee on or before the First Closing (as hereinafter defined) an Amended and Restated Charter in the form attached hereto as Exhibit A (the "Restated Charter").

(b) On or prior to the First Closing, the Company shall have authorized (i) the sale and issuance to the Investors of the shares of Series B Convertible Preferred Stock and (ii) the issuance of such shares of Common Stock to be issued upon conversion of such shares (the "Conversion Shares"). The shares of Series B Convertible Preferred Stock and the Conversion Shares shall have the rights, preferences, privileges and restrictions set forth in the Restated Charter.

(c) Subject to the terms and conditions of this Agreement, each Investor agrees, severally and not jointly, to purchase and the Company agrees to sell and issue to each Investor, severally and not jointly, the number of shares of the Company's Series B Convertible Preferred Stock set forth opposite each Investor's name on Schedule A hereto at a purchase price of $10.00 per share. The Series B Convertible Preferred Stock will be sold at three closings as set forth in paragraph 1.2 herein.

(d) In addition to the shares referred to on Schedule A hereto, each Investor shall be entitled to subscribe for and purchase from the Company at the price of $10.00 per share ("Option Exercise Price") a number of shares of the Company's Series B Convertible Preferred Stock equal to up to twenty percent (20%) of the number of shares set forth opposite each Investor's name on Schedule A hereto ("Option") at any time prior to the earlier of April 21st, 2000 or upon the date of a subsequent equity financing by the Company with aggregate gross proceeds of not less than $5,000,000. In the event of a subsequent equity financing, the Company shall give written notice to the Investors that a subsequent financing has occurred and each Investor shall then have thirty (30) days to exercise any or all of its Option in accordance with paragraph 1.1(d)(i) herein, but in no case shall that date be later than May 21st, 2000. The Options shall vest and become exercisable at the time and in the same percentage that the funds are delivered to the Company under the closing schedule outlined in paragraph 1.2 herein.

(i) Method of exercise. Subject to the last sentence of paragraph 1.1(d) above, the rights represented by the Options may be exercised by the holder in whole at any time or from time to time in part, but not as to a fractional share of Series B Convertible Preferred Stock by written notice delivered to the Company, which notice shall state the number of shares with respect to which the Option is being exercised and shall specify a date not less than five (5) nor more than ten (10) days after the date

of such notice as the date on which the shares will be taken up and payment made as provided in paragraph 1.1(d)(ii) hereof.

(ii) The holder may make payment in respect of the exercise of the Option as follows:

1) Cash Exercise. By payment to the Company of the Option Exercise Price in cash or by certified or official bank check for each share purchased;

2) Notes Exercise. By surrender to the Company of any notes or other obligations issued by the Company with all such notes or other obligations of the Company so surrendered being credited against the Option Exercise Price in an amount equal to the principal amount thereof plus the amount of any interest accrued thereon to the date of such surrender;

3) Securities Exercise. By delivery to the Company of Series B Convertible Preferred Stock issued by the Company with such securities being credited against the Option Exercise Price in an amount equal to the fair market value thereof;

4) Net Issue Exercise. By an election to receive shares the aggregate fair market value of which as of the date of exercise is equal to the fair market value of the Option (or the portion thereof being exercised) on such date, in which event the Company, upon receipt of notice of such election, shall issue to the holder a number of shares of Series B Convertible Preferred Stock equal to (A) the number of shares of Series B Convertible Preferred Stock acquirable upon exercise of all or any portion of the Option being exercised, as at such date, multiplied by (B) the balance remaining after deducting (x) the Option Exercise Price from (y) the fair market value of one share of Series B Convertible Preferred Stock as at such date and dividing the result by (C) such fair market value; or

5) Combined Payment Method. By satisfaction of the Option Exercise Price for each share being acquired in any combination of the methods described in clauses (1) through (4) above.

(iii) Definition of Fair Market Value. For the purposes of paragraph (ii) above, the fair market value of the Series B Convertible Preferred Stock shall be determined by the Board of Directors of the Company exclusive of any member of such Board of Directors that directly or indirectly controls any holder of Options.

1.2 CLOSING.

(a) The purchase and sale of at least one half (1/2) of the number of shares of Series B Convertible Preferred Stock set forth opposite each Investor's name on Schedule A hereto shall take place at the offices of the Company at 10:00 a.m., on April 21st, 1999, or at such other time and place as the Company and Investors acquiring in the aggregate more than half the shares of Series B Convertible

Preferred Stock being sold pursuant hereto shall mutually agree, either orally or in writing (the "First Closing").

(b) The purchase and sale of at least one half (1/2) of the number of those shares of Series B Convertible Preferred Stock exempted from the Minimum Investment set forth in paragraphs 5.3 and 4.6 herein shall take place at the offices of the Company within ten (10) business days of the First Closing (the "Second Closing"). If the parties mentioned in paragraphs 5.3 and 4.6 herein do not purchase at least one half (1/2) of the number of shares of Series B Convertible Preferred Stock set forth opposite each Investor's name on Schedule A hereto at the First Closing or Second Closing, then the Company may increase the number of shares subscribed by other Investors listed on Schedule A hereto. Under no circumstance will the total number of shares of Series B Convertible Preferred Stock issued at the closings exceed the total number set forth on Schedule A hereto.

(c) The purchase and sale of the remaining number of shares of Series B Convertible Preferred Stock set forth opposite each Investor's name on Schedule A hereto shall take place at the offices of the Company within twenty (20) business days of the Investors receiving a written demand therefor from the Board of Directors of the Company after the Board of Directors shall have adopted a resolution approving such purchase and sale provided no such demand be sent by the Board of Directors after April 30, 2000. The Company covenants not to raise any additional equity financing prior to April 30, 2000 without calling pursuant to paragraph 1.2 (c) herein the remaining number of shares of Series B Convertible Preferred Stock referred to herein.

(d) At each closing, the Company shall deliver to each Investor a certificate representing the shares of Series B Convertible Preferred Stock that such Investor is purchasing against payment of the purchase price therefor by check, wire transfer, or such other form of payment as shall be mutually agreed upon by such Investor and the Company.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to each Investor that as of the date of this Agreement, except as set forth on a Schedule of Exceptions furnished to each Investor and special counsel for the Investors, specifically identifying the relevant subparagraph(s) hereof, which exceptions shall be deemed to be representations and warranties as if made hereunder:

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 Series B Convertible Preferred Stock and the Common Stock issuable upon conversion thereof, and to carry out the provisions of this Agreement, the Restated Charter 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 corporate 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 First Closing and the authorization, issuance (or reservation for issuance), sale, and delivery of the Series B Convertible Preferred Stock being sold hereunder and the Common Stock issuable upon conversion thereof has been taken or will be taken prior to the First 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 PREFERRED AND COMMON STOCK.

The Series B Convertible Preferred 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, 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. The Common Stock issuable upon conversion of the Series B Convertible Preferred Stock being purchased under this Agreement has been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Restated Charter, will be duly and validly issued, fully paid, and nonassessable 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.

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 Series B Convertible Preferred Stock by the Company or the issuance of Common Stock upon conversion of the Series B Convertible Preferred Stock, except (i) the filing of the Restated Charter with the Secretary of State of the State of Tennessee, and (ii) such filings as have been made prior to the First 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 CAPITALIZATION AND VOTING RIGHTS.

The authorized capital of the Company consists, or will consist immediately prior to the Closing, of:

(a) Preferred Stock. 5,000,000 shares of Preferred Stock, no par value, of which 76,000 shares have been designated as Series A Convertible Preferred Stock, all of which are outstanding, and 1,376,360 shares have been designated as Series B Convertible Preferred Stock, none of which are outstanding. The rights, privileges and preferences of the Series B Convertible Preferred Stock are as stated in the Restated Charter.

(b) Common Stock. 20,000,000 shares of common stock, no par value ("Common Stock"), of which 1,991,647 shares are issued and outstanding. On April 21, 1999, Robert A Frist, Jr. purchased 231,481 shares of Common Stock at a purchase price of $4.32 per share. An additional 4,000,000 shares of Common Stock are reserved for issuance pursuant to the Employee Stock Option Plan, dated April 15, 1994 (the "Option Plan"). The Company has granted options under the Option Plan to acquire a total of 902,466 shares of Common Stock.

(c) The outstanding shares of Common Stock and options granted under the Option Plan are owned by the stockholders and option holders in the numbers specified in Exhibit B hereto.

(d) The outstanding shares of Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, and were issued in accordance with the registration or qualification provisions of the Securities Act and any relevant state securities laws or pursuant to valid exemptions therefrom.

(e) Except as contemplated herein and in the Ancillary Agreements and for (i) the conversion privileges of the Series B Convertible Preferred Stock, and (ii) currently outstanding options under the Option Plan, there are no outstanding options, rights (including conversion or preemptive rights and rights of first refusal), proxy or stockholder agreements or agreements of any kind for the purchase or acquisition from the Company of any of its securities. Other than the Stockholder's Agreement, dated April 15, 1994 (the "Stockholder's Agreement"), the Company is not a party or subject to any agreement or understanding, and, to the best of the Company's knowledge, there is no agreement or understanding between any persons that affects or relates to the Common Stock or the voting or giving of written consents with respect to any security or the voting by a director of the Company.

2.6 SUBSIDIARIES.

The Company does not own or control, directly or indirectly, any interest in any other corporation, partnership, limited liability company, association, or other business entity. The Company is not a participant in any joint venture, partnership, or similar arrangement.

2.7 CONTRACTS AND OTHER COMMITMENTS.

The Company does not have and is not bound by any contract, agreement, lease, commitment, or proposed transaction, judgment, order, writ or decree, written or oral, absolute or contingent, other than (i) contracts for the purchase of supplies and services that were entered into in the ordinary course of business and that do not involve more than $50,000, and do not extend for more than one (1) year beyond the date hereof, (ii) sales contracts entered into in the ordinary course of business, and (iii) contracts terminable at will by the Company on no more than thirty (30) days' notice without cost or liability to the Company and that do not involve any employment or consulting arrangement and are not material to the conduct of the Company's business. For the purpose of this paragraph, employment and consulting contracts and contracts with labor unions, and license agreements and any other agreements relating to the Company's acquisition or disposition of patent, copyright, trade secret or other proprietary rights or technology (other than standard end-user license agreements) shall not be considered to be contracts entered into in the ordinary course of business.

2.8 RELATED-PARTY TRANSACTIONS.

No employee, officer, stockholder or director of the Company or member of his or her immediate family is indebted to the Company, nor is the Company indebted (or committed to make loans or extend

or guarantee credit) to any of them, other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Company, and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Company). To the best of the Company's knowledge, none of such persons has any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation that competes with the Company, except that employees, stockholders, officers, or directors of the Company and members of their immediate families may own stock in publicly traded companies that may compete or conduct business with the Company. To the best of the Company's knowledge, no officer, director, or stockholder or any member of their immediate families is, directly or indirectly, interested in any material contract with the Company (other than such contracts as relate to any such person's employment, ownership of capital stock or other securities of the Company).

2.9 REGISTRATION RIGHTS.

The Company is presently not under any obligation and has not granted any rights to register under the Securities Act any of its presently outstanding securities or any of its securities that may subsequently be issued.

2.10 PERMITS.

The Company has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, prospects, or financial condition of the Company, and believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as presently planned to be conducted. The Company is not in default in any material respect under any of such franchises, permits, licenses or other similar authority.

2.11 COMPLIANCE WITH OTHER INSTRUMENTS.

The Company is not in violation or default in any material respect of any provision of its Restated Charter or Bylaws or in any material respect of any provision of any mortgage, indenture, agreement, instrument, or contract to which it is a party or by which it is bound or, to the best of its knowledge, of any federal or state judgment, order, writ, decree, statute, rule, regulation or restriction applicable to the Company. The execution, delivery, and performance by the Company of this Agreement, and any Ancillary Agreement, and the consummation of the transactions contemplated hereby and thereby, will not result in any such violation or be in material conflict with or constitute, with or without the passage of time or giving of notice, either a material default under any such provision or an event that results in the creation of any material lien, charge, or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or non-renewal of any material permit, license, authorization, or approval applicable to the Company, its business or operations, or any of its assets or properties.

2.12 LITIGATION.

There is no action, suit, proceeding, or investigation pending or, to the Company's knowledge, currently threatened against the Company that questions the validity of this Agreement or any Ancillary Agreement or the right of the Company to enter into such agreements, or to consummate the transactions contemplated hereby or thereby, or that might result, either individually or in the aggregate, in any

material adverse change in the assets, business, properties, prospects, or financial condition of the Company, or in any material change in the current equity ownership of the Company. The foregoing includes, without limitation, any action, suit, proceeding, or investigation pending or currently threatened involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, their obligations under any agreements with prior employers, or negotiations by the Company with potential backers of, or investors in, the Company or its proposed business. The Company is not a party to or, to the best of its knowledge, named in or subject to any order, writ, injunction, judgment, or decree of any court, government agency, or instrumentality. There is no action, suit, proceeding or investigation by the Company currently pending or that the Company currently intends to initiate.

2.13 OFFERING MEMORANDUM.

The Offering Memorandum previously delivered to each Investor (the "Offering Memorandum") was prepared in good faith by the Company and does not, to the best of the Company's knowledge after reasonable investigation, contain any untrue statement of a material fact nor does it omit to state a material fact necessary to make the statements therein not misleading, except that with respect to assumptions, projections and expressions of opinion or predictions contained in the Offering Memorandum, the Company represents only that such assumptions, projections, expressions of opinion and predictions were made in good faith and that the Company believes there is a reasonable basis therefor.

2.14 OFFERING.

Subject in part to the truth and accuracy of each Investor's representations set forth in this Agreement, the offer, sale and issuance of the Series B Convertible Preferred 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.

2.15 FINANCIAL STATEMENTS.

The Company has delivered to each Investor its financial statements (balance sheet and profit and loss statement, statement of stockholders' equity and statement of cash flows including notes thereto) at December 31, 1998 and for the year then ended (the "Financial Statements"). The Financial Statements have been consistently prepared and derived from the books and records of the Company. The Financial Statements fairly present in all material respects the financial condition and operating results of the Company as of the dates, and for the periods, indicated therein. Except as set forth in the Financial Statements and to the best of the Company's knowledge, the Company has no material liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to December 31, 1998 and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which, in both cases, individually or in the aggregate, are not material to the financial condition or operating results of the Company. Except as disclosed in the Financial Statements, the Company is not a guarantor or indemnitor of any indebtedness of any other person, firm, or corporation. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with generally accepted accounting principles.

2.16 CHANGES.

To the best of the Company's knowledge, since December 31, 1998, there has not been:

(a) any change in the assets, liabilities, financial condition, or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse;

(b) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the business, properties, prospects, or financial condition of the Company (as such business is presently conducted and as it is presently proposed to be conducted);

(c) any waiver or compromise by the Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and that is not material to the business, properties, prospects, or financial condition of the Company (as such business is presently conducted and as it is presently proposed to be conducted);

(e) any material change to a material contract or arrangement by which the Company or any of its assets is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder other than in the ordinary course of business;

(g) any sale, assignment, or transfer of any patents, trademarks, copyrights, trade secrets, or other intangible assets;

(h) any resignation or termination of employment of any key officer of the Company; and the Company, does not know of the impending resignation or termination of employment of any such officer;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Company;

(j) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable or contested by the Company in good faith;

(k) any loans or guarantees made by the Company to or for the benefit of its employees, stockholders, officers, or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(l) any declaration, setting aside, or payment of any dividend or other distribution of the Company's assets in respect of any of the Company's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by the Company;

(m) any other event or condition of any character that might materially and adversely affect the business, properties, prospects, or financial condition of the Company (as such business is presently conducted and as it is presently proposed to be conducted); or

(n) any agreement or commitment by the Company to do any of the things described in this paragraph 2.16.

2.17 INTELLECTUAL PROPERTY.

To the best of its knowledge (but without having conducted any special investigation or patent search), the Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, and proprietary rights and processes necessary for its business as now conducted without any conflict with, or infringement of the rights of, others which would have a material adverse effect on the business, properties, prospects or financial condition of the Company. The Schedule of Exceptions contains a complete list of patents and pending patent applications of the Company. Except for agreements with its own employees or consultants, substantially in the form referenced in paragraph 2.18 below, and standard end-user license agreements, there are no outstanding options, licenses, or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses, or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, and proprietary rights and processes of any other person or entity. The Company has not received any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights, trade secrets, or other proprietary rights or processes of any other person or entity. The Company is not aware that any of its employees is obligated under any contract (including licenses, covenants, or commitments of any nature) or other agreement, or subject to any judgment, decree, or order of any court or administrative agency, that would interfere with the use of such employee's best efforts to promote the interests of the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the best of the Company's knowledge, conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any contract, covenant, or instrument under which any of such employees is now obligated. The Company does not believe it is or will be necessary to use any inventions of any of its employees (or persons it currently intends to hire) made prior to their employment by the Company. The Company has taken reasonable efforts to identify any possible liabilities, losses, costs, expenses, or other adverse effects it may experience as a result of the potential inability of computer systems to recognize the "Year 2000"and has determined that it will have no material loss, cost, liability, or expense.

2.18 EMPLOYEES; EMPLOYEE COMPENSATION.

To the best of the Company's knowledge, there is no strike, labor dispute or union organization activities pending or threatened between it and its employees. None of the Company's employees belongs to any union or collective bargaining unit. To the best of its knowledge, the Company has complied in all material respects with all applicable state and federal equal opportunity and other laws related to employment. The Company has a proprietary information agreement with each of its employees protecting the Company's confidential information substantially in the form submitted to the counsel mentioned in paragraph 6.9 herein. To the best of the Company's knowledge, no employee of the Company is or will be in violation of any judgment, decree, or order, or any term of any employment contract, patent disclosure agreement, or other contract or agreement relating to the relationship of any such employee with the Company, or any other party because of the nature of the business conducted or presently proposed to be conducted by the Company or to the use by the employee of his or her best efforts with respect to such business. Other than the Option Plan, the Company is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive

plan, profit sharing plan, retirement agreement, or other employee compensation agreement. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing. Subject to general principles related to wrongful termination of employees, the employment of each officer and employee of the Company is terminable at the will of the Company.

2.19 TAX RETURNS, PAYMENTS, AND ELECTIONS.

The Company has timely filed all tax returns and reports (federal, state and local) as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due and payable, except those contested by it in good faith. The provision for taxes of the Company as shown in the Financial Statements is adequate for taxes due or accrued as of the date thereof. The Company has not elected pursuant to the Internal Revenue Code of 1986, as amended ("Code"), to be treated as a collapsible corporation pursuant to the Code, nor has it made any other elections pursuant to the Code (other than its "S corporation" election, which election has been revoked effective October 13, 1998, or that relate solely to methods of accounting, depreciation, or amortization) that would have a material effect on the business, properties, prospects, or financial condition of the Company. The Company has never had any tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of the Company's federal income tax returns and none of its state income or franchise tax or sales or use tax returns has ever been audited by governmental authorities. Since the date of the Financial Statements, the Company has made adequate provisions on its books of account for all taxes, assessments, and governmental charges with respect to its business, properties, and operations for such period. The Company has withheld or collected from each payment made to each of its employees, the amount of all taxes, including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositaries.

2.20 ENVIRONMENTAL AND SAFETY LAWS.

To the best of its knowledge, the Company is not in violation of any applicable statute, law, or regulation relating to the environment or occupational health and safety which would have a material adverse effect on the business, properties, prospects or financial condition of the Company, and to the best of its knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law, or regulation.

2.21 MINUTE BOOKS.

The copy of the minute books of the Company provided to the special counsel referred to in paragraph 6.9 herein contains minutes of all meetings of directors and stockholders and all actions by written consent without a meeting by the directors and stockholders since the date of incorporation and accurately reflects all actions by the directors (and any committee of directors) and stockholders with respect to all transactions referred to in such minutes in all material respects.

2.22 REAL PROPERTY HOLDING CORPORATION.

The Company is not a real property holding corporation within the meaning of Internal Revenue Code Section 897(c)(2) and any regulations promulgated thereunder.

2.23 QUALIFIED SMALL BUSINESS.

The Company represents that the shares of Series B Convertible Preferred Stock are eligible to qualify as "qualified small business stock" as defined in Section 1202(c) of the Code.

3. ACKNOWLEDGMENTS OF REPRESENTATIONS AND WARRANTIES OF THE INVESTORS.

The Investors hereby represent and warrant to the Company that as of the date of this Agreement:

3.1 AUTHORIZATION.

Such 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 such Investor enforceable in accordance with its terms.

3.2 PURCHASE ENTIRELY FOR OWN ACCOUNT.

This Agreement is made with each 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 Series B Convertible Preferred Stock to be purchased by such Investor and the Common Stock issuable upon conversion thereof (collectively, the "Securities") 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, each 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 Securities.

3.3 RELIANCE UPON INVESTORS' REPRESENTATIONS.

Each Investor understands that the Series B Convertible Preferred Stock is not, and any Common Stock acquired on conversion thereof at the time of issuance may not be, 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.

Each Investor believes such Investor has received all the information such Investor considers necessary or appropriate for deciding whether to purchase the Series B Convertible Preferred Stock. Each 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 Series B Convertible Preferred 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. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or the right of the Investors to rely thereon.

3.5 INVESTMENT EXPERIENCE.

Each 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 Series B Convertible Preferred Stock. If other than an individual, Investor also represents that each record or beneficial owner of any equity interest in Investor (each an "Investor Owner") meets the requirements of the preceding sentence.

3.6 ACCREDITED INVESTOR.

(a) The term "Accredited Investor" as used herein refers to:

(i) A person or entity who is a director or executive officer of the Company;

(ii) Any bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(iii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iv) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

(v) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of the purchase exceeds $1,000,000;

(vi) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(vii) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who has such

knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; or

(viii) Any entity in which all of the equity owners are accredited investors.

As used in this Paragraph 3.6(a), the term "net worth" means the excess of total assets over total liabilities. For the purpose of determining a person's net worth, the principal residence owned by an individual should be valued at fair market value, including the cost of improvements, net of current encumbrances. As used in this Paragraph 3.6(a), "income" means actual economic income, which may differ from adjusted gross income for income tax purposes. Accordingly, each Investor should consider whether such Investor should add any or all of the following items to such Investor's adjusted gross income for income tax purposes in order to reflect more accurately such Investor's actual economic income: any amounts attributable to tax-exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA or Keogh retirement plan, and alimony payments.

(b) Each Investor as to such Investor severally and not jointly further represents to the Company that except as otherwise disclosed to the Company, in writing, prior to such Investor's execution hereof, such Investor (and each Investor Owner) is an Accredited Investor.

3.7 RESTRICTED SECURITIES.

Each Investor understands that the Series B Convertible Preferred Stock (and any Common Stock issued on conversion thereof) 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 Series B Convertible Preferred Stock (or the Common Stock issued on conversion thereof) or an available exemption from registration under the Securities Act, the Series B Convertible Preferred Stock (and any Common Stock issued on conversion thereof) must be held indefinitely. In particular, each Investor is aware that the Series B Convertible Preferred Stock (and any Common Stock issued on conversion thereof) 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.

3.8 LEGENDS.

To the extent applicable, each certificate or other document evidencing any of the Series B Convertible Preferred Stock or any Common Stock issued upon conversion thereof 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.

4. CONDITIONS OF INVESTORS' OBLIGATIONS AT CLOSINGS.

The obligations of each Investor under subparagraphs 1.1(b) and (c) of this Agreement are subject to the fulfillment on or before each closing of each of the following conditions, the waiver of which shall not be effective against any Investor who does not consent in writing thereto:

4.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company contained in Section 2 shall be true on and as of the First Closing and the Second Closing with the same effect as though such representations and warranties had been made on and as of the date of the First Closing and the Second Closing.

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 First Closing and the Second Closing.

4.3 COMPLIANCE CERTIFICATE.

The President of the Company shall deliver to each Investor at the First Closing and the Second Closing a certificate certifying that the conditions specified in paragraphs 4.1, 4.2, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 and 4.10 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 Series B Convertible Preferred Stock pursuant to this Agreement shall be duly obtained and effective as of the First Closing and the Second Closing.

4.5 PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated at the First Closing and the Second Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investors and their counsel, which shall have received all such counterpart original and certified or other copies of such documents as it may reasonably request.

4.6 MINIMUM INVESTMENT.

The Company shall sell an aggregate of at least ninety percent (90%) of the shares of Series B Convertible Preferred Stock listed on Schedule A which are scheduled to be purchased at each of the closings other than those that are scheduled to be purchased by Morgan Stanley and GE Capital.

4.7 BOARD AND COMPENSATION COMMITTEE COMPOSITION.

The Company's Board of Directors shall consist of (i) Charles N. Martin, (ii) a representative of Morgan Stanley Venture Partners III, L.P., (iii) Robert A Frist, Jr., (iv) a senior member of management to be designated by Robert A Frist, Jr., (v) Thompson Dent, (vi) Dr. William Stead, (vii) Dr, James Daniell and (viii) Dr. John Dayani, Sr. and the Compensation Committee shall be made up of the

following three non-employee members: Charles N. Martin, Jr., Thompson Dent and Dr. John Dayani, Sr.

4.8 OBLIGATIONAL AUTHORITY OF MANAGEMENT.

The Company's Board of Directors shall have passed a resolution requiring all issuances of Company equity and any loan or advance in excess of an aggregate of $500,000 to any person or entity not wholly-owned by the Company and any individual matter (or group of related matters) in which the Company shall be obligated to expend its funds (or the funds of its controlled subsidiaries or other affiliates) in excess of an aggregate of $500,000 to have received the prior approval of the Company's Board of Directors and such resolution shall not have been rescinded or revoked.

4.9 JURISDICTION OF COMPENSATION COMMITTEE.

The Company's Board of Directors shall have passed a resolution delegating all issuances of options in respect of the Common Stock to the Company's officers, directors, employees or consultants and all matters related to the cash and non-cash compensation of the Company's officers to the Compensation Committee referred to in paragraph 4.7 above and such resolution shall not have been rescinded or revoked.

4.10 NO MATERIAL ADVERSE CHANGE.

No Material Adverse Change shall have occurred in respect of the Company since December 31, 1998. For the purposes of this paragraph 4.10, the term "Material Adverse Change" shall mean a material adverse change in the assets, results of operations, financial condition or prospects for future operations of the Company it being understood that (i) the Company anticipates significant losses (in excess of $4,200,000) for the year ending December 31, 1999 and (ii) a general downturn in the economy or in the part of the economy in which the Company operates or in the public equity markets generally or in the part of the public equity markets in which the Company could participate shall not constitute a Material Adverse Change.

4.11 NOTES.

The Company and the lender shall have cancelled the promissory notes dated January 18, 1994, February 23, 1994, March 30, 1994, July 11, 1997 and December 31, 1997 between Robert A. Frist, Jr. ("Frist"), as lender, and the Company, as borrower, in the aggregate principal amount of $1,735,000. On April 21, 1999 Frist invested $1,000,000 in the Common Stock of the Company. In addition, Frist shall invest $500,000 in the Series B Convertible Preferred Stock of the Company according to the funding schedule in section 1.2 herein. The Company and Frist shall have executed the Promissory Note dated April 21st, 1999 in the principal amount of $1,543,000 in the form of Exhibit C hereto.

4.12 EXECUTIVE EMPLOYMENT AGREEMENT.

The Company and Frist shall have executed the Executive Employment Agreement in the form of Exhibit D hereto.

4.13 LEGAL OPINION.

The Investors shall have received from legal counsel to the Company (which may be in house counsel) an opinion addressed to each of them, dated as of each date of closing, in substantially the form attached hereto as Exhibit E.

4.14 STOCKHOLDER AGREEMENT.

The Company, the Investors and the other Company shareholders shall have executed the Amended and Restated Stockholders' Agreement in the form attached hereto as Exhibit F.

4.15 FILING OF RESTATED CHARTER.

The Amended and Restated Charter in the form attached hereto as Exhibit A shall have been filed with the Secretary of State of Tennessee.

4.16 RESERVATION OF CONVERSION SHARES.

The Conversion Shares issuable upon conversion of the shares of Series B Convertible Preferred Stock shall have been duly authorized and reserved for issuance upon such conversion.

4.17 INVESTORS' RIGHTS AGREEMENT.

An Investors' Rights Agreement substantially in the form attached hereto as Exhibit G shall have been executed and delivered by the parties thereto.

4.18 CO-SALE AGREEMENT.

A Co-Sale Agreement substantially in the form attached hereto as Exhibit H shall have been executed and delivered by the parties thereto. The stock certificates representing the shares subject to the Co-Sale Agreement shall have been delivered to the Secretary of the Company and shall have had appropriate legends placed upon them to reflect the restrictions on transfer set forth on the Co-Sale Agreement.

4.19 VOTING AGREEMENT.

A Voting Agreement substantially in the form attached hereto as Exhibit I shall have been executed and delivered by the parties thereto.

5. CONDITIONS OF THE COMPANY'S OBLIGATIONS AT CLOSINGS.

The obligations of the Company to each Investor under this Agreement are subject to the fulfillment on or before the First Closing and the Second Closing of each of the following conditions by that Investor.

5.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of each Investor contained in Section 3 shall be true on and as of the First Closing and the Second Closing with the same effect as though such representations and warranties had been made on and as of the date of the First Closing and the Second 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 the First Closing and the Second Closing.

5.3 MINIMUM INVESTMENT.

The Investors shall purchase an aggregate of at least ninety percent (90%) of the shares of Series B Convertible Preferred Stock listed on Schedule A which are scheduled to be purchased at each of the closings other than those that are scheduled to be purchased by Morgan Stanley and GE Capital.

5.4 STOCKHOLDER AGREEMENT.

The Company, the Investors and the other Company shareholders shall have executed the Amended and Restated Stockholders' Agreement in the form attached hereto as Exhibit F.

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 the Investors contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and each 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 Series B Convertible Preferred Stock sold hereunder or any Common Stock issued upon conversion thereof). 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 the Investors of the Series B Convertible Preferred Stock.

Each 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 each 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 EXPENSES.

Irrespective of whether the closings are effected, the Company shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery, and performance of this Agreement. If the First Closing is effected, the Company shall, at the First Closing, reimburse the fees of one special counsel for Martin Investment Partnership III not to exceed $7,500 and shall in addition, upon receipt of a bill therefor, reimburse the out-of-pocket expenses of such counsel.

6.10 ATTORNEYS' FEES.

If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, any Ancillary Agreement or the Restated Charter, the prevailing party shall be entitled to reasonable attorneys' fees, costs, and disbursements in addition to any other relief to which such party may be entitled.

6.11 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 Investors (or their transferees) holding more than 66 2/3% of the Common Stock not previously sold to the public that is issued or issuable upon conversion of the Series B Convertible Preferred Stock. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities have been converted), each future holder of all such securities, and the Company.

6.12 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.

6.13 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.

6.14 EFFECT OF AMENDMENT OR WAIVER.

Each Investor acknowledges that by the operation of paragraph 6.11 hereof the Investors (or their transferees) holding more than sixty six and two thirds percent (66 2/3%) of the Common Stock not previously sold to the public that is issued or issuable upon conversion of the Series B Convertible Preferred Stock will have the right and power to diminish or eliminate all rights of such Investor under this Agreement.

6.15 RIGHTS OF INVESTORS.

Each holder of Series B Convertible Preferred Stock (and Common Stock issued upon conversion thereof) shall have the absolute right to exercise or refrain from exercising any right or rights that such holder may have by reason of this Agreement or any Series B Convertible Preferred Stock, including without limitation the right to consent to the waiver of any obligation of the Company under this Agreement and to enter into an agreement with the Company for the purpose of modifying this Agreement or any agreement effecting any such modification, and such holder shall not incur any liability to any other holder or holders of Series B Convertible Preferred Stock (or Common Stock issued upon exercise thereof) with respect to exercising or refraining from exercising any such right or rights.

6.16 QUALIFIED SMALL BUSINESS STOCK.

The Company shall submit to its stockholders (including the Investors) and to the Internal Revenue Service any reports that may be required in Section 1202(d)(1)(C) of the Code and any related Treasury Regulations. In addition, within ten (10) days after any Investor has delivered to the Company a written request therefor, the Company shall deliver to such Investor a written statement informing the Investor whether such Investor's interest in the Company constitutes "qualified small business stock" as defined in Section 1202(c) of the Code. The Company's obligation to furnish a written statement pursuant to this paragraph 6.16 shall continue notwithstanding the fact that a class of the Company's stock may be traded on an established securities market.

6.17 EXCULPATION AMONG INVESTORS.

Each Investor acknowledges that such Investor is not relying upon any person, firm, or corporation, other than the Company and its officers and directors, in making its investment or decision to invest in the Company. Each Investor agrees that no Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with the Series B Convertible Preferred Stock (and Common Stock issued upon conversion thereof).

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

HEALTHSTREAM, INC.

By /s/ Robert A. Frist, Jr.

Chief Executive Officer

209 10th Ave. South
Suite 450
Nashville, TN 37203

INVESTORS:

MARTIN INVESTMENT PARTNERSHIP III

By: THE MARTIN COMPANIES, INC.
Managing Partner

By: /s/ Charles N. Martin

Charles N. Martin, President
20 Burton Hills Blvd.
Suite 100
Nashville, TN 37215

COLEMAN SWENSON HOFFMAN BOOTH IV L.P.

By Its General Partner
CSHB Ventures IV L.P.

By Its General Partner

/s/ Jay Hoffman

Jay Hoffman
237 Second Ave. South
Franklin, TN 37064-2469

DAUPHIN CAPITAL PARTNERS I, L.P.

By: /s/ James Hoover

James Hoover, Principal
108 Forest Ave.
Locust Valley, NY 11560

JCB HEALTHSTREAM INVESTORS, L.L.C

By: /s/ James Graves

James Graves, Chief Manager
330 Commerce St.
Nashville, TN 37201

NELSON CAPITAL PARTNERS III, L.P.

By: /s/ John K. Harrington

John K. Harrington
3401 West End Ave.
Suite 300
Nashville, TN 37203

J.C. BRADFORD & CO., L.L.C

By: /s/ James Graves

James Graves, Managing Director
330 Commerce St.
Nashville, TN 37201

FCA VENTURE PARTNERS II, L.P.

By: /s/ Stuart McWhorter

Stuart McWhorter
310 25th Ave. South
Suite 109
Nashville, TN 37203

THE JOEL COMPANY

By: /s/ Robert Gordon

Robert Gordon
6444 Worchester Dr.
Nashville, TN 37221

CUMBERLAND EQUITY PARTNERS

By: /s/ Fleming Wilt

Fleming Wilt
201 Fourth Ave. North
Suite 1390
Nashville, TN 37219

SAVVY INVESTMENT PARTNERS

By: /s/ Thompson B. Patterson, Jr.

Thompson B. Patterson, Jr.
330 Commerce Street
Nashville, TN 37201

CHANCERY LANE INVESTMENTS, L.P.

By: /s/ H. Lee Barfield

H. Lee Barfield, General Partner
2700 First American Ctr.
Nashville, TN 37238-2700

By: /s/ Mary F. Barfield

Mary F. Barfield, General Partner
c/o H. Lee Barfield
2700 First American Ctr.
Nashville, TN 37238-2700

THE SEVEN PARTNERSHIP

By: /s/ Thompson Dent

Thompson Dent
30 Burton Hills Boulevard
Suite 500
Nashville, TN 37215

JCB VENTURE PARTNERSHIP IV

By: /s/ Robert Doolittle

Robert Doolittle, Chief Manager
330 Commerce St.
Nashville, TN 37201

MELKUS PARTNERS, LTD.

By: /s/ Ken Melkus

Ken Melkus
102 Woodmont Blvd.
Suite 110
Nashville, TN 37205

/s/ Robert A Frist, Jr.

Robert A Frist, Jr.
201 Abbott Glen Court
Nashville, TN 37215

/s/ William Frist

William Frist
3827 Richland Ave.
Nashville, TN 37205

/s/ Darren Liff

Darren Liff
209 10th Ave. South
Suite 432
Nashville, TN 37203

/s/ Scott Portis

Scott and Carol Len Portis
6205 Hillsboro Pike
Nashville, TN 37215

/s/ James Frist

James Frist
420 Elmington Ave.
Apt. 217
Nashville, TN 37205

/s/ Robert S. Doolittle

Robert S. Doolittle
J.C. Bradford & Co.
330 Commerce Street
Nashville, TN 37201

/s/ David Beard

David Beard
888 Collierville-Arlington Rd. North
Collierville, TN 38017

/s/ John Dayani

John Dayani
5301 Virginia Way
Suite 250
Brentwood, TN 37027

/s/ S. Douglas Smith

S. Douglas Smith
278 Franklin Road
Suite 238
Brentwood, TN 37027

/s/ Dr. Scott Portis

Dr. Scott Portis
214 East Main Street
Huntingdon, TN 38344

/s/ Barbara Sampson

Barbara Sampson
407 Lyons Head Drive
Knoxville, TN 37919

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: /s/ Debra Abramovitz

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: /s/ Debra Abramovitz

THE MORGAN STANLEY VENTURE PARTNERS ENTREPRENUER 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: /s/ Debra Abramovitz

PART TWO

SCHEDULE A
INVESTORS

NAME	NUMBER OF SHARES
Morgan Stanley Venture Partners III, L.P.	175,477
Martin Investment Partnership III	150,000
GE Capital Partners	100,000
Coleman Swenson Hoffman Booth IV, L.P.	50,000
Dauphin Capital Partners I, L.P.	50,000
William and Jennifer Frist	50,000
JCB HealthStream Investors, L.L.C.	16,500
Robert A. Frist, Jr.	50,000
Nelson Capital Partners III, L.P.	50,000
Melkus Partners, Ltd.	25,000
Darren Liff	25,000
FCA Venture Partners II, L.P.	25,000
The Joel Company	25,000
Scott and Carol Len Portis	20,000
James Frist	20,000
Cumberland Equity Partners	20,000
Morgan Stanley Venture Investors III, L.P.	16,848
J.C. Bradford & Co., L.L.C.	15,000
Savvy Investment Partners	14,000
Robert Doolittle	10,000
JCB Venture Partnership IV	10,000
David Beard	10,000
Chancery Lane Investments, L.P.	10,000
Dr. John H. Dayani	10,000
The Seven Partnership	9,500
The Morgan Stanley Venture Partners Entrepreneur Fund, L.P.	7,675
S. Douglas Smith	5,000
Dr. Scott Portis	5,000
Barbara Sampson	5,000
SERIES B TOTAL	980,000

SCHEDULE OF EXCEPTIONS

2.7 CONTRACTS AND OTHER COMMITMENTS.

The Company has obligations under a lease executed with Cummins Station, LLC totaling $551,315.00. This lease expires on April 30, 2005. The Company has options under this lease until April 30, 2015.

2.8 RELATED-PARTY TRANSACTIONS.

Indebtedness to Company by Shareholders

MacDonald Hardcastle owes the Company $1,248.03 due to an outstanding balance of a loan from the Company to purchase shares.

Indebtedness to Shareholders by Company

The Company owes Robert Frist, Jr. $2,773,947.02 for loans made to the Company.

The Company owes Scott Portis $60,000.00 for loans made to the Company.

Robert A Frist, Jr. has converted $1,000,000 worth of the above indebtedness to shares of the Company's Common Stock. He shall convert an additional $500,000 worth of the above indebtedness to shares of the Company's Series B Convertible Preferred Stock at the closings. The remainder of the above indebtedness will be represented by a new Promissory Note dated April 21st, 1999 which shall be executed at the First Closing, shall carry an interest rate of the lesser of the then existing Charles Schwab margin rate and 10.5% per annum. Principal shall only be paid by the Company according to the terms of the Promissory Note dated April 21, 1999.

In addition, Robert Frist, Jr. serves on the Board of Directors of Passport Health Communications. This firm does not directly compete with the Company, but it does do business in the Internet healthcare information industry.

2.15 FINANCIAL STATEMENTS.

The Company has retained the services of Ernst & Young to conduct an audit of its financial statements ending December 31, 1997 and December 31, 1998. This audit is in process and should be completed by June 30, 1999.

2.18 EMPLOYEES; EMPLOYEE COMPENSATION.

At the First Closing, the Company and Robert A Frist, Jr. shall execute the Executive Employment Agreement in the form of Exhibit D hereto.

6.8 FINDERS FEES

The Company will pay commissions to J.C. Bradford in the form of Series B Convertible Preferred Stock not to exceed $150,000.

HEALTHSTREAM, INC.

AMENDMENT TO
SERIES B CONVERTIBLE PREFERRED STOCK
PURCHASE AGREEMENT

This Amendment executed as of the 10th day of May,1999 amends the Series B Convertible Preferred Stock Purchase Agreement (the "Agreement") executed as of the 21st day of April, 1999, by and between HealthStream, Inc., a Tennessee corporation (the "Company"), and the persons and entities designated as an investor on Schedule A hereto (each an "Investor").

1. The first sentence of subsection (b) of Section 1.2 entitled "Closing" shall be amended to read as follows:

The purchase and sale of at least one half (1/2) of the number of those shares of Series B Convertible Preferred Stock exempted from the Minimum Investment set forth in paragraphs 5.3 and 4.6 herein shall take place at the offices of the Company within fourteen (14) business days of the First Closing (the "Second Closing").

2. Subsection (a) and the last sentence of subsection (b) of Section 2.5 entitled "Capitalization and Voting Rights" shall be amended to read as follows:

(a) Preferred Stock. 5,000,000 shares of Preferred Stock, no par value, of which 76,000 shares have been designated as Series A Convertible Preferred Stock, all of which are outstanding, and 1,436,961 shares have been designated as Series B Convertible Preferred Stock, 452,501 of which are outstanding. The rights, privileges and preferences of the Series B Convertible Preferred Stock are as stated in the Restated Charter.

(b) Common Stock.... The Company has granted options under the Option Plan to acquire a total of 915,616 shares of Common Stock.

3. Section 4.7 entitled "Board and Compensation Committee Composition" shall be amended as follows:

The Company's Board of Directors shall consist of (i) Charles N. Martin, (ii) a representative of Morgan Stanley Venture Partners III, L.P., (iii) a representative of the General Electric Company or one of its subsidiaries, (iv) Robert A. Frist, Jr., (v) a senior member of management to be designated by Robert A Frist, Jr., (vi) Thompson Dent, (vii) Dr. William Stead, (viii) Dr, James Daniell and (ix) Dr. John Dayani, Sr. and the Compensation Committee shall be made up of the following three non-employee members: Charles N. Martin, Jr., Thompson Dent and Dr. John Dayani, Sr.

4. A new Section 4.20 shall be added entitled "Filing of Amended and Restated Charter" and read as follows:

The Amended and Restated Charter in the form attached hereto as Exhibit J shall have been approved by the board of directors and the shareholders and filed with the Secretary of State of Tennessee prior to the Second Closing.

5. A new Section 4.21 shall be added entitled "Amendment to Voting Agreement" and read as follows:

The Amendment to Voting Agreement in the form attached hereto as Exhibit K shall have been executed by the shareholders at or prior to the Second Closing.

6. Schedule A entitled "Investors" shall be amended and restated as follows:

NAME	NUMBER OF SHARES
Morgan Stanley Venture Partners III, L.P.	175,477
Martin Investment Partnership III	150,000
GE Capital Equity Investments, Inc.	100,000
Coleman Swenson Hoffman Booth IV, L.P.	50,000
Dauphin Capital Partners I, L.P.	50,000
William and Jennifer Frist	50,000
JCB HealthStream Investors, L.L.C.	16,500
Robert A. Frist, Jr.	50,000
Nelson Capital Partners III, L.P.	50,000
Carson/Paul Associates LLC	45,000
Melkus Partners, Ltd.	25,000
Darren Liff	25,000
FCA Venture Partners II, L.P.	25,000
The Joel Company	25,000
Scott and Carol Len Portis	20,000
James Frist	20,000
Cumberland Equity Partners	20,000
Morgan Stanley Venture Investors III, L.P.	16,848
J.C. Bradford & Co., L.L.C.	15,000
Savvy Investment Partners	14,000
Robert Doolittle	10,000
JCB Venture Partnership IV	10,000
David Beard	10,000
Chancery Lane Investments, L.P.	10,000
Dr. John H. Dayani	15,000
The Seven Partnership	10,000
The Morgan Stanley Venture Partners Entrepreneur Fund, L.P.	7,675
S. Douglas Smith	5,000
Dr. Scott Portis	5,000
Barbara Sampson	5,000
SERIES B TOTAL	1,030,500

7. Exhibit B entitled "Common Stock and Options Plan" shall be amended and restated as follows:

Robert A. Frist, Jr.	1,741,307
Jeffrey L. McLaren	103,400
Scott M. Portis	130,654
Philip J. Makes	2,926
Kelly M. Stewart	1,360
MacDonald K. Hardcastle	12,000
TOTAL CURRENT	1,991,647

OPTION HOLDER	NUMBER OF OPTIONS
Robert A. Frist, Jr.	420,900
Jeffrey L. McLaren	108,000
Mike Pote	27,900
Scott M. Portis	82,788
Corey Perine	32,500
Robert Laird	19,425
Steve Clemens	19,425
Luther Cale	12,950
Justin Hoagland	6,475
Philip J. Makes	10,725
Kelly M. Stewart	47,915
MacDonald K. Hardcastle	41,100
Joe Warner	6,475
John Dayani	6,475
Spenser Aden	6,475
Jennifer Monohan	3,238
Marvyn Hortman	3,238
Colleen Jones	3,238
Ian Hill	1,325
Edward Smith	1,325
Steven Moore	1,325
Gordon Waddilove	1,325
Denys Cochran	1,325
Charee Macdonald	950
William Rice	950
Christopher Bartley	950
Brooks Harper	950
Jennifer Wells	950
Jennifer Elferdink	950
William Sanford	950
Kari Silka	950
Michael Meredith	950
Robert Bull	950
Michael Galehouse	950
Jonathon Rogers	800
Peter Stringfellow	800
Matthew Montgomery	800
Ivan Kanski	800
Landry Butler	800
Doug Powell	800
Elise Harrelson	800
Tom Dent	4,000
Phil Patton	4,000
James Daniell	5,500
John Dayani, Sr.	2,000
Peter Geis	2,000
Earl Ginn	4,000
Bill Stead	2,000
Page Davidson	2,000
Colleen Conway Welch	1,000
Ted Anderson, M.D.	1,000
Douglas Olsen, M.D.	1,000

John Sergent, M.D.	1,000
Martin Sandler, M.D.	1,000
Tony Greco, M.D.	1,000
Lee Limbird, M.D.	1,000
Ron Loeppke, M.D.	1,000
Gerald S. Gotterer, M.D.	1,000
TOTAL OPTIONS	915,616
TOTAL CURRENT SHARES & OPTIONS	2,907,263

8. This Amendment shall only be effective only with the written consent of the Company and the Investors (or their transferees) holding more than 66 2/3% of the Common Stock not previously sold to the public that is issued or issuable upon conversion of the Series B Convertible Preferred Stock.

9. This Amendment may be executed in whole or in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same instrument.

10. This Amendment shall be construed and governed by the laws of the State of Tennessee.

11. All provisions governing the Agreement as referenced herein not contradicted by this Amendment shall likewise govern the terms of this Amendment. All rights and obligations under the Agreement shall likewise apply to this Amendment.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

HEALTHSTREAM, INC.

By /s/ Robert A. Frist, Jr.

Chief Executive Officer

209 10th Ave. South
Suite 450
Nashville, TN 37203

INVESTORS:

MARTIN INVESTMENT PARTNERSHIP III

By: THE MARTIN COMPANIES, INC.
Managing Partner

By: /s/ Charles N. Martin

Charles N. Martin, President
20 Burton Hills Blvd.
Suite 100
Nashville, TN 37215

COLEMAN SWENSON HOFFMAN BOOTH IV L.P.

By Its General Partner
CSHB Ventures IV L.P.

By Its General Partner

/s/ Jay Hoffman

Jay Hoffman
237 Second Ave. South
Franklin, TN 37064-2469

DAUPHIN CAPITAL PARTNERS I, L.P.

By: /s/ James Hoover

James Hoover, Principal
108 Forest Ave.
Locust Valley, NY 11560

JCB HEALTHSTREAM INVESTORS, L.L.C

By: /s/ James Graves

James Graves, Chief Manager
330 Commerce St.
Nashville, TN 37201

NELSON CAPITAL PARTNERS III, L.P.

By: /s/ John K. Harrington

John K. Harrington
3401 West End Ave.
Suite 300
Nashville, TN 37203

J.C. BRADFORD & CO., L.L.C

By: /s/ Robert S. Doolittle

Robert S. Doolittle, Managing Director
330 Commerce St.
Nashville, TN 37201

FCA VENTURE PARTNERS II, L.P.

By: /s/ Stuart McWhorter

Stuart McWhorter
310 25th Ave. South
Suite 109
Nashville, TN 37203

THE JOEL COMPANY

By: /s/ Robert Gordon

Robert Gordon
6444 Worchester Dr.
Nashville, TN 37221

CUMBERLAND EQUITY PARTNERS

By: /s/ Fleming Wilt

Fleming Wilt
201 Fourth Ave. North
Suite 1390
Nashville, TN 37219

SAVVY INVESTMENT PARTNERS

By: /s/ Thompson B. Patterson, Jr.

Thompson B. Patterson, Jr.
330 Commerce Street
Nashville, TN 37201

CHANCERY LANE INVESTMENTS, L.P.

By: /s/ H. Lee Barfield

H. Lee Barfield, General Partner
2700 First American Ctr.
Nashville, TN 37238-2700

By: /s/ Mary F. Barfield

Mary F. Barfield, General Partner
c/o H. Lee Barfield
2700 First American Ctr.
Nashville, TN 37238-2700

THE SEVEN PARTNERSHIP

By: /s/ Thompson Dent

Thompson Dent
30 Burton Hills Boulevard
Suite 500
Nashville, TN 37215

JCB VENTURE PARTNERSHIP IV

By: /s/ Robert S. Doolittle

Robert S. Doolittle, Chief Manager
330 Commerce St.
Nashville, TN 37201

MELKUS PARTNERS, LTD.

By: /s/ Ken Melkus

Ken Melkus
102 Woodmont Blvd.
Suite 110
Nashville, TN 37205

/s/ Robert A Frist, Jr.

Robert A Frist, Jr.
201 Abbott Glen Court
Nashville, TN 37215

William Frist
3827 Richland Ave.
Nashville, TN 37205

/s/ Darren Liff

Darren Liff
209 10th Ave. South
Suite 432
Nashville, TN 37203

/s/ Scott and Carol Len Portis

Scott and Carol Len Portis
6205 Hillsboro Pike
Nashville, TN 37215

/s/ James Frist

James Frist
420 Elmington Ave.
Apt. 217
Nashville, TN 37205

/s/ Robert S. Doolittle

Robert S. Doolittle
J.C. Bradford & Co.
330 Commerce Street
Nashville, TN 37201

/s/ David Beard

David Beard
888 Collierville-Arlington Rd. North
Collierville, TN 38017

/s/ John Dayani

John Dayani
5301 Virginia Way
Suite 250
Brentwood, TN 37027

/s/ S. Douglas Smith

S. Douglas Smith
278 Franklin Road
Suite 238
Brentwood, TN 37027

/s/ Dr. Scott Portis

Dr. Scott Portis
214 East Main Street
Huntingdon, TN 38344

/s/ Barbara Sampson

Barbara Sampson
407 Lyons Head Drive
Knoxville, TN 37919

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: /s/ M. Fazle Husain

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: /s/ M. Fazle Husain

THE MORGAN STANLEY VENTURE PARTNERS ENTREPRENUER 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: /s/ M. Fazle Husain

GE CAPITAL EQUITY INVESTMENTS, INC.

By: /s/ Jeffrey T. Soukup

Jeffrey T. Soukup, Vice President
120 Long Ridge Rd.
Samford, CT 06927

CARSON/PAUL ASSOCIATES LLC

By: /s/ Russell L. Carson

Russell L. Carson
Welsh, Carson, Anderson & Stowe
320 Park Ave.
25th Floor
New York, NY 10022

EXHIBIT 10.3

HEALTHSTREAM, INC.

SERIES C CONVERTIBLE PREFERRED STOCK
PURCHASE AGREEMENT

THIS SERIES C CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT (this "Agreement") is made as of the 18th day of August, 1999, by and between HealthStream, Inc., a Tennessee corporation (the "Company"), and the persons and entities designated as an investor on Schedule A, Schedule B and Schedule C hereto (each an "Investor").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. PURCHASE AND SALE OF STOCK.

1.1 SALE AND ISSUANCE OF SERIES C CONVERTIBLE PREFERRED STOCK.

(a) The Company shall adopt and file with the Secretary of State of the State of Tennessee on or before the First Closing (as hereinafter defined) a Third Amended and Restated Charter in the form attached hereto as Exhibit A (the "Restated Charter").

(b) On or prior to the First Closing (as hereinafter defined), the Company shall have authorized (i) the sale and issuance to the Investors of the shares of Series C Convertible Preferred Stock and (ii) the issuance of such shares of Common Stock to be issued upon conversion of such shares (the "Conversion Shares"). The shares of Series C Convertible Preferred Stock and the Conversion Shares shall have the rights, preferences, privileges and restrictions set forth in the Restated Charter.

(c) Subject to the terms and conditions of this Agreement, each Investor listed on Schedule A hereto (a "Schedule A Investor") agrees, severally and not jointly, to purchase and the Company agrees to sell and issue to each Schedule A Investor, severally and not jointly, the number of shares of the Company's Series C Convertible Preferred Stock set forth opposite such Schedule A Investor's name on Schedule A hereto at a purchase price of $10.00 per share. The Series C Convertible Preferred Stock will be sold at the Closings as set forth in paragraph 1.2 herein.

1.2 CLOSINGS.

(a) The purchase and sale of the number of shares of Series C Convertible Preferred Stock set forth opposite each Schedule A Investor's name on Schedule A hereto shall take place at the offices of the Company at 10:00 a.m., on August 18th, 1999, or at such other time and place as the Company and Investors acquiring in the aggregate more than half the shares of Series C Convertible Preferred Stock being sold pursuant hereto shall mutually agree, either orally or in writing (the "First Closing").

(b) The Investors listed on Schedule B hereto ("Schedule B Investors") shall have the right to purchase up to the number of shares of Series C Convertible Preferred Stock set forth opposite each Schedule B Investor's name on Schedule B hereto. Any unpurchased shares shall be allocated to the investors listed on Schedule C hereto ("Schedule C Investors"). The Schedule C Investors shall have the right to purchase up to 60,000 shares of Series C Convertible Preferred Stock. This amount may be increased by the number of shares not purchased by the Schedule B Investors. The purchase and sale of the total number of shares of Series C Convertible Preferred Stock listed on Schedule B and Schedule C hereto shall take place at the offices of the Company within twenty (20) business days of the First Closing ("Second Closing," together with the First Closing, the "Closings"). The Company shall determine the

number of shares the individual Schedule C Investors have the right to purchase at the Second Closing. The Company shall also have the right to add additional Schedule C Investors until the Second Closing.

(c) At the Closings, the Company shall deliver to each Investor a certificate representing the shares of Series C Convertible Preferred Stock that such Investor is purchasing against payment of the purchase price therefor by check, wire transfer, or such other form of payment as shall be mutually agreed upon by such Investor and the Company.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to each Investor that as of the date of each Closing, except as set forth on a Schedule of Exceptions furnished to each Investor and special counsel for the Investors, specifically identifying the relevant subparagraph(s) hereof, which exceptions shall be deemed to be representations and warranties as if made hereunder:

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 Series C Convertible Preferred Stock and the Common Stock issuable upon conversion thereof, and to carry out the provisions of this Agreement, the Restated Charter 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 Closings and the authorization, issuance (or reservation for issuance), sale, and delivery of the Series C Convertible Preferred Stock being sold hereunder and the Common Stock issuable upon conversion thereof has been taken or will be taken prior to the Closings, 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 PREFERRED AND COMMON STOCK.

The Series C Convertible Preferred 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, 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. The Common Stock issuable upon conversion of

the Series C Convertible Preferred Stock being purchased under this Agreement has been duly and validly reserved for issuance and, upon issuance in accordance with the terms of the Restated Charter, will be duly and validly issued, fully paid, and nonassessable 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.

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 Series C Convertible Preferred Stock by the Company or the issuance of Common Stock upon conversion of the Series C Convertible Preferred Stock, except (i) the filing of the Restated Charter with the Secretary of State of the State of Tennessee, and (ii) such filings as have been made prior to the Closings, 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 CAPITALIZATION AND VOTING RIGHTS.

The authorized capital of the Company consists, or will consist immediately prior to the First Closing, of:

(a) Preferred Stock. 5,000,000 shares of Preferred Stock, no par value, of which 76,000 shares have been designated as Series A Convertible Preferred Stock, all of which are outstanding, and 1,436,961 shares have been designated as Series B Convertible Preferred Stock, 736,801 of which are outstanding. The rights, privileges and preferences of the Series A and Series B Convertible Preferred Stock are as stated in the Company's Second Amended and Restated Charter dated as of May 10, 1999 (the "Second Charter").

(b) Common Stock. 20,000,000 shares of common stock, no par value ("Common Stock"), of which 2,245,743 shares are issued and outstanding. An additional 4,000,000 shares of Common Stock are reserved for issuance pursuant to the Employee Stock Option Plan, dated April 15, 1994 (the "Option Plan"). The Company has granted options under the Option Plan to acquire a total of 823,066 shares of Common Stock.

(c) The outstanding shares of Common Stock and options granted under the Option Plan are owned by the stockholders and option holders in the numbers specified in Exhibit B hereto.

(d) The outstanding shares of Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, and were issued in accordance with the registration or qualification provisions of the Securities Act and any relevant state securities laws or pursuant to valid exemptions therefrom.

(e) Except as contemplated herein and in the Ancillary Agreements and for (i) the conversion privileges of the Series A, Series B and Series C Convertible Preferred Stock, and (ii) currently outstanding options under the Option Plan, there are no outstanding options, rights (including conversion or preemptive rights and rights of first refusal), proxy or stockholder agreements or agreements of any kind for the purchase or acquisition from the Company of any of its securities. Other than the Ancillary Agreements, the Company is not a party or subject to any agreement or understanding, and, to the best of

the Company's knowledge, there is no agreement or understanding between any persons that affects or relates to the Common Stock or the voting or giving of written consents with respect to any security or the voting by a director of the Company.

2.6 SUBSIDIARIES.

The Company does not own or control, directly or indirectly, any interest in any other corporation, partnership, limited liability company, association, or other business entity. The Company is not a participant in any joint venture, partnership, or similar arrangement.

2.7 CONTRACTS AND OTHER COMMITMENTS.

The Company does not have and is not bound by any contract, agreement, lease, commitment, or proposed transaction, judgment, order, writ or decree, written or oral, absolute or contingent, other than (i) contracts for the purchase of supplies and services that were entered into in the ordinary course of business and that do not involve more than $50,000, and do not extend for more than one (1) year beyond the date hereof, (ii) sales contracts entered into in the ordinary course of business, and (iii) contracts terminable at will by the Company on no more than thirty (30) days' notice without cost or liability to the Company and that do not involve any employment or consulting arrangement and are not material to the conduct of the Company's business. For the purpose of this paragraph, employment and consulting contracts and contracts with labor unions, and license agreements and any other agreements relating to the Company's acquisition or disposition of patent, copyright, trade secret or other proprietary rights or technology (other than standard end-user license agreements) shall not be considered to be contracts entered into in the ordinary course of business.

2.8 RELATED-PARTY TRANSACTIONS.

No employee, officer, stockholder or director of the Company or member of his or her immediate family is indebted to the Company, nor is the Company indebted (or committed to make loans or extend or guarantee credit) to any of them, other than (i) for payment of salary for services rendered, (ii) reimbursement for reasonable expenses incurred on behalf of the Company, and (iii) for other standard employee benefits made generally available to all employees (including stock option agreements outstanding under any stock option plan approved by the Board of Directors of the Company). To the best of the Company's knowledge, none of such persons has any direct or indirect ownership interest in any firm or corporation with which the Company is affiliated or with which the Company has a business relationship, or any firm or corporation that competes with the Company, except that employees, stockholders, officers, or directors of the Company and members of their immediate families may own stock in publicly traded companies that may compete or conduct business with the Company. To the best of the Company's knowledge, no officer, director, or stockholder or any member of their immediate families is, directly or indirectly, interested in any material contract with the Company (other than such contracts as relate to any such person's employment, ownership of capital stock or other securities of the Company).

2.9 PERMITS.

The Company has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business as now being conducted by it, the lack of which could materially and adversely affect the business, properties, prospects, or financial condition of the Company, and believes it can obtain, without undue burden or expense, any similar authority for the conduct of its business as presently planned to be conducted. The Company is not in default in any material respect under any of such franchises, permits, licenses or other similar authority.

2.10 COMPLIANCE WITH OTHER INSTRUMENTS.

The Company is not in violation or default in any material respect of any provision of its Second Charter or Bylaws and no such material violation or default is anticipated following the Company's execution of the Restated Charter or Bylaws or in any material respect of any provision of any mortgage, indenture, agreement, instrument, or contract to which it is a party or by which it is bound or, to the best of its knowledge, of any federal or state judgment, order, writ, decree, statute, rule, regulation or restriction applicable to the Company. The execution, delivery, and performance by the Company of this Agreement, and any Ancillary Agreement, and the consummation of the transactions contemplated hereby and thereby, will not result in any such violation or be in material conflict with or constitute, with or without the passage of time or giving of notice, either a material default under any such provision or an event that results in the creation of any material lien, charge, or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or non-renewal of any material permit, license, authorization, or approval applicable to the Company, its business or operations, or any of its assets or properties.

2.11 LITIGATION.

There is no action, suit, proceeding, or investigation pending or, to the Company's knowledge, currently threatened against the Company that questions the validity of this Agreement or any Ancillary Agreement or the right of the Company to enter into such agreements, or to consummate the transactions contemplated hereby or thereby, or that might result, either individually or in the aggregate, in any material adverse change in the assets, business, properties, prospects, or financial condition of the Company, or in any material change in the current equity ownership of the Company. The foregoing includes, without limitation, any action, suit, proceeding, or investigation pending or currently threatened involving the prior employment of any of the Company's employees, their use in connection with the Company's business of any information or techniques allegedly proprietary to any of their former employers, their obligations under any agreements with prior employers, or negotiations by the Company with potential backers of, or investors in, the Company or its proposed business. The Company is not a party to or, to the best of its knowledge, named in or subject to any order, writ, injunction, judgment, or decree of any court, government agency, or instrumentality. There is no action, suit, proceeding or investigation by the Company currently pending or that the Company currently intends to initiate.

2.12 OFFERING.

Subject in part to the truth and accuracy of each Investor's representations set forth in this Agreement, the offer, sale and issuance of the Series C Convertible Preferred 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.

2.13 FINANCIAL STATEMENTS.

The Company has delivered to each Investor its financial statements (balance sheet and profit and loss statement, statement of stockholders' equity and statement of cash flows including notes thereto) at June 30, 1999 and for the term then ended (the "Financial Statements"). The Financial Statements have been consistently prepared and derived from the books and records of the Company. The Financial Statements fairly present in all material respects the financial condition and operating results of the Company as of the dates, and for the periods, indicated therein. Except as set forth in the Financial Statements and to the best of the Company's knowledge, the Company has no material liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to

June 30, 1999 and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in the Financial Statements, which, in both cases, individually or in the aggregate, are not material to the financial condition or operating results of the Company. Except as disclosed in the Financial Statements, the Company is not a guarantor or indemnitor of any indebtedness of any other person, firm, or corporation. The Company maintains and will continue to maintain a standard system of accounting established and administered in accordance with generally accepted accounting principles.

2.14 CHANGES.

To the best of the Company's knowledge, since June 30, 1999, there has not been:

(a) any change in the assets, liabilities, financial condition, or operating results of the Company from that reflected in the Financial Statements, except changes in the ordinary course of business that have not been, in the aggregate, materially adverse;

(b) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the business, properties, prospects, or financial condition of the Company (as such business is presently conducted and as it is presently proposed to be conducted);

(c) any waiver or compromise by the Company of a valuable right or of a material debt owed to it;

(d) any satisfaction or discharge of any lien, claim, or encumbrance or payment of any obligation by the Company, except in the ordinary course of business and that is not material to the business, properties, prospects, or financial condition of the Company (as such business is presently conducted and as it is presently proposed to be conducted);

(e) any material change to a material contract or arrangement by which the Company or any of its assets is bound or subject;

(f) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder other than in the ordinary course of business;

(g) any sale, assignment, or transfer of any patents, trademarks, copyrights, trade secrets, or other intangible assets;

(h) any resignation or termination of employment of any key officer of the Company; and the Company, does not know of the impending resignation or termination of employment of any such officer;

(i) receipt of notice that there has been a loss of, or material order cancellation by, any major customer of the Company;

(j) any mortgage, pledge, transfer of a security interest in, or lien, created by the Company, with respect to any of its material properties or assets, except liens for taxes not yet due or payable or contested by the Company in good faith;

(k) any loans or guarantees made by the Company to or for the benefit of its employees, stockholders, officers, or directors, or any members of their immediate families, other than travel advances and other advances made in the ordinary course of its business;

(l) any declaration, setting aside, or payment of any dividend or other distribution of the Company's assets in respect of any of the Company's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by the Company;

(m) any other event or condition of any character that might materially and adversely affect the business, properties, prospects, or financial condition of the Company (as such business is presently conducted and as it is presently proposed to be conducted); or

(n) any agreement or commitment by the Company to do any of the things described in this paragraph 2.14.

2.15 INTELLECTUAL PROPERTY.

To the best of its knowledge (but without having conducted any special investigation or patent search), the Company owns or possesses sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, and proprietary rights and processes necessary for its business as now conducted without any conflict with, or infringement of the rights of, others which would have a material adverse effect on the business, properties, prospects or financial condition of the Company. The Schedule of Exceptions contains a complete list of patents and pending patent applications of the Company. Except for agreements with its own employees or consultants, substantially in the form referenced in paragraph 2.16 below, and standard end-user license agreements, there are no outstanding options, licenses, or agreements of any kind relating to the foregoing, nor is the Company bound by or a party to any options, licenses, or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, and proprietary rights and processes of any other person or entity. The Company has not received any communications alleging that the Company has violated or, by conducting its business as proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights, trade secrets, or other proprietary rights or processes of any other person or entity. The Company is not aware that any of its employees is obligated under any contract (including licenses, covenants, or commitments of any nature) or other agreement, or subject to any judgment, decree, or order of any court or administrative agency, that would interfere with the use of such employee's best efforts to promote the interests of the Company or that would conflict with the Company's business as proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business as proposed, will, to the best of the Company's knowledge, conflict with or result in a breach of the terms, conditions, or provisions of, or constitute a default under, any contract, covenant, or instrument under which any of such employees is now obligated. The Company does not believe it is or will be necessary to use any inventions of any of its employees (or persons it currently intends to hire) made prior to their employment by the Company. The Company has taken reasonable efforts to identify any possible liabilities, losses, costs, expenses, or other adverse effects it may experience as a result of the potential inability of computer systems to recognize the "Year 2000"and has determined that it will have no material loss, cost, liability, or expense.

2.16 EMPLOYEES; EMPLOYEE COMPENSATION.

To the best of the Company's knowledge, there is no strike, labor dispute or union organization activities pending or threatened between it and its employees. None of the Company's employees belongs to any union or collective bargaining unit. To the best of its knowledge, the Company has complied in all material respects with all applicable state and federal equal opportunity and other laws related to employment. The Company has a proprietary information agreement with each of its employees protecting the Company's confidential information. To the best of the Company's knowledge, no employee of the Company is or will be in violation of any judgment, decree, or order, or any term of any

employment contract, patent disclosure agreement, or other contract or agreement relating to the relationship of any such employee with the Company, or any other party because of the nature of the business conducted or presently proposed to be conducted by the Company or to the use by the employee of his or her best efforts with respect to such business. Other than the Option Plan, the Company is not a party to or bound by any currently effective employment contract, deferred compensation agreement, bonus plan, incentive plan, profit sharing plan, retirement agreement, or other employee compensation agreement. The Company is not aware that any officer or key employee, or that any group of key employees, intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing. Subject to general principles related to wrongful termination of employees, the employment of each officer and employee of the Company is terminable at the will of the Company.

2.17 TAX RETURNS, PAYMENTS, AND ELECTIONS.

The Company has timely filed all tax returns and reports (federal, state and local) as required by law. These returns and reports are true and correct in all material respects. The Company has paid all taxes and other assessments due and payable, except those contested by it in good faith. The provision for taxes of the Company as shown in the Financial Statements is adequate for taxes due or accrued as of the date thereof. The Company has not elected pursuant to the Internal Revenue Code of 1986, as amended ("Code"), to be treated as a collapsible corporation pursuant to the Code, nor has it made any other elections pursuant to the Code (other than its "S corporation" election, which election has been revoked effective October 13, 1998, or that relate solely to methods of accounting, depreciation, or amortization) that would have a material effect on the business, properties, prospects, or financial condition of the Company. The Company has never had any tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. None of the Company's federal income tax returns and none of its state income or franchise tax or sales or use tax returns has ever been audited by governmental authorities. Since the date of the Financial Statements, the Company has made adequate provisions on its books of account for all taxes, assessments, and governmental charges with respect to its business, properties, and operations for such period. The Company has withheld or collected from each payment made to each of its employees, the amount of all taxes, including, but not limited to, federal income taxes, Federal Insurance Contribution Act taxes and Federal Unemployment Tax Act taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositaries.

2.18 ENVIRONMENTAL AND SAFETY LAWS.

To the best of its knowledge, the Company is not in violation of any applicable statute, law, or regulation relating to the environment or occupational health and safety which would have a material adverse effect on the business, properties, prospects or financial condition of the Company, and to the best of its knowledge, no material expenditures are or will be required in order to comply with any such existing statute, law, or regulation.

2.19 MINUTE BOOKS.

The minute books of the Company contain minutes of all meetings of directors and stockholders and all actions by written consent without a meeting by the directors and stockholders since the date of incorporation and accurately reflects all actions by the directors (and any committee of directors) and stockholders with respect to all transactions referred to in such minutes in all material respects.

2.20 REAL PROPERTY HOLDING CORPORATION.

The Company is not a real property holding corporation within the meaning of Internal Revenue Code Section 897(c)(2) and any regulations promulgated thereunder.

2.21 QUALIFIED SMALL BUSINESS.

The Company represents that the shares of Series C Convertible Preferred Stock are eligible to qualify as "qualified small business stock" as defined in Section 1202(c) of the Code.

3. ACKNOWLEDGMENTS OF REPRESENTATIONS AND WARRANTIES OF THE INVESTORS.

The Investors hereby represent and warrant to the Company that as of the date of this Agreement:

3.1 AUTHORIZATION.

Such 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 such Investor enforceable in accordance with its terms.

3.2 PURCHASE ENTIRELY FOR OWN ACCOUNT.

This Agreement is made with each 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 Series C Convertible Preferred Stock to be purchased by such Investor and the Common Stock issuable upon conversion thereof (collectively, the "Securities") 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, each 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 Securities.

3.3 RELIANCE UPON INVESTORS' REPRESENTATIONS.

Each Investor understands that the Series C Convertible Preferred Stock is not, and any Common Stock acquired on conversion thereof at the time of issuance may not be, 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.

Each Investor believes such Investor has received all the information such Investor considers necessary or appropriate for deciding whether to purchase the Series C Convertible Preferred Stock. Each 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 Series C Convertible Preferred 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. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or the right of the Investors to rely thereon.

3.5 INVESTMENT EXPERIENCE.

Each 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 Series C Convertible Preferred Stock. If other than an individual, Investor also represents that each record or beneficial owner of any equity interest in Investor (each an "Investor Owner") meets the requirements of the preceding sentence.

3.6 ACCREDITED INVESTOR.

(a) The term "Accredited Investor" as used herein refers to:

(i) A person or entity who is a director or executive officer of the Company;

(ii) Any bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(iii) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(iv) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

(v) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of the purchase exceeds $1,000,000;

(vi) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

(vii) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; or

(viii) Any entity in which all of the equity owners are accredited investors.

As used in this Paragraph 3.6(a), the term "net worth" means the excess of total assets over total liabilities. For the purpose of determining a person's net worth, the principal residence owned by an individual should be valued at fair market value, including the cost of improvements, net of current encumbrances. As used in this Paragraph 3.6(a), "income" means actual economic income, which may differ from adjusted gross income for income tax purposes. Accordingly, each Investor should consider whether such Investor should add any or all of the following items to such Investor's adjusted gross income for income tax purposes in order to reflect more accurately such Investor's actual economic income: any amounts attributable to tax-exempt income received, losses claimed as a limited partner in any limited partnership, deductions claimed for depletion, contributions to an IRA or Keogh retirement plan, and alimony payments.

(b) Each Investor as to such Investor severally and not jointly further represents to the Company that except as otherwise disclosed to the Company, in writing, prior to such Investor's execution hereof, such Investor (and each Investor Owner) is an Accredited Investor.

3.7 RESTRICTED SECURITIES.

Each Investor understands that the Series C Convertible Preferred Stock (and any Common Stock issued on conversion thereof) 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 Series C Convertible Preferred Stock (or the Common Stock issued on conversion thereof) or an available exemption from registration under the Securities Act, the Series C Convertible Preferred Stock (and any Common Stock issued on conversion thereof) must be held indefinitely. In particular, each Investor is aware that the Series C Convertible Preferred Stock (and any Common Stock issued on conversion thereof) 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.

3.8 LEGENDS.

To the extent applicable, each certificate or other document evidencing any of the Series C Convertible Preferred Stock or any Common Stock issued upon conversion thereof 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.

4. CONDITIONS OF INVESTORS' OBLIGATIONS AT CLOSINGS.

The obligations of each Schedule A Investor under subparagraph 1.1(c) of this Agreement are subject to the fulfillment on or before the First Closing of each of the following conditions, the waiver of which shall not be effective against any Schedule A Investor who does not consent in writing thereto:

4.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company contained in Section 2 shall be true on and as of each of the Closings with the same effect as though such representations and warranties had been made on and as of the date of each of the Closings.

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 each of the Closings.

4.3 COMPLIANCE CERTIFICATE.

The President of the Company shall deliver to each Investor at each of the Closings in which such Investor shall participate a certificate certifying that the conditions specified in paragraphs 4.1, 4.2, 4.4 and 4.5 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 Series C Convertible Preferred Stock pursuant to this Agreement shall be duly obtained and effective as of each of the Closings.

4.5 PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated at the Closings and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investors and their counsel, which shall have received all such counterpart original and certified or other copies of such documents as it may reasonably request.

4.6 STOCKHOLDER AGREEMENT.

The Company, the Investors and the other Company shareholders shall have executed the Amended and Restated Stockholders' Agreement in substantially the form attached hereto as Exhibit C.

4.7 FILING OF RESTATED CHARTER.

The Restated Charter in the form attached hereto as Exhibit A shall have been filed with the Secretary of State of Tennessee.

4.8 RESERVATION OF CONVERSION SHARES.

The Conversion Shares issuable upon conversion of the shares of Series C Convertible Preferred Stock shall have been duly authorized and reserved for issuance upon such conversion.

4.9 INVESTORS' RIGHTS AGREEMENT.

The Investors' Rights Agreement as amended by the Amendment to Investors' Rights Agreement in substantially the form attached hereto as Exhibit D shall have been executed and delivered by the parties thereto.

4.10 CO-SALE AGREEMENT.

The Co-Sale Agreement as amended by the Amendment to Co-Sale Agreement in substantially the form attached hereto as Exhibit E shall have been executed and delivered by the parties thereto. The stock certificates representing the shares subject to the Co-Sale Agreement shall have been delivered to the Secretary of the Company and shall have had appropriate legends placed upon them to reflect the restrictions on transfer set forth on the Co-Sale Agreement.

4.11 VOTING AGREEMENT.

The Voting Agreement as amended by the Amendment to Voting Agreement in substantially the form attached hereto as Exhibit F shall have been executed and delivered by the parties thereto.

4.12 LEGAL OPINION.

The Investors shall have received from legal counsel to the Company (which may be in house counsel) an opinion addressed to each of them, dated the date of each Closing, in substantially the form attached hereto as Exhibit G.

5. CONDITIONS OF THE COMPANY'S OBLIGATIONS AT CLOSINGS.

The obligations of the Company to each Investor, such obligations being several and not joint with respect to each Investor, under this Agreement are subject to the fulfillment on or before each of the Closings of each of the following conditions with respect to such Investor.

5.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of such Investor contained in Section 3 shall be true on and as of each of the Closings with the same effect as though such representations and warranties had been made on and as of the date of the Closings.

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 STOCKHOLDER AGREEMENT.

Such Investor shall have executed the Amended and Restated Stockholders' Agreement in substantially the form attached hereto as Exhibit C.

5.4 CO-SALE AGREEMENT.

A Co-Sale Agreement as amended by the Amendment to Co-Sale Agreement substantially in the form attached hereto as Exhibit E shall have been executed and delivered by the parties thereto other than the Company.

5.5 VOTING AGREEMENT.

A Voting Agreement as amended by the Amendment to Voting Agreement substantially in the form attached hereto as Exhibit F shall have been executed and delivered by the parties thereto other than the Company.

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 the Investors contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and each of the Closings.

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 Series C Convertible Preferred Stock sold hereunder or any Common Stock issued upon conversion thereof). 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 the Investors of the Series C Convertible Preferred Stock.

Each 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 each 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, any Ancillary Agreement or the Restated Charter, the prevailing party shall be entitled to reasonable 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 the Investors (or their transferees) holding more than 66 2/3% of the Common Stock not previously sold to the public that is issued or issuable upon conversion of the Series C Convertible Preferred Stock. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding (including securities into which such securities have been converted), each future holder of all such securities, and the Company.

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.

6.13 EFFECT OF AMENDMENT OR WAIVER.

Each Investor acknowledges that by the operation of paragraph 6.10 hereof the Investors (or their transferees) holding more than sixty six and two thirds percent (66 2/3%) of the Common Stock not previously sold to the public that is issued or issuable upon conversion of the Series C Convertible Preferred Stock will have the right and power to diminish or eliminate all rights of such Investor under this Agreement.

6.14 RIGHTS OF INVESTORS.

Each holder of Series C Convertible Preferred Stock (and Common Stock issued upon conversion thereof) shall have the absolute right to exercise or refrain from exercising any right or rights that such holder may have by reason of this Agreement or any Series C Convertible Preferred Stock, including without limitation the right to consent to the waiver of any obligation of the Company under this Agreement and to enter into an agreement with the Company for the purpose of modifying this Agreement or any agreement effecting any such modification, and such holder shall not incur any liability to any other holder or holders of Series C Convertible Preferred Stock (or Common Stock issued upon exercise thereof) with respect to exercising or refraining from exercising any such right or rights.

6.15 QUALIFIED SMALL BUSINESS STOCK.

The Company shall submit to its stockholders (including the Investors) and to the Internal Revenue Service any reports that may be required in Section 1202(d)(1)(C) of the Code and any related

Treasury Regulations. In addition, within ten (10) days after any Investor has delivered to the Company a written request therefor, the Company shall deliver to such Investor a written statement informing the Investor whether such Investor's interest in the Company constitutes "qualified small business stock" as defined in Section 1202(c) of the Code. The Company's obligation to furnish a written statement pursuant to this paragraph 6.16 shall continue notwithstanding the fact that a class of the Company's stock may be traded on an established securities market.

6.16 EXCULPATION AMONG INVESTORS.

Each Investor acknowledges that such Investor is not relying upon any person, firm, or corporation, other than the Company and its officers and directors, in making its investment or decision to invest in the Company. Each Investor agrees that no Investor nor the respective controlling persons, officers, directors, partners, agents, or employees of any Investor shall be liable for any action heretofore or hereafter taken or omitted to be taken by any of them in connection with the Series C Convertible Preferred Stock (and Common Stock issued upon conversion thereof).

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

HEALTHSTREAM, INC.

By

President

209 10th Ave. South
Suite 450
Nashville, TN 37203

INVESTORS:

HEALTHSTREAM PARTNERS

By

General Partner
900-A, 3319 West End Avenue
Nashville, Tennessee 37203

VANDERBILT UNIVERSITY

By

MARTIN INVESTMENT PARTNERSHIP III

By: THE MARTIN COMPANIES, INC.
Managing Partner

By

Charles N. Martin, President
20 Burton Hills Blvd.
Suite 100
Nashville, TN 37215

COLEMAN SWENSON HOFFMAN BOOTH IV L.P.

By Its General Partner
CSHB Ventures IV L.P.

By Its General Partner

Jay Hoffman
237 Second Ave. South
Franklin, TN 37064-2469

DAUPHIN CAPITAL PARTNERS I, L.P.

By

James Hoover, Principal
108 Forest Ave.
Locust Valley, NY 11560

JCB HEALTHSTREAM INVESTORS, L.L.C

By

James Graves, Chief Manager
330 Commerce St.
Nashville, TN 37201

NELSON CAPITAL PARTNERS III, L.P.

By

John K. Harrington
3401 West End Ave.
Suite 300
Nashville, TN 37203

JCB CF HEALTHSTREAM PARTNERS, L.L.C

By

Robert Doolittle
330 Commerce St.
Nashville, TN 37201

FCA VENTURE PARTNERS II, L.P.

By

Stuart McWhorter
310 25th Ave. South
Suite 109
Nashville, TN 37203

THE JOEL COMPANY

By

Robert Gordon
6444 Worchester Dr.
Nashville, TN 37221

CUMBERLAND EQUITY PARTNERS

By

Fleming Wilt
201 Fourth Ave. NorthSuite 1390
Nashville, TN 37219

SAVVY INVESTMENT PARTNERS

By

Thompson B. Patterson, Jr.
330 Commerce Street
Nashville, TN 37201

CHANCERY LANE INVESTMENTS, L.P.

By

H. Lee Barfield, General Partner
2700 First American Ctr.
Nashville, TN 37238-2700

By

Mary F. Barfield, General Partner
c/o H. Lee Barfield
2700 First American Ctr.
Nashville, TN 37238-2700

JCB VENTURE PARTNERSHIP IV

By

Robert Doolittle, Chief Manager
330 Commerce St.
Nashville, TN 37201

MELKUS PARTNERS, LTD.

By

Ken Melkus
102 Woodmont Blvd.
Suite 110
Nashville, TN 37205

Robert A Frist, Jr.
201 Abbott Glen Court
Nashville, TN 37215

William Frist
3827 Richland Ave.
Nashville, TN 37205

Darren Liff
209 10th Ave. South
Suite 432
Nashville, TN 37203

Scott and Carol Len Portis
6205 Hillsboro Pike
Nashville, TN 37215

James Frist
420 Elmington Ave.
Apt. 217
Nashville, TN 37205

Robert S. Doolittle
J.C. Bradford & Co.
330 Commerce Street
Nashville, TN 37201

David Beard
888 Collierville-Arlington Rd. North
Collierville, TN 38017

John Dayani
5301 Virginia Way
Suite 250
Brentwood, TN 37027

S. Douglas Smith
278 Franklin Road
Suite 238
Brentwood, TN 37027

Dr. Scott Portis
214 East Main Street
Huntingdon, TN 38344

Barbara Sampson
407 Lyons Head Drive
Knoxville, TN 37919

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
ENTREPRENUER 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 PARTNERS

By

Jeff Soukup
120 Long Ridge Rd.
Samford, CT 06927

James & Cassandra Daniell
5935 Post Road
Nashville, TN 37205

Carol Frist
1326 Page Road
Nashville, TN 37205

FRIST FAMILY INTERNET PARTNERS

By

Robert A Frist, Sr.
1326 Page Road
Nashville, TN 37205

CARSON/PAUL ASSOCIATES LLC

By

Russell L. Carson
Welsh, Carson, Anderson & Stowe
320 Park Ave.
25th Floor
New York, NY 10022

BORNEO PARTNERS

By

Michael Pote, Administrator
8181 Londonberry Road
Nashville, TN 37221

Virginia Duncombe
153 Bingham Ave.
Rumson, NJ 07760

Stephen and Linda Rogers
601 Foxborough Sq. N.
Brentwood, TN 37027

Dan McLaren
212 Deer Park Circle
Nashville, TN 37205

Jeffrey and Carrie McLaren
147 Kenner Ave.
Nashville, TN 37205

Robert F. Merriman
14 Nottingham
Amarillo, TX 79124

SC FUND I, L.P.

By

General Partner
10666 North Torrey Pines Rd.
La Jolla, CA 92037

PART TWO

SCHEDULE A
INVESTORS

NAME	NUMBER OF SHARES
Vanderbilt University	40,000
HealthStream Partners	300,000
TOTAL	340,000

SCHEDULE B
INVESTORS

NAME	NUMBER OF SHARES
Scott & Carol Len Portis	4,519
David Beard	2,259
Martin Investment Partnership III	33,891
Coleman Swenson Hoffman Booth IV, L.P.	11,297
Dauphin Capital Partners I, L.P.	11,297
William and Jennifer Frist	11,297
JCB HealthStream Investors, L.L.C	6,213
Robert A. Frist, Jr	11,297
Nelson Capital Partners III, L.P.	11,297
Melkus Partners, Ltd.	5,648
Darren Liff	5,648
FCA Venture Partners II, L.P.	5,648
The Joel Company	5,648
James Frist	4,520
Cumberland Equity Partners	4,520
JCB CF HealthStream Partners, L.L.C	3,389
Savvy Investment Partners	3,163
Robert Doolitle	2,259
JCB Venture Partnership IV	2,259
Chancery Lane Investments, L.P.	2,259
Dr. John H. Dayani	3,389
S. Douglas Smith	1,130
Dr. Scott Portis	1,130
Morgan Stanley Venture Partners III, L.P.	39,647
Morgan Stanley Venture Investors III, L.P.	3,807
Morgan Stanley Venture Partners Entrepenuer Fund, L.P.	1,734
GE Capital Equity Investments, Inc.	22,594
Carson/Paul Associates LLC	10,167
Carol Frist	5,648
James & Sandra Daniell	1,130
Frist Family Internet Partners	5,648
TOTAL	244,352

SCHEDULE C
INVESTORS

NAME	NUMBER OF SHARES
Borneo Partners	24,648
SC Fund I, L.P.	20,000
Dan McLaren	7,000
Virginia Duncombe	5,000
Stephen and Linda Rogers	3,500
Jeffery and Carrie McLaren	3,000
Robert Merriman	2,500
TOTAL	65,648

SCHEDULE OF EXCEPTIONS

2.5 CAPITALIZATION AND VOTING RIGHTS.

The Company entered a distribution agreement with GE Medical Systems ("GE") on June 14, 1999. In connection with this distribution agreement, the Company granted GE a warrant to purchase 132,450 shares of the Company's Common Stock at a purchase price of $7.55 per share. The Company also granted GE registration rights associated with these shares.

2.7 CONTRACTS AND OTHER COMMITMENTS.

The Company has obligations under a lease executed with Cummins Station, LLC totaling $551,315.00. This lease expires on April 30, 2005. The Company has options under this lease until April 30, 2015.

On July 23, 1999, the Company acquired substantially all of the assets of SilverPlatter Education, Inc. for $1,000,000. Twenty percent of the transaction was paid for with the Company's Common Stock while the remaining eighty percent was paid with cash.

The Company entered a distribution agreement with GE Medical Systems ("GE") on June 14, 1999. In connection with this distribution agreement, the Company granted GE a warrant to purchase 132,450 shares of the Company's Common Stock at a purchase price of $7.55 per share. The Company also granted GE registration rights associated with these shares.

The Company and Robert A Frist, Jr. have executed an Executive Employment Agreement dated April 21, 1999.

2.8 RELATED-PARTY TRANSACTIONS.

Indebtedness to Company by Shareholders

MacDonald Hardcastle owes the Company $1,248.03 due to an outstanding balance of a loan from the Company to purchase shares.

Indebtedness to Shareholders by Company

The Company owes Robert Frist, Jr. $1,293,000 for loans made to the Company under a Promissory Note dated August 23rd, 1999 ("Note"). This Note replaces and supercedes the previous notes executed between Robert Frist, Jr. and the Company dated January 18, 1994, February 23, 1994, March 30, 1994, July 11, 1997, December 31, 1997 and April 21, 1999. Robert Frist, Jr. converted $1,000,000 worth of the above indebtedness under the previous notes to shares of the Company's Common Stock. He converted $500,000 worth of the above indebtedness under the previous notes to shares of the Company's Series B Convertible Preferred Stock on April 21, 1999 and an additional $250,000 worth of the above indebtedness under the previous notes to shares of the Company's Series B Convertible Preferred Stock on August 23, 1999.

The Company owes Scott Portis $60,000.00 for loans made to the Company.

Robert Frist, Jr. serves on the Board of Directors of Passport Health Communications. This firm does not directly compete with the Company, but it does do business in the Internet healthcare information industry.

2.16 EMPLOYEES; EMPLOYEE COMPENSATION.

The Company and Robert A Frist, Jr. have executed an Executive Employment Agreement dated April 21, 1999.

EXHIBIT 10.4

HEALTHSTREAM INC.

1994 EMPLOYEE STOCK OPTION PLAN

SECTION 1. PURPOSE; DEFINITIONS.

The purpose of the HealthStream, Inc. 1994 Employee Stock Option Plan (the "Plan") is to enable HealthStream, Inc. (the "Corporation") to attract, retain and reward key employees of and consultants to the Corporation, and strengthen the mutuality of interests between such key employees, consultants and the Corporation's stockholders, by offering such key employees and consultants performance-based stock incentives. The creation of the Plan shall not diminish or prejudice other compensation programs approved from time to time by the Board.

For purposes of the Plan, the following terms shall be defined as set forth below:

A. "Board" means the Board of Directors of the Corporation.

B. "Common Stock" means the Corporation's Common Stock, no par value.

C. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

D. "Corporation" means HealthStream, Inc., a corporation organized under the laws of the State of Tennessee or any successor corporation.

E. "Disability" means disability as determined under the Corporation's long-term disability insurance policy or as otherwise determined by the Board from time to time.

F. "Early Retirement" means retirement, for purposes of this Plan with the express consent of the Corporation at or before the time of such retirement, from active employment with the Corporation prior to age 65, in accordance with any applicable early retirement policy of the Corporation then in effect.

G. "Fair Market Value" means such value as the Committee in good faith deems appropriate without regard to any restriction other than a restriction which, by its terms, will never lapse.

H. "Incentive Stock Option" means any Stock Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

I. "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

J. "Normal Retirement" means retirement from active employment with the Corporation on or after age 65.

K. "Plan" means this HealthStream, Inc. 1994 Employee Stock Option Plan, as hereinafter amended from time to time.

L. "Retirement" means Normal or Early Retirement.

M. "Stock" means the Common Stock.

N. "Stock Option" or "Option" means any option to purchase shares of Stock granted pursuant to Section 5 below.

SECTION 2. ADMINISTRATION.

The Plan shall be administered by the Board or a committee thereof appointed by the Board.

The Board or any committee appointed thereby shall have authority to grant Stock Options, pursuant to the terms of the Plan, to officers, other key employees and consultants eligible under Section 4.

In particular, the Board or any committee appointed thereby shall have the authority, consistent with the terms of the Plan:

(a) to select the officers, directors and other key employees of and consultants to the Corporation to whom Stock Options may from time to time be granted hereunder;

(b) to determine whether and to what extent Incentive Stock Options and/or Non-Qualified Stock Options, or any combination thereof, are to be granted hereunder to one or more eligible employees;

(c) to determine the number of shares to be covered by each such award granted hereunder; and

(d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Stock Option or other award and/or the shares of Stock relating thereto, based in each case on such factors as the Board shall determine, in its sole discretion).

The Board shall have the authority to adopt, alter and repeal such rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan.

All decisions made by the Board pursuant to the provisions of the Plan shall be made in the Board's sole discretion and shall be final and binding on all persons, including the Corporation and Plan participants.

SECTION 3. SHARES OF STOCK SUBJECT TO PLAN.

The aggregate number of shares of Stock reserved and available for distribution under the Plan shall be 2,000,000 shares.

In the event of any merger, reorganization, consolidation, recapitalization, extraordinary cash dividend, Stock dividend, Stock split or other change in corporate structure affecting the Stock, an appropriate substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the Plan, as may be determined to be appropriate by the Board, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number.

SECTION 4. ELIGIBILITY.

Officers, directors and other key employees of and consultants to the Corporation who are responsible for or contribute to the management, growth and/or profitability of the business of the Corporation are eligible to be granted awards under the Plan.

SECTION 5. STOCK OPTIONS.

Any Stock Option granted under the Plan shall be in such form as the Board may from time to time approve. Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options. Incentive Stock Options may be granted only to individuals who are employees of the Corporation.

The Board shall have the authority to grant to any optionee (subject to the limitation set forth in the paragraph above) Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options.

Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Board shall deem desirable.

(a) Option Price. The option price per share of Stock purchasable under a Stock Option shall be determined by the Board at the time of grant but shall be not less than 100% (or, in the case of any employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or of any of its subsidiary or parent corporations, not less than 110%) of the Fair Market Value of the Stock at grant, in the case of Incentive Stock Options, and not less than 50% of the Fair Market Value of the Stock at grant, in the case of Non-Qualified Stock Options.

(b) Option Term. The term of each Stock Option shall be fixed by the Board, but no Incentive Stock Option shall be exercisable more than ten years (or, in the case of an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or any of its subsidiary or parent corporations, more than five years) after the date the Option is granted.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Board at or after grant. The

Board may provide that a Stock Option shall vest over a period of future service at a rate specified at the time of grant, or that the Stock Option is exercisable only in installments. If the Board provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Board may waive such installment exercise provisions at any time at or after grant in whole or in part, based on such factors as the Board shall determine, in its sole discretion.

(d) Method of Exercise. Subject to whatever installment exercise restrictions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Corporation specifying the number of shares to be purchased.

Such notice shall be accompanied by payment in full of the purchase price, either by check, note or such other instrument as the Board may accept. As determined by the Board, in its sole discretion, at or (except in the case of an Incentive Stock Option) after grant.

No shares of Stock shall be issued until full payment therefor has been made. An optionee shall generally have the rights to dividends or other rights of a stockholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 8(a).

(e) Non-Transferability of Options. No Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and all Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

(f) Bonus for Taxes. In the case of a Non-Qualified Stock Option, the Board in its discretion may award at the time of grant or thereafter the right to receive upon exercise of such Stock Option a cash bonus calculated to pay part or all of the Federal and State, if any, income tax incurred by the optionee upon such exercise.

(g) Termination by Death. Subject to Section 5(k), if an optionee's employment by the Corporation terminates by reason of death, any Stock Option held by such optionee shall thereupon terminate.

(h) Termination by Reason of Disability. Subject to Section 5(k), if an optionee's employment by the Corporation terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination or (except in the case of an Incentive Stock Option) on such accelerated basis as the Board may determine at or after grant (or, except in the case of an Incentive Stock Option, as may be determined in accordance with procedures established by the Board), for a period of three months from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(i) Termination by Reason of Retirement. Subject to Section 5(k), if an optionee's employment by the Corporation terminates by reason of Normal or Early Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of such Retirement or (except in the case of an Incentive Stock Option) on such accelerated basis as the Board may determine at or after grant (or, except in the case of an Incentive Stock Option, as may be determined in accordance with procedures established by the Board), for a period of three months (or such shorter period as the Board may

specify at grant) from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is the shorter.

(j) Other Termination. Unless otherwise determined by the Board (or pursuant to procedures established by the Board) at or (except in the case of an Incentive Stock Option) after grant, if an optionee's employment by the Corporation is involuntarily terminated for any reason other than death, Disability or Normal or Early Retirement, the Stock Option shall thereupon terminate, except that such Stock Option may be exercised, to the extent otherwise then exercisable, for the lesser of three months or the balance of such Stock Option's term if the involuntary termination is without Cause. For purposes of this Plan, "Cause" means (i) a felony conviction of a participant or the failure of a participant to contest prosecution for a felony, or (ii) a participant's willful misconduct or dishonesty, which is directly and materially harmful to the business or reputation of the Corporation. If an optionee voluntarily terminates employment with the Corporation (except for Disability, Normal or Early Retirement), the Stock Option shall thereupon terminate; provided, however, that the Board at grant or (except in the case of an Incentive Stock Option) thereafter may extend the exercise period in this situation for the lesser of three months or the balance of such Stock Option's term.

(k) Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the optionee(s) affected, to disqualify any Incentive Stock Option under such Section 422.

No Incentive Stock Option shall be granted to any participant under the Plan if such grant would cause the aggregate Fair Market Value (as of the date the Incentive Stock Option is granted) of the Stock with respect to which all Incentive Stock Options issued after December 31, 1986 are exercisable for the first time by such participant during any calendar year (under all such plans of the Company and any Subsidiary) to exceed $100,000.

To the extent permitted under Section 422 of the Code or the applicable regulations thereunder or any applicable Internal Revenue Service pronouncement:

(i) if (x) a participant's employment is terminated by reason of death, Disability or Retirement and (y) the portion of any Incentive Stock Option that is otherwise exercisable during the post-termination period specified under Section 5(g), (h) or (i), applied without regard to the $100,000 limitation contained in Section 422(d) of the Code, is greater than the portion of such option that is immediately exercisable as an "incentive stock option" during such post-termination period under Section 422, such excess shall be treated as a Non-Qualified Stock Option; and

(ii) if the exercise of an Incentive Stock Option is accelerated by reason of a Change in Control, any portion of such option that is not exercisable as an Incentive Stock Option by reason of the $100,000 limitation contained in Section 422(d) of the Code shall be treated as a Non-Qualified Stock Option.

SECTION 6. AMENDMENTS AND TERMINATION.

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made which would impair the rights of an optionee or participant under a Stock Option, theretofore granted, without the optionee's or participant's consent or which, without the approval of the Corporation's stockholders, would:

(a) except as expressly provided in this Plan, increase the total number of shares reserved for the purpose of the Plan;

(b) change the pricing terms of Section 5(a);

(c) change the employees or class of employees eligible to participate in the Plan; or

(d) extend the term under Section 10 of the Plan.

The Board may amend the terms of any Stock Option or other award theretofore granted, prospectively or retroactively, but, subject to Section 3 above, no such amendment shall impair the rights of any holder without the holder's consent. The Board may also substitute new Stock Options for previously granted Stock Options (on a one for one or other basis), including previously granted Stock Options having higher option exercise prices.

Subject to the above provisions, the Board shall have broad authority to amend the Plan to take into account changes in applicable securities and tax laws and accounting rules, as well as other developments.

SECTION 7. UNFUNDED STATUS OF PLAN.

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a participant or optionee by the Corporation, nothing contained herein shall give any such participant or optionee any rights that are greater than those of a general creditor of the Corporation. In its sole discretion, the Board may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments in lieu of or with respect to awards hereunder; provided, however, that, unless the Board otherwise determines with the consent of the affected participant, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 8. GENERAL PROVISIONS.

(a) The Board may require each person purchasing shares pursuant to a Stock Option to represent to and agree with the Corporation in writing that the optionee or participant is acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend which the Board deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Stock or other securities delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Board may deem advisable under the rules, regulations, and other requirements of the Commission and any applicable Federal or state securities law,

and the Board may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(c) The adoption of the Plan shall not confer upon any employee of the Corporation any right to continued employment with the Corporation, nor shall it interfere in any way with the right of the Corporation to terminate the employment of any of its employees at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for Federal income tax purposes with respect to any award under the Plan, the participant shall pay to the Corporation, or make arrangements satisfactory to the Board regarding the payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such amount.

(e) The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Tennessee.

SECTION 9. EFFECTIVE DATE OF PLAN.

The Plan shall be effective as of April 15, 1994.

SECTION 10. TERM OF PLAN.

No Stock Option shall be granted pursuant to the Plan on or after the tenth anniversary of the effective date, but awards granted prior to such tenth anniversary may be extended beyond that date.

EXHIBIT 10.5

HealthStream, Inc.

1999 STOCK INCENTIVE PLAN

SECTION 1. PURPOSE; DEFINITIONS.

The purpose of the HealthStream, Inc. 1999 Stock Incentive Plan (the "Plan") is to enable HealthStream, Inc. (the "Corporation") to attract, retain and reward key employees of and consultants to the Corporation and its Subsidiaries and Affiliates, and directors who are not also employees of the Corporation, and to strengthen the mutuality of interests between such key employees, consultants, and directors by awarding such key employees, consultants, and directors performance-based stock incentives and/or other equity interests or equity-based incentives in the Corporation, as well as performance-based incentives payable in cash. The creation of the Plan shall not diminish or prejudice other compensation programs approved from time to time by the Board.

For purposes of the Plan, the following terms shall be defined as set forth below:

A. "Affiliate" means any entity other than the Corporation and its Subsidiaries that is designated by the Board as a participating employer under the Plan, provided that the Corporation directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity or at least 20% of the ownership interests in such entity.

B. "Board" means the Board of Directors of the Corporation.

C. "Cause" has the meaning provided in Section 5(j) of the Plan.

D. "Change in Control" has the meaning provided in Section 10(b) of the Plan.

E. "Change in Control Price" has the meaning provided in Section 10(d) of the Plan.

F. "Common Stock" means the Corporation's Common Stock, no par value per share.

G. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

H. "Committee" means the Committee referred to in Section 2 of the Plan.

I. "Corporation" means HealthStream, Inc., a corporation organized under the laws of the State of Tennessee or any successor corporation.

J. "Disability" means disability as determined under the Corporation's insurance plans.

K. "Early Retirement" means retirement, for purposes of this Plan with the express consent of the Corporation at or before the time of such retirement, from active employment with the Corporation and any Subsidiary or Affiliate prior to age 65, in accordance with any applicable early retirement policy of the Corporation then in effect or as may be approved by the Committee.

L. "Effective Date" has the meaning provided in Section 14 of the Plan.

M. "Equity Issuance" means an issuance of Common Stock by the Corporation following the Effective Date of this Plan in connection with a public or private offering, including in connection with an acquisition, merger or similar transaction, but excluding issuances of Common Stock under this Plan or in any other compensatory transaction with an officer, employee, or director of, or consultant to, the Corporation or its Subsidiaries or Affiliates.

N. "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

O. "Fair Market Value" means with respect to the Common Stock, as of any given date or dates, unless otherwise determined by the Committee in good faith, the reported closing price of a share of Common Stock on Nasdaq or such other market or exchange as is the principal trading market for the Common Stock, or, if no such sale of a share of Common Stock is reported on Nasdaq or other exchange or principal trading market on such date, the fair market value of a share of Common Stock as determined by the Committee in good faith.

P. "Incentive Stock Option" means any Stock Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

Q. "Immediate Family" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and shall include adoptive relationships.

R. "Nasdaq" means The Nasdaq National Stock Market.

S. "Non-Employee Director" means a member of the Board who is a Non-Employee Director within the meaning of Rule 16b-3(b)(3) promulgated under the Exchange Act and an outside director within the meaning of Treasury Regulation Sec. 162-27(e)(3) promulgated under the Code.

T. "Non-Qualified Stock Option" means any stock option that is not an Incentive Stock Option.

U. "Normal Retirement" means retirement from active employment with the Corporation and any Subsidiary or Affiliate on or after age 65.

V. "Other Stock-Based Award" means an award under Section 8 below that is valued in whole or in part by reference to, or is otherwise based on, the Common Stock.

W. "Outside Director" means a member of the Board who is not an officer or employee of the Corporation or any Subsidiary or Affiliate of the Corporation.

X. "Outside Director Option" means an award to an Outside Director under Section 9 below.

Y. "Plan" means this HealthStream, Inc. 1999 Stock Incentive Plan, as amended from time to time.

Z. "Restricted Stock" means an award of shares of Common Stock that is subject to restrictions under Section 7 of the Plan.

AA. "Restriction Period" has the meaning provided in Section 7 of the Plan.

BB. "Retirement" means Normal or Early Retirement.

CC. "Section 162(m) Maximum" has the meaning provided in Section 3(a) hereof.

DD. "Stock Appreciation Right" means the right pursuant to an award granted under Section 6 below to surrender to the Corporation all (or a portion) of a Stock Option in exchange for an amount equal to the difference between (i) the Fair Market Value, as of the date such Stock Option (or such portion thereof) is surrendered, of the shares of Common Stock covered by such Stock Option (or such portion thereof), subject, where applicable, to the pricing provisions in Section 6(b)(ii), and (ii) the aggregate exercise price of such Stock Option (or such portion thereof).

EE. "Stock Option" or "Option" means any option to purchase shares of Common Stock (including Restricted Stock, if the Committee so determines) granted pursuant to Section 5 below.

FF. "Subsidiary" means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

SECTION 2. ADMINISTRATION.

The Plan shall be administered by a Committee of not less than two Non-Employee Directors, who shall be appointed by the Board and who shall serve at the pleasure of the Board. The functions of the Committee specified in the Plan may be exercised by an existing Committee of the Board composed exclusively of Non-Employee Directors. The initial Committee shall be the

Compensation Committee of the Board. In the event there are not at least two Non-Employee Directors on the Board, the Plan shall be administered by the Board and all references herein to the Committee shall refer to the Board.

The Committee shall have authority to grant, pursuant to the terms of the Plan, to officers, other key employees and consultants eligible under Section 4: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock, and/or (iv) Other Stock-Based Awards.

In particular, the Committee, or the Board, as the case may be, shall have the authority, consistent with the terms of the Plan:

(a) to select the officers, key employees of and consultants to the Corporation and its Subsidiaries and Affiliates to whom Stock Options, Stock Appreciation Rights, Restricted Stock, and/or Other Stock-Based Awards may from time to time be granted hereunder;

(b) to determine whether and to what extent Incentive Stock Options, Non-Qualified Stock Options, Stock Appreciation Rights, Restricted Stock, and/or Other Stock-Based Awards, or any combination thereof, are to be granted hereunder to one or more eligible persons;

(c) to determine the number of shares to be covered by each such award granted hereunder;

(d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Stock Option or other award and/or the shares of Common Stock relating thereto, based in each case on such factors as the Committee shall determine, in its sole discretion); and to amend or waive any such terms and conditions to the extent permitted by Section 11 hereof;

(e) to determine whether and under what circumstances a Stock Option may be settled in cash or Restricted Stock under Section 5(m), as applicable, instead of Common Stock;

(f) to determine whether, to what extent, and under what circumstances Option grants and/or other awards under the Plan are to be made, and operate, on a tandem basis vis-a-vis other awards under the Plan and/or cash awards made outside of the Plan;

(g) to determine whether, to what extent, and under what circumstances shares of Common Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and

determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period);

(h) to determine whether to require payment of tax withholding requirements in shares of Common Stock subject to the award; and

(i) to impose any holding period required to satisfy Section 16 under the Exchange Act.

The Committee shall have the authority to adopt, alter, and repeal such rules, guidelines, and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan; provided, however, that, to the extent that this Plan otherwise requires the approval of the Board or the shareholders of the Corporation, all decisions of the Committee shall be subject to such Board or shareholder approval. Subject to the foregoing, all decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Corporation and Plan participants. Notwithstanding the foregoing, the Committee shall have no authority to determine terms or conditions of awards to Outside Directors, which shall be governed solely by Section 9 hereof.

SECTION 3. SHARES OF COMMON STOCK SUBJECT TO PLAN.

(a) As of the Effective Date, the aggregate number of shares of Common Stock that may be issued under the Plan shall be _____ shares. The shares of Common Stock issuable under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares. No officer of the Corporation or other person whose compensation may be subject to the limitations on deductibility under Section 162(m) of the Code shall be eligible to receive awards pursuant to this Plan relating to in excess of 200,000 shares of Common Stock in any fiscal year (the "Section 162(m) Maximum").

(b) If any shares of Common Stock that have been optioned cease to be subject to a Stock Option, or if any shares of Common Stock that are subject to any Restricted Stock or Other Stock-Based Award granted hereunder are forfeited prior to the payment of any dividends, if applicable, with respect to such shares of Common Stock, or any such award otherwise terminates without a payment being made to the participant in the form of Common Stock, such shares shall again be available for distribution in connection with future awards under the Plan.

(c) In the event of any merger, reorganization, consolidation, recapitalization, extraordinary cash dividend, stock dividend, stock split or other change in corporate structure affecting the Common Stock, an appropriate substitution or adjustment shall be made in the maximum number of shares that may be awarded under the Plan, in the number and option price

of shares subject to outstanding Options granted under the Plan, in the number of shares underlying Outside Director Options to be granted under Section 9 hereof, the Section 162(m) Maximum and in the number of shares subject to other outstanding awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number. An adjusted option price shall also be used to determine the amount payable by the Corporation upon the exercise of any Stock Appreciation Right associated with any Stock Option.

SECTION 4. ELIGIBILITY.

Officers, other key employees and Outside Directors of and consultants to the Corporation and its Subsidiaries and Affiliates who are responsible for or contribute to the management, growth and/or profitability of the business of the Corporation and/or its Subsidiaries and Affiliates are eligible to be granted awards under the Plan. Outside Directors are eligible to receive awards pursuant to Section 9 and not pursuant to any other provisions of the Plan.

SECTION 5. STOCK OPTIONS.

Stock Options may be granted alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options and (ii) Non-Qualified Stock Options. Incentive Stock Options may be granted only to individuals who are employees of the Corporation or any Subsidiary of the Corporation.

The Committee shall have the authority to grant to any optionee Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options (in each case with or without Stock Appreciation Rights).

Options granted to officers, key employees, Outside Directors and consultants under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable.

(a) Option Price. The option price per share of Common Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant but shall be not less than 100% (or, in the case of any employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or of any of its Subsidiaries, not less than 110%) of the Fair Market Value of the Common Stock at grant, in the case of Incentive Stock Options, and not less than 85% of the Fair Market Value of the Common Stock at grant, in the case of Non-Qualified Stock Options.

(b) Option Term. The term of each Stock Option shall be fixed by the Committee, but no Incentive Stock Option shall be exercisable more than ten years (or, in the case of an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation or any of its Subsidiaries or parent corporations, more than five years) after the date the Option is granted.

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at or after grant. The Committee may provide that a Stock Option shall vest over a period of future service at a rate specified at the time of grant, or that the Stock Option is exercisable only in installments. If the Committee provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time at or after grant, in whole or in part, based on such factors as the Committee shall determine in its sole discretion.

(d) Method of Exercise. Subject to whatever installment exercise restrictions apply under Section 5(c), Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Corporation specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price, either by check, note, or such other instrument as the Committee may accept. As determined by the Committee, in its sole discretion, at or (except in the case of an Incentive Stock Option) after grant, payment in full or in part may also be made in the form of shares of Common Stock already owned by the optionee or, in the case of a Non-Qualified Stock Option, shares of Restricted Stock or shares subject to such Option or another award hereunder (in each case valued at the Fair Market Value of the Common Stock on the date the Option is exercised). If payment of the exercise price is made in part or in full with Common Stock, the Committee may award to the employee a new Stock Option to replace the Common Stock which was surrendered. If payment of the option exercise price of a Non-Qualified Stock Option is made in whole or in part in the form of Restricted Stock, such Restricted Stock (and any replacement shares relating thereto) shall remain (or be) restricted in accordance with the original terms of the Restricted Stock award in question, and any additional Common Stock received upon the exercise shall be subject to the same forfeiture restrictions, unless otherwise determined by the Committee, in its sole discretion, at or after grant. No shares of Common Stock shall be issued until full payment therefor has been made. An optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 13(a).

(e) Transferability of Options. No Non-Qualified Stock Option shall be transferable by the optionee without the prior written consent of the Committee other than (i) transfers by the Optionee to a member of his or her Immediate Family or a trust for the benefit of the optionee or a member of his or her Immediate Family, or (ii) transfers by will

or by the laws of descent and distribution. No Incentive Stock Option shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution and all Incentive Stock Options shall be exercisable, during the optionee's lifetime, only by the optionee.

(f) Bonus for Taxes. In the case of a Non-Qualified Stock Option or an optionee who elects to make a disqualifying disposition (as defined in Section 422(a)(1) of the Code) of Common Stock acquired pursuant to the exercise of an Incentive Stock Option, the Committee in its discretion may award at the time of grant or thereafter the right to receive upon exercise of such Stock Option a cash bonus calculated to pay part or all of the federal and state, if any, income tax incurred by the optionee upon such exercise.

(g) Termination by Death. Subject to Section 5(k), if an optionee's employment by the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised, to the extent such option was exercisable at the time of death or (except in the case of an Incentive Stock Option) on such accelerated basis as the Committee may determine at or after grant (or except in the case of an Incentive Stock Option, as may be determined in accordance with procedures established by the Committee) by the legal representative of the estate or by the legatee of the optionee under the will of the optionee, for a period of one year (or such other period as the Committee may specify at or after grant) from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is the shorter.

(h) Termination by Reason of Disability. Subject to Section 5(k), if an optionee's employment by the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of termination or (except in the case of an Incentive Stock Option) on such accelerated basis as the Committee may determine at or after grant (or, except in the case of an Incentive Stock Option, as may be determined in accordance with procedures established by the Committee), for a period of (i) three years (or such other period as the Committee may specify at or after grant) from the date of such termination of employment or until the expiration of the stated term of such Stock Option, whichever period is the shorter, in the case of a Non-Qualified Stock Option and (ii) one year from the date of termination of employment or until the expiration of the stated term of such Stock Option, whichever period is shorter, in the case of an Incentive Stock Option; provided however, that, if the optionee dies within the period specified in (i) above (or other such period as the Committee shall specify at or after grant), any unexercised Non-Qualified Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter. In the event of termination of employment by reason of Disability, if an Incentive Stock Option is exercised after the

expiration of the exercise period applicable to Incentive Stock Options, but before the expiration of any period that would apply if such Stock Option were a Non-Qualified Stock Option, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(i) Termination by Reason of Retirement. Subject to Section 5(k), if an optionee's employment by the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate terminates by reason of Normal or Early Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee, to the extent it was exercisable at the time of such Retirement or (except in the case of an Incentive Stock Option) on such accelerated basis as the Committee may determine at or after grant (or, except in the case of an Incentive Stock Option, as may be determined in accordance with procedures established by the Committee), for a period of (i) three years (or such other period as the Committee may specify at or after grant) from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is the shorter, in the case of a Non-Qualified Stock Option and (ii) three months from the date of such termination of employment or the expiration of the stated term of such Stock Option, whichever period is the shorter, in the event of an Incentive Stock Option; provided however, that, if the optionee dies within the period specified in (i) above (or other such period as the Committee shall specify at or after grant), any unexercised Non-Qualified Stock Option held by such optionee shall thereafter be exercisable to the extent to which it was exercisable at the time of death for a period of twelve months from the date of such death or until the expiration of the stated term of such Stock Option, whichever period is shorter. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise period applicable to Incentive Stock Options, but before the expiration of the period that would apply if such Stock Option were a Non-Qualified Stock Option, the option will thereafter be treated as a Non-Qualified Stock Option.

(j) Other Termination. Subject to Section 5(k), unless otherwise determined by the Committee (or pursuant to procedures established by the Committee) at or (except in the case of an Incentive Stock Option) after grant, if an optionee's employment by the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate is involuntarily terminated for any reason other than death, Disability or Normal or Early Retirement, or if optionee voluntarily terminates employment, the Stock Option shall thereupon terminate, except that such Stock Option may be exercised, to the extent otherwise then exercisable, for the lesser of three months or the balance of such Stock Option's term if the involuntary termination is without Cause. For purposes of this Plan, "Cause" means (i) a felony conviction of a participant or the failure of a participant to contest prosecution for a felony, or (ii) a participant's willful misconduct or dishonesty, which is directly and materially harmful to the business or reputation of the Corporation or any Subsidiary or Affiliate. If an optionee voluntarily terminates employment with the Corporation and any Subsidiary or (except in the case of an Incentive Stock Option) Affiliate (except for Disability, Normal or Early Retirement), the Stock Option shall thereupon terminate;

provided, however, that the Committee at grant or (except in the case of an Incentive Stock Option) thereafter may extend the exercise period in this situation for the lesser of three months or the balance of such Stock Option's term.

(k) Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended, or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the optionee(s) affected, to disqualify any Incentive Stock Option under such Section 422. No Incentive Stock Option shall be granted to any participant under the Plan if such grant would cause the aggregate Fair Market Value (as of the date the Incentive Stock Option is granted) of the Common Stock with respect to which all Incentive Stock Options are exercisable for the first time by such participant during any calendar year (under all such plans of the Company and any Subsidiary) to exceed $100,000. To the extent permitted under Section 422 of the Code or the applicable regulations thereunder or any applicable Internal Revenue Service pronouncement:

(i) if (x) a participant's employment is terminated by reason of death, Disability, or Retirement and (y) the portion of any Incentive Stock Option that is otherwise exercisable during the post-termination period specified under Section 5(g), (h) or (i), applied without regard to the $100,000 limitation contained in Section 422(d) of the Code, is greater than the portion of such Option that is immediately exercisable as an "Incentive Stock Option" during such post-termination period under Section 422, such excess shall be treated as a Non-Qualified Stock Option; and

(ii) if the exercise of an Incentive Stock Option is accelerated by reason of a Change in Control, any portion of such Option that is not exercisable as an Incentive Stock Option by reason of the $100,000 limitation contained in Section 422(d) of the Code shall be treated as a Non-Qualified Stock Option.

(l) Buyout Provisions. The Committee may at any time offer to buy out for a payment in cash, Common Stock, or Restricted Stock an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the optionee at the time that such offer is made.

(m) Settlement Provisions. If the option agreement so provides at grant or (except in the case of an Incentive Stock Option) is amended after grant and prior to exercise to so provide (with the optionee's consent), the Committee may require that all or part of the shares to be issued with respect to the spread value of an exercised Option take the form of Restricted Stock, which shall be valued on the date of exercise on the basis of the Fair Market Value (as determined by the Committee) of such Restricted Stock determined without regard to the forfeiture restrictions involved.

(n) Performance and Other Conditions. The Committee may condition the exercise of any Option upon the attainment of specified performance goals or other factors as the Committee may determine, in its sole discretion. Unless specifically provided in the option agreement, any such conditional Option shall vest six months prior to its expiration if the conditions to exercise have not theretofore been satisfied.

SECTION 6. STOCK APPRECIATION RIGHTS.

(a) Grant and Exercise. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of the grant of such Stock Option. A Stock Appreciation Right or applicable portion thereof granted with respect to a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, subject to such provisions as the Committee may specify at grant where a Stock Appreciation Right is granted with respect to less than the full number of shares covered by a related Stock Option. A Stock Appreciation Right may be exercised by an optionee, subject to Section 6(b), in accordance with the procedures established by the Committee for such purpose. Upon such exercise, the optionee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options relating to exercised Stock Appreciation Rights shall no longer be exercisable to the extent that the related Stock Appreciation Rights have been exercised.

(b) Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(i) Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 and this Section 6 of the Plan.

(ii) Upon the exercise of a Stock Appreciation Right, an optionee shall be entitled to receive an amount in cash and/or shares of Common Stock equal in value to the excess of the Fair Market Value of one share of Common Stock over the option price per share specified in the related Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment. When payment is to be made in shares, the number of shares to be paid shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise. When payment is to be made in cash, such amount shall be calculated on the basis of the Fair Market Value of the Common Stock on the date of exercise.

(iii) Stock Appreciation Rights shall be transferable only when and to the extent that the underlying Stock Option would be transferable under Section 5(e) of the Plan.

(iv) Upon the exercise of a Stock Appreciation Right, the Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 of the Plan on the number of shares of Common Stock to be issued under the Plan.

(v) The Committee, in its sole discretion, may also provide that, in the event of a Change in Control and/or a Potential Change in Control, the amount to be paid upon the exercise of a Stock Appreciation Right shall be based on the Change in Control Price, subject to such terms and conditions as the Committee may specify at grant.

(vi) The Committee may condition the exercise of any Stock Appreciation Right upon the attainment of specified performance goals or other factors as the Committee may determine, in its sole discretion.

SECTION 7. RESTRICTED STOCK.

(a) Administration. Shares of Restricted Stock may be issued either alone, in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares of Restricted Stock to be awarded to any person, the price (if any) to be paid by the recipient of Restricted Stock (subject to Section 7(b)), the time or times within which such awards may be subject to forfeiture, and the other terms, restrictions and conditions of the awards in addition to those set forth in Section 7(c). The Committee may condition the grant of Restricted Stock upon the attainment of specified performance goals or such other factors as the Committee may determine, in its sole discretion. The provisions of Restricted Stock awards need not be the same with respect to each recipient.

(b) Awards and Certificates. The prospective recipient of a Restricted Stock award shall not have any rights with respect to such award, unless and until such recipient has executed an agreement evidencing the award and has delivered a fully executed copy thereof to the Corporation, and has otherwise complied with the applicable terms and conditions of such award.

(i) The purchase price for shares of Restricted Stock shall be established by the Committee and may be zero.

(ii) Awards of Restricted Stock must be accepted within a period of 60 days (or such shorter period as the Committee may specify at grant) after the award date, by executing a Restricted Stock Award Agreement and paying whatever price (if any) is required under Section 7(b)(i).

(iii) Each participant receiving a Restricted Stock award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such participant (or a transferee permitted by Section 13(h) hereof), and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such award.

(iv) The Committee shall require that the stock certificates evidencing such shares be held in custody by the Corporation until the restrictions thereon shall have lapsed, and that, as a condition of any Restricted Stock award, the participant shall have delivered a stock power, endorsed in blank, relating to the shares of Common Stock covered by such award.

(c) Restrictions and Conditions. The shares of Restricted Stock awarded pursuant to this Section 7 shall be subject to the following restrictions and conditions:

(i) In accordance with the provisions of this Plan and the award agreement, during a period set by the Committee commencing with the date of such award (the "Restriction Period"), the participant shall not be permitted to sell, transfer, pledge, assign, or otherwise encumber shares of Restricted Stock awarded under the Plan. Within these limits, the Committee, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions, in whole or in part, based on service, performance, such other factors or criteria as the Committee may determine in its sole discretion.

(ii) Except as provided in this paragraph (ii) and Section 7(c)(i), the participant shall have, with respect to the shares of Restricted Stock, all of the rights of a shareholder of the Corporation, including the right to vote the shares, and the right to receive any cash dividends. The Committee, in its sole discretion, as determined at the time of award, may permit or require the payment of cash dividends to be deferred and, if the Committee so determines, reinvested, subject to Section 14(e), in additional Restricted Stock to the extent shares are available under Section 3, or otherwise reinvested. Pursuant to Section 3 above, stock dividends issued with respect to Restricted Stock shall be treated as additional shares of Restricted Stock that are subject to the same restrictions and other terms and conditions that apply to the shares with respect to which such dividends are issued. If the Committee so determines, the award agreement may also impose restrictions on the right to vote and the right to receive dividends.

(iii) Subject to the applicable provisions of the award agreement and this Section 7, upon termination of a participant's employment with the Corporation and any Subsidiary or Affiliate for any reason during the Restriction Period, all shares still subject to restriction will vest, or be forfeited, in accordance with the terms and conditions established by the Committee at or after grant.

(iv) If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, certificates for an appropriate number of unrestricted shares shall be delivered to the participant (or a transferee permitted by Section 13(h) hereof) promptly.

(d) Minimum Value Provisions. In order to better ensure that award payments actually reflect the performance of the Corporation and service of the participant, the Committee may provide, in its sole discretion, for a tandem performance-based or other award designed to guarantee a minimum value, payable in cash or Common Stock to the recipient of a Restricted Stock award, subject to such performance, future service, deferral, and other terms and conditions as may be specified by the Committee.

SECTION 8. OTHER STOCK-BASED AWARDS.

(a) Administration. Other Stock-Based Awards, including, without limitation, performance shares, convertible preferred stock, convertible debentures, exchangeable securities and Common Stock awards or options valued by reference to earnings per share or Subsidiary performance, may be granted either alone, in addition to, or in tandem with Stock Options, Stock Appreciation Rights, or Restricted Stock granted under the Plan and cash awards made outside of the Plan; provided that no such Other Stock-Based Awards may be granted in tandem with Incentive Stock Options if that would cause such Stock Options not to qualify as Incentive Stock Options pursuant to Section 422 of the Code. Subject to the provisions of the Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such awards shall be made, the number of shares of Common Stock to be awarded pursuant to such awards, and all other conditions of the awards. The Committee may also provide for the grant of Common Stock upon the completion of a specified performance period. The provisions of Other Stock-Based Awards need not be the same with respect to each recipient.

(b) Terms and Conditions. Other Stock-Based Awards made pursuant to this Section 8 shall be subject to the following terms and conditions:

(i) Shares subject to awards under this Section 8 and the award agreement referred to in Section 8(b)(v) below, may not be sold, assigned, transferred, pledged, or otherwise encumbered prior to the date on which the shares

are issued, or, if later, the date on which any applicable restriction, performance, or deferral period lapses.

(ii) Subject to the provisions of this Plan and the award agreement and unless otherwise determined by the Committee at grant, the recipient of an award under this Section 8 shall be entitled to receive, currently or on a deferred basis, interest or dividends or interest or dividend equivalents with respect to the number of shares covered by the award, as determined at the time of the award by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional shares of Common Stock or otherwise reinvested.

(iii) Any award under Section 8 and any shares of Common Stock covered by any such award shall vest or be forfeited to the extent so provided in the award agreement, as determined by the Committee in its sole discretion.

(iv) In the event of the participant's Retirement, Disability, or death, or in cases of special circumstances, the Committee may, in its sole discretion, waive in whole or in part any or all of the remaining limitations imposed hereunder (if any) with respect to any or all of an award under this Section 8.

(v) Each award under this Section 8 shall be confirmed by, and subject to the terms of, an agreement or other instrument by the Corporation and the participant.

(vi) Common Stock (including securities convertible into Common Stock) issued on a bonus basis under this Section 8 may be issued for no cash consideration. Common Stock (including securities convertible into Common Stock) purchased pursuant to a purchase right awarded under this Section 8 shall be priced at least 85% of the Fair Market Value of the Common Stock on the date of grant.

SECTION 9. AWARDS TO OUTSIDE DIRECTORS.

(a) The provisions of this Section 9 shall apply only to awards to Outside Directors in accordance with this Section 9. The Committee shall have no authority to determine the timing of or the terms or conditions of any award under this Section 9.

(b) At the date of the Corporation's initial public offering, each person serving as an Outside Director on such date will receive a non-qualified stock option to purchase _____ shares of Common Stock at a per share exercise price equal to the initial public offering price. Such option shall vest and become exercisable with respect to all _____ shares immediately.

(c) If any person who was not previously a member of the Board is elected or appointed an Outside Director following the initial public offering but prior to the date of the Annual Meeting of Shareholders of the Corporation in the year 2000, such Outside Director will receive a non-qualified stock option to purchase _____ shares of Common Stock. The exercise price per share of each option granted pursuant to this Section 9(c) shall equal the Fair Market Value per share of Common Stock on the date of grant. Options granted under this Section 9(c) shall vest and become exercisable in five equal annual installments beginning on the first anniversary of the date of grant.

(d) On the date of each Annual Meeting of Shareholders of the Corporation beginning with the Annual Meeting of Shareholders in 2000, unless this Plan has been previously terminated, each Outside Director who will continue as a director following such meeting will receive a non-qualified stock option to purchase _____ shares of Common Stock. The exercise price per share of each option granted pursuant to this Section 9(d) shall equal the Fair Market Value per share of Common Stock on the date of grant. Such option shall vest and become exercisable with respect to all _____ shares immediately.

(e) No Outside Director Option shall be exercisable prior to vesting. Each Outside Director Option shall expire, if unexercised, on the tenth anniversary of the date of grant. The exercise price may be paid in cash or in shares of Common Stock, including shares of Common Stock subject to the Outside Director Option.

(f) Outside Director Options shall not be transferable without the prior written consent of the Board other than (i) transfers by the optionee to a member of his or her Immediate Family or a trust for the benefit of the optionee or a member of his or her Immediate Family, (ii) transfers by will or by the laws of descent and distribution, or (iii) transfers by the optionee to a fund affiliated with the optionee.

(g) Grantees of Outside Director Options shall enter into a stock option agreement with the Corporation setting forth the exercise price and other terms as provided herein.

(h) Upon termination of an Outside Director's service as a director of the Corporation, (i) all Outside Director Options theretofore exercisable and held by such Outside Director will remain vested and exercisable through the expiration date and (ii) all remaining Outside Director Options held by such Outside Director will become exercisable and vested and remain so through the expiration date to the extent of any shares that would have become exercisable and vested within a period of less than twelve months following the date of termination of service. Any unvested Outside Director Options held by the Outside Director on the date of termination of service will be forfeited to the extent of any shares that would not have become vested and exercisable until at least twelve months from the date of termination of service. The Board may, in its sole discretion, elect to accelerate

the vesting of any Outside Director Options in connection with the termination of service of any individual Outside Director.

(i) Outside Director Options shall be subject to Section 10. The number of shares and the exercise price per share of each Outside Director Option theretofore awarded shall be adjusted automatically in the same manner as the number of shares and the exercise price for Stock Options under Section 3(c) hereof at any time that Stock Options are adjusted as provided in Section 3(c). The number of shares underlying Outside Director Options to be awarded in the future shall be adjusted automatically in the same manner as the number of shares underlying outstanding Stock Options are adjusted under Section 3(c) hereof at any time that Stock Options are adjusted under Section 3(c) hereof.

(j) The Board, in its sole discretion, may determine to reduce the size of any Outside Director Option prior to grant or to postpone the vesting and exercisability of any Outside Director Option prior to grant.

SECTION 10. CHANGE IN CONTROL PROVISIONS.

(a) Impact of Event. In the event of:

(1) a "Change in Control" as defined in Section 10(b); or

(2) a "Potential Change in Control" as defined in Section 10(c), but only if and to the extent so determined by the Committee or the Board at or after grant (subject to any right of approval expressly reserved by the Committee or the Board at the time of such determination),

(i) Subject to the limitations set forth below in this Section 10(a), the following acceleration provisions shall apply:

(a) Any Stock Appreciation Rights, any Stock Option or Outside Director Option awarded under the Plan not previously exercisable and vested shall become fully exercisable and vested.

(b) The restrictions applicable to any Restricted Stock and Other Stock-Based Awards, in each case to the extent not already vested under the Plan, shall lapse and such shares and awards shall be deemed fully vested.

(ii) Subject to the limitations set forth below in this Section 10(a), the value of all outstanding Stock Options, Stock Appreciation Rights, Restricted Stock, Outside Director Options and Other Stock-Based Awards, in each case to the extent vested, shall, unless otherwise determined by the Board or by the Committee in its sole

discretion prior to any Change in Control, be cashed out on the basis of the "Change in Control Price" as defined in Section 10(d) as of the date such Change in Control or such Potential Change in Control is determined to have occurred or such other date as the Board or Committee may determine prior to the Change in Control.

(iii) The Board or the Committee may impose additional conditions on the acceleration or valuation of any award in the award agreement.

(b) Definition of Change in Control. For purposes of Section 10(a), a "Change in Control" means the happening of any of the following:

(i) any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act, other than the Corporation or a wholly-owned subsidiary thereof or any employee benefit plan of the Corporation or any of its Subsidiaries, becomes the beneficial owner of the Corporation's securities having 50% or more of the combined voting power of the then outstanding securities of the Corporation that may be cast for the election of directors of the Corporation (other than as a result of an issuance of securities initiated by the Corporation in the ordinary course of business); or

(ii) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Corporation or any successor corporation or entity entitled to vote generally in the election of the directors of the Corporation or such other corporation or entity after such transaction are held in the aggregate by the holders of the Corporation's securities entitled to vote generally in the election of directors of the Corporation immediately prior to such transaction; or

(iii) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Corporation's shareholders, of each director of the Corporation first elected during such period was approved by a vote of at least two-thirds of the directors of the Corporation then still in office who were directors of the Corporation at the beginning of any such period.

(c) Definition of Potential Change in Control. For purposes of Section 10(a), a "Potential Change in Control" means the happening of any one of the following:

(i) The approval by shareholders of an agreement by the Corporation, the consummation of which would result in a Change in Control of the Corporation as defined in Section 10(b); or

(ii) The acquisition of beneficial ownership, directly or indirectly, by any entity, person or group (other than the Corporation or a Subsidiary or any Corporation employee benefit plan (including any trustee of such plan acting as such trustee)) of securities of the Corporation representing 5% or more of the combined voting power of the Corporation's outstanding securities and the adoption by the Committee of a resolution to the effect that a Potential Change in Control of the Corporation has occurred for purposes of this Plan.

(d) Change in Control Price. For purposes of this Section 10, "Change in Control Price" means the highest price per share paid in any transaction reported on Nasdaq or such other exchange or market as is the principal trading market for the Common Stock, or paid or offered in any bona fide transaction related to a Potential or actual Change in Control of the Corporation at any time during the 60 day period immediately preceding the occurrence of the Change in Control (or, where applicable, the occurrence of the Potential Change in Control event), in each case as determined by the Committee except that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, such price shall be based only on transactions reported for the date on which the optionee exercises such Stock Appreciation Rights or, where applicable, the date on which a cash out occurs under Section 10(a)(ii).

SECTION 11. AMENDMENTS AND TERMINATION.

The Board may at any time amend, alter or discontinue the Plan; provided, however, that, without the approval of the Corporation's shareholders, no amendment or alteration may be made which would (a) increase the maximum number of shares that may be issued under the Plan or increase the Section 162(m) Maximum, (b) change the provisions governing Incentive Stock Options except as required or permitted under the provisions governing Incentive Stock Options under the Code, (c) amend Section 9 hereof so as to increase the size of any award or otherwise materially increase the benefits to Outside Directors under Section 9 hereof, or (d) make any change for which applicable law or regulatory authority (including the regulatory authority of Nasdaq or any other market or exchange on which the Common Stock is traded) would require shareholder approval or for which shareholder approval would be required to secure full deductibility of compensation received under the Plan under Section 162(m) of the Code. No amendment, alteration, or discontinuation shall be made which would impair the rights of an optionee or participant under a Stock Option, Stock Appreciation Right, Restricted Stock, Other Stock-Based Award or Outside Director Option theretofore granted, without the participant's consent.

The Committee may amend the terms of any Stock Option or other award theretofore granted, prospectively or retroactively, but, subject to Section 3 above, no such amendment shall impair the rights of any holder without the holder's consent. The Committee may also substitute

new Stock Options for previously granted Stock Options (on a one for one or other basis), including previously granted Stock Options having higher option exercise prices. Solely for purposes of computing the Section 162(m) Maximum, if any Stock Options or other awards previously granted to a participant are canceled and new Stock Options or other awards having a lower exercise price or other more favorable terms for the participant are substituted in their place, both the initial Stock Options or other awards and the replacement Stock Options or other awards will be deemed to be outstanding (although the canceled Stock Options or other awards will not be exercisable or deemed outstanding for any other purposes).

SECTION 12. UNFUNDED STATUS OF PLAN.

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a participant or optionee by the Corporation, nothing contained herein shall give any such participant or optionee any rights that are greater than those of a general creditor of the Corporation. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or payments in lieu of or with respect to awards hereunder; provided, however, that, unless the Committee otherwise determines with the consent of the affected participant, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 13. GENERAL PROVISIONS.

(a) The Committee may require each person purchasing shares pursuant to a Stock Option or other award under the Plan to represent to and agree with the Corporation in writing that the optionee or participant is acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Commission, any stock exchange upon which the Common Stock is then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to shareholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

(c) The adoption of the Plan shall not confer upon any employee of the Corporation or any Subsidiary or Affiliate any right to continued employment with the

Corporation or a Subsidiary or Affiliate, as the case may be, nor shall it interfere in any way with the right of the Corporation or a Subsidiary or Affiliate to terminate the employment of any of its employees at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for Federal income tax purposes with respect to any award under the Plan, the participant shall pay to the Corporation, or make arrangements satisfactory to the Committee regarding the payment of, any Federal, state, or local taxes of any kind required by law to be withheld with respect to such amount. The Committee may require withholding obligations to be settled with Common Stock, including Common Stock that is part of the award that gives rise to the withholding requirement. The obligations of the Corporation under the Plan shall be conditional on such payment or arrangements and the Corporation and its Subsidiaries or Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(e) The actual or deemed reinvestment of dividends or dividend equivalents in additional Restricted Stock (or other types of Plan awards) at the time of any dividend payment shall only be permissible if sufficient shares of Common Stock are available under Section 3 for such reinvestment (taking into account then outstanding Stock Options and other Plan awards).

(f) The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Tennessee.

(g) The members of the Committee and the Board shall not be liable to any employee or other person with respect to any determination made hereunder in a manner that is not inconsistent with their legal obligations as members of the Board. In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorneys' fees actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is liable for negligence or misconduct in the performance of his duties; provided that within 60 days after institution of any such action, suit or proceeding, the Committee member shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

(h) In addition to any other restrictions on transfer that may be applicable under the terms of this Plan or the applicable award agreement, no Stock Option, Stock Appreciation Right, Restricted Stock award, or Other Stock-Based Award or other right issued under this Plan is transferable by the participant without the prior written consent of the Committee, or, in the case of an Outside Director, the Board, other than (i) transfers by an optionee to a member of his or her Immediate Family or a trust for the benefit of the optionee or a member of his or her Immediate Family or (ii) transfers by will or by the laws of descent and distribution. The designation of a beneficiary will not constitute a transfer.

(i) The Committee may, at or after grant, condition the receipt of any payment in respect of any award or the transfer of any shares subject to an award on the satisfaction of a six-month holding period, if such holding period is required for compliance with Section 16 under the Exchange Act.

SECTION 14. EFFECTIVE DATE OF PLAN.

The Plan shall be effective upon the date of effectiveness of the Company's registration statement relating to its initial public offering (the "Effective Date"), provided that it has been approved by the Board of the Corporation and by a majority of the votes cast by the holders of the Corporation's Common Stock.

SECTION 15. TERM OF PLAN.

No Stock Option, Stock Appreciation Right, Restricted Stock Award, Other Stock-Based Award or Outside Director Option award shall be granted pursuant to the Plan on or after the tenth anniversary of the Effective Date of the Plan, but awards granted prior to such tenth anniversary may be extended beyond that date.

EXHIBIT 10.6

INDEMNIFICATION AGREEMENT

THIS AGREEMENT is made and entered into as of the _____ day of _____, 1999, by and between HealthStream, Inc., a Tennessee corporation (the "Company"), and the undersigned (the "Indemnitee").

RECITALS

WHEREAS, it is essential to the Company that it attract and retain as directors the most capable persons available; and

WHEREAS, both the Company and Indemnitee recognize the increased risk of litigation and other claims being asserted against directors of public companies in the current environment; and

WHEREAS, the Indemnitee currently is serving as a director of the Company, and the Company desires that the Indemnitee continue to serve in such capacity. The Indemnitee is willing to continue to serve in such capacity if the Indemnitee is adequately protected against the risks associated with such service; and

WHEREAS, the Company and the Indemnitee have concluded that the indemnities available under the Company's Charter, Bylaws and any insurance now or hereafter in effect need to be supplemented to more fully protect the Indemnitee against the risks associated with the Indemnitee's service to the Company; and

WHEREAS, in recognition of Indemnitee's need for additional protection against personal liability in order to enhance Indemnitee's continued service to the Company in an effective manner, and in order to induce Indemnitee to continue to provide services to the Company as a director thereof, the Company wishes to provide in this Agreement for the indemnification of Indemnitee to the fullest extent permitted by law and as set forth in this Agreement.

NOW THEREFORE, in consideration of the foregoing, the covenants contained herein and Indemnitee's continued service to the Company, the Company and Indemnitee, intending to be legally bound, hereby agree as follows:

Section 1. Definitions. The following terms, as used herein, shall have the following respective meanings:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or

indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings relative to the foregoing.

"Change in Control" shall be deemed to have taken place if: (i) any person or entity, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, other than the Company or a wholly-owned subsidiary thereof or any employee benefit plan of the Company or any of its subsidiaries, becomes the beneficial owner of the Company securities having 50% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by Company in the ordinary course of business); or (ii) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of substantially all of the assets or contested election, or any combination of the foregoing transactions less than a majority of the combined voting power of the then-outstanding securities of the Company or any successor corporation or entity entitled to vote generally in the election of the directors of the Company or such other corporation or entity after such transaction is held in the aggregate by the holders of the Company securities entitled to vote generally in the election of directors of the Company immediately prior to such transaction; or (iii) during any period of two consecutive years, individuals who at the beginning of any such period constitute the Board of Directors of the Company cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareholders, of each director of the Company first elected during such period was approved by a vote of at least a majority of the directors of the Company then still in office who were directors of the Company at the beginning of any such period.

"Claim" means (a) any threatened, pending or completed action, suit, proceeding or arbitration or other alternative dispute resolution mechanism, or (b) any inquiry, hearing or investigation, whether conducted by the Company or any other Person, that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or arbitration or other alternative dispute resolution mechanism, in each case whether civil, criminal, administrative or other (whether or not the claims or allegations therein are groundless, false or fraudulent) and includes, without limitation, those brought by or in the name of the Company or any director or officer of the Company.

"Company Agent" means any director, officer, partner, employee, agent, trustee or fiduciary of the Company, any Subsidiary or any Other Enterprise.

"Covered Event" means any event or occurrence, whether occurring prior to or after the date of this Agreement, related to the fact that Indemnitee is or was a Company Agent or related to anything done or not done by Indemnitee in any such capacity, and includes, without limitation, any such event or occurrence (a) arising from performance of the responsibilities, obligations or duties imposed by ERISA or any similar applicable provisions of state or common law, or (b) arising from any actual or proposed merger, consolidation or other business combination involving the Company, any Subsidiary or any Other Enterprise, including without limitation any sale or

other transfer of all or substantially all of the business or assets of the Company, any Subsidiary or any Other Enterprise.

"D&O Insurance" means the directors' and officers' liability insurance described on Exhibit l to this Agreement and any replacement or substitute policies issued by one or more reputable insurers providing in all respects coverage at least comparable to and in the same amount as that provided under the insurance described on Exhibit 1.

"Determination" means a determination made by (a) a majority vote of a quorum of Disinterested Directors; (b) Independent Legal Counsel, in a written opinion addressed to the Company and Indemnitee; (c) the shareholders of the Company; or (d) a decision by a court of competent jurisdiction not subject to further appeal.

"Disinterested Director" shall be a director of the Company who is not or was not a party to the Claim giving rise to the subject matter of a Determination.

"Expenses" includes attorneys' fees and all other costs, travel expenses, fees of experts, transcript costs, filing fees, witness fees, telephone charges, postage, copying costs, delivery service fees and other expenses and obligations of any nature whatsoever paid or incurred in connection with investigating, prosecuting or defending, being a witness in or participating in (including on appeal), or preparing to prosecute or defend, be a witness in or participate in any Claim, for which Indemnitee is or becomes legally obligated to pay.

"Independent Legal Counsel" shall mean a law firm or a member of a law firm that (a) neither is nor in the past five years has been retained to represent in any material matter the Company, any Subsidiary, Indemnitee or any other party to the Claim, (b) under applicable standards of professional conduct then prevailing would not have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights to indemnification under this Agreement and (c) is reasonably acceptable to the Company and Indemnitee.

"Loss" means any amount which Indemnitee is legally obligated to pay as a result of any Claim, including, without limitation (a) all judgments, penalties and fines, and amounts paid or to be paid in settlement, (b) all interest, assessments and other charges paid or payable in connection therewith and (c) any federal, state, local or foreign taxes imposed (net of the value to Indemnitee of any tax benefits resulting from tax deductions or otherwise as a result of the actual or deemed receipt of any payments under this Agreement, including the creation of the Trust).

"Other Enterprise" means any corporation (other than the Company or any Subsidiary), partnership, joint venture, association, employee benefit plan, trust or other enterprise or organization to which Indemnitee renders service at the request of the Company or any Subsidiary.

"Parent" shall have the meaning set forth in the regulations of the Securities and Exchange Commission under the Securities Act of 1933, as amended; provided the term "Parent" shall not include the board of directors of a corporation in its capacity as a board of directors, and provided further that if the other party to any transaction referred to in Section 12.1.2 has no Parent as so defined above, "Parent" shall mean such other party.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government (or any subdivision, department, commission or agency thereof), and includes without limitation any "person," as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended.

"Potential Change in Control" shall be deemed to have occurred if (a) the Company enters into an agreement or arrangement the consummation of which would result in the occurrence of a Change in Control, (b) any Person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control or (c) the Board of Directors of the Company adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

"Subsidiary" means any corporation of which more than 50% of the outstanding stock having ordinary voting power to elect a majority of the board of directors of such corporation is now or hereafter owned, directly or indirectly, by the Company.

"Trust" has the meaning set forth in Section 9.2.

"Voting Securities" means any securities of the Company which vote generally in the election of directors.

Section 2. Indemnification

2.1. General Indemnity Obligation.

2.1.1. Subject to the remaining provisions of this Agreement, the Company hereby indemnifies and holds Indemnitee harmless for any Losses or Expenses arising from any Claims relating to (or arising in whole or in part out of) any Covered Event, including without limitation, any Claim the basis of which is any actual or alleged breach of duty, neglect, error, misstatement, misleading statement, omission or other act done or attempted by Indemnitee in the capacity as a Company Agent at the time liability is incurred or at the time the Claim is initiated.

2.1.2. The obligations of the Company under this Agreement shall apply to the fullest extent authorized or permitted by the provisions of applicable law, as presently in effect or as changed after the date of this Agreement, whether by statute or judicial decision (but, in the case of any subsequent change, only to the extent that such change permits the Company to provide broader indemnification than permitted prior to giving effect thereto).

2.1.3. Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Claim initiated by Indemnitee against the Company or any director or officer of the Company, unless the Company has joined in or consented to the initiation of such Claim; provided, the provisions of this Section 2.1.3 shall not apply (i) following a Change in Control to Claims seeking enforcement of this Agreement, the Charter or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events or (ii) absent a Change in Control, to Claims seeking enforcement of this Agreement, the Charter or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events, but only if the Indemnitee is ultimately determined to be entitled to indemnification.

2.1.4. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Losses or Expenses paid with respect to a Claim but not, however, for the total amount thereof, the Company shall nevertheless indemnify and hold Indemnitee harmless against the portion thereof to which Indemnitee is entitled.

2.1.5. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims relating to (or arising in whole or in part out of) a Covered Event or in defense of any issue or matter therein, including dismissal without prejudice, the Company shall indemnify and hold Indemnitee harmless against all Expenses incurred in connection therewith.

2.2. Indemnification for Serving as Witness and Certain Other Claims. Notwithstanding any other provision of this Agreement, the Company hereby indemnifies and holds Indemnitee harmless for all Expenses in connection with (a) the preparation to serve or service as a witness in any Claim in which Indemnitee is not a party, if such actual or proposed service as a witness arose by reason of Indemnitee having served as a Company Agent on or after the date of this Agreement and (b) any Claim initiated by Indemnitee on or after the date of this Agreement (i) for recovery under any directors' and officers' liability insurance maintained by the Company or (ii) following a Change in Control, for enforcement of the indemnification obligations of the Company under this Agreement, the Charter or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events, regardless of whether Indemnitee ultimately is determined to be entitled to such insurance recovery or indemnification, as the case may be; or (iii) absent a Change in Control for enforcement of this Agreement, the Charter or Bylaws of the Company or any other agreement now or hereafter in effect relating to indemnification for Covered Events, but only if the Indemnitee is ultimately determined to be entitled to indemnification.

Section 3. Limitation on Indemnification.

3.1. Coverage Limitations. No indemnification is available pursuant to the provisions of this Agreement:

3.1.1. If such indemnification is not lawful;

3.1.2. If Indemnitee's conduct giving rise to the Claim with respect to which indemnification is requested was not in good faith or involved intentional misconduct or a knowing violation of law;

3.1.3. In respect of any Claim based upon any other proceeding charging improper personal benefit to the Indemnitee in which the Indemnitee was adjudged liable on the basis that personal benefit was improperly received by the Indemnitee;

3.1.4. In respect of any Claim based upon or in connection with a proceeding by or in the right of the Company in which the director was adjudged liable to the Company;

3.1.5. In respect of any Claim for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended;

3.1.6. If Indemnitee's conduct giving rise to the Claim with respect to which indemnification is requested constituted a breach of the duty of loyalty to the corporation or its shareholders; or

3.1.7. In respect of any Claim based upon any violation of Section 48-18-304 of the Tennessee Business Corporation Act, as amended.

3.2. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment otherwise due and payable to the extent Indemnitee has otherwise actually received payment (whether under the Charter or the Bylaws of the Company, the D&O Insurance or otherwise) of any amounts otherwise due and payable under this Agreement.

Section 4. Payments and Determinations.

4.1. Advancement and Reimbursement of Expenses. If requested by Indemnitee, the Company shall advance to Indemnitee, no later than 10 days following any such request, any and all Expenses for which indemnification is available under Section 2. In order to obtain such advancement or reimbursement, the Indemnitee must also furnish to the Company a written affirmation of Indemnitee's good faith belief that Indemnitee has acted in good faith and reasonably believed that: (1) in the case of conduct in Indemnitee's official capacity with the Company, that Indemnitee's conduct was in its best interest; and (2) in all other cases, that Indemnitee's conduct was at least not opposed to its best interests; and (3) in the case of any criminal proceeding, Indemnitee had no reasonable cause to believe Indemnitee's conduct was unlawful. In addition, Indemnitee must furnish to the Company a written undertaking, executed personally or on Indemnitee's behalf, to repay the advance if it is ultimately determined that Indemnitee is not entitled to indemnification. Upon any Determination that Indemnitee is not

permitted to be indemnified for any Expenses so advanced, Indemnitee hereby agrees to reimburse the Company (or, as appropriate, any Trust established pursuant to Section 9.2) for all such amounts previously paid. Such obligation of reimbursement shall be unsecured and no interest shall be charged thereon.

4.2. Payment and Determination Procedures.

4.2.1. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, together with such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

4.2.2. Upon written request by Indemnitee for indemnification pursuant to Section 4.2.1, a Determination with respect to Indemnitee's entitlement thereto shall be made in the specific case (a) if a Change in Control shall have occurred, as provided in Section 9.1; and (b) if a Change in Control shall not have occurred, by (i) the Board of Directors by a majority vote of a quorum of Disinterested Directors, (ii) Independent Legal Counsel, if either (A) a quorum of Disinterested Directors is not obtainable or (B) a majority vote of a quorum of Disinterested Directors otherwise so directs or (iii) the shareholders of the Company (if submitted by the Board of Directors) but shares of stock owned by or voted under the control of any Indemnitee who is at the time party to the proceeding may not be voted. If a Determination is made that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such Determination.

4.2.3. If no Determination is made within 60 days after receipt by the Company of a request for indemnification by Indemnitee pursuant to Section 4.2.1, a Determination shall be deemed to have been made that Indemnitee is entitled to the requested indemnification (and the Company shall pay the related Losses and Expenses no later than 10 days after the expiration of such 60-day period), except where such indemnification is not lawful; provided, however, that (a) such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the Person or Persons making the Determination in good faith require such additional time for obtaining or evaluating the documentation and information relating thereto; and (b) the foregoing provisions of this Section 4.2.3 shall not apply (i) if the Determination is to be made by the shareholders of the Company and if (A) within 15 days after receipt by the Company of the request by Indemnitee pursuant to Section 4.2.1 the Board of Directors has resolved to submit such Determination to the shareholders at an annual meeting of the shareholders to be held within 75 days after such receipt, and such Determination is made at such annual meeting, or (B) a special meeting of shareholders is called within 15 days after such receipt for the purpose of making such Determination, such meeting is held for such purpose within 60 days after having been so called and such Determination is made at such special meeting, or (ii) if the Determination is to be made by Independent Legal Counsel.

Section 5. D & O Insurance.

5.1. Current Policies. The Company hereby represents and warrants to Indemnitee that Exhibit 1 contains a complete and accurate description of the D&O Insurance and that such insurance is in full force and effect.

5.2. Continued Coverage. The Company shall maintain, to the extent practicable, the D&O Insurance for so long as this Agreement remains in effect. The Company shall cause the D&O Insurance to cover Indemnitee, in accordance with its terms and at all times such insurance is in effect, to the maximum extent of the coverage provided thereby for any director or officer of the Company.

5.3. Indemnification. In the event of any reduction in, or cancellation of, the D&O Insurance (whether voluntary or involuntary on behalf of the Company), the Company shall, and hereby agrees to, indemnify and hold Indemnitee harmless against any Losses or Expenses which Indemnitee is or becomes obligated to pay as a result of the Company's failure to maintain the D&O Insurance in effect in accordance with the provisions of Section 5.2, to the fullest extent permitted by applicable law, notwithstanding any provision of the Charter or the Bylaws of the Company, or any other agreement now or hereafter in effect relating to indemnification for Covered Events. The indemnification available under this Section 5.3 is in addition to all other obligations of indemnification of the Company under this Agreement and shall be the only remedy of Indemnitee for a breach by the Company of its obligations set forth in Section 5.2.

Section 6. Subrogation. In the event of any payment under this Agreement to or on behalf of Indemnitee, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee against any Person other than the Company or Indemnitee in respect of the Claim giving rise to such payment. Indemnitee shall execute all papers reasonably required and shall do everything reasonably necessary to secure such rights, including the execution of such documents reasonably necessary to enable the Company effectively to bring suit to enforce such rights.

Section 7. Notification and Defense of Claims.

7.1. Notice by Indemnitee. Indemnitee shall give notice in writing to the Company as soon as practicable after Indemnitee becomes aware of any Claim with respect to which indemnification will or could be sought under this Agreement; provided the failure of Indemnitee to give such notice, or any delay in giving such notice, shall not relieve the Company of its obligations under this Agreement except to the extent the Company is actually prejudiced to any such failure or delay.

7.2. Insurance. The Company shall give prompt notice of the commencement of any Claim relating to Covered Events to the insurers on the D&O Insurance, if any, in accordance with the procedures set forth in the respective policies in favor of Indemnitee. The Company shall

thereafter take all necessary action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Claims in accordance with the terms of such policies.

7.3. Defense.

7.3.1. In the event any Claim relating to Covered Events is by or in the right of the Company, Indemnitee may, at the option of Indemnitee, either control the defense thereof or accept the defense provided under the D&O Insurance; provided, however, that Indemnitee may not control the defense if such decision would jeopardize the coverage provided by the D&O Insurance, if any, to the Company or the other directors and officers covered thereby.

7.3.2. In the event any Claim relating to Covered Events is other than by or in the right of the Company, Indemnitee may, at the option of Indemnitee, either control the defense thereof, require the Company to defend or accept the defense provided under the D&O Insurance; provided, however, that Indemnitee may not control the defense or require the Company to defend if such decision would jeopardize the coverage provided by the D&O Insurance to the Company or the other directors and officers covered thereby. In the event that Indemnitee requires the Company to so defend, or in the event that Indemnitee proceeds under the D&O Insurance but Indemnitee determines that such insurers under the D&O Insurance are unable or unwilling to adequately defend Indemnitee against any such Claim, the Company shall promptly undertake to defend any such Claim, at the Company's sole cost and expense, utilizing counsel of Indemnitee's choice who has been approved by the Company. If appropriate, the Company shall have the right to participate in the defense of any such Claim.

7.3.3. In the event the Company shall fail, as required by any election by Indemnitee pursuant to Section 7.3.2, timely to defend Indemnitee against any such Claim, Indemnitee shall have the right to do so, including without limitation, the right (notwithstanding Section 7.3.4) to make any settlement thereof, and to recover from the Company, to the extent otherwise permitted by this Agreement, all Expenses and Losses paid as a result thereof.

7.3.4. The Company shall have no obligation under this Agreement with respect to any amounts paid or to be paid in settlement of any Claim without the express prior written consent of the Company to any related settlement. In no event shall the Company authorize any settlement imposing any liability or other obligations on Indemnitee without the express prior written consent of Indemnitee. Neither the Company nor Indemnitee shall unreasonably withhold consent to any proposed settlement.

Section 8. Determinations and Related Matters.

8.1. Presumptions.

8.1.1. If a Change in Control shall have occurred, Indemnitee shall be entitled to a rebuttable presumption that Indemnitee is entitled to indemnification under this Agreement and the Company shall have the burden of proof in rebutting such presumption.

8.1.2. The termination of any claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not adversely affect either the right of Indemnitee to indemnification under this Agreement or the presumptions to which Indemnitee is otherwise entitled pursuant to the provisions of this Agreement nor create a presumption that Indemnitee did not meet any particular standard of conduct or that a court has determined that indemnification is not permitted by applicable law.

8.2. Appeals; Enforcement.

8.2.1. In the event that (a) a Determination is made that Indemnitee shall not be entitled to indemnification under this Agreement, (b) any Determination to be made by Independent Legal Counsel is not made within 90 days of receipt by the Company of a request for indemnification pursuant to Section 4.2.1 or (c) the Company fails to otherwise perform any of its obligations under this Agreement (including, without limitation, its obligation to make payments to Indemnitee following any Determination made or deemed to have been made that such payments are appropriate), Indemnitee shall have the right to commence a Claim in any court of competent jurisdiction, as appropriate, to seek a Determination by the court, to challenge or appeal any Determination which has been made, or to otherwise enforce this Agreement. If a Change of Control shall have occurred, Indemnitee shall have the option to have any such Claim conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. Any such judicial proceeding challenging or appealing any Determination shall be deemed to be conducted de novo and without prejudice by reason of any prior Determination to the effect that Indemnitee is not entitled to indemnification under this Agreement. Any such Claim shall be at the sole expense of Indemnitee except as provided in Section 9.3.

8.2.2. If a Determination shall have been made or deemed to have been made pursuant to this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such Determination in any judicial proceeding or arbitration commenced pursuant to this Section 8.2, except if such indemnification is unlawful.

8.2.3. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 8.2 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. The

Company hereby consents to service of process and to appear in any judicial or arbitration proceedings and shall not oppose Indemnitee's right to commence any such proceedings.

8.3. Procedures. Indemnitee shall cooperate with the Company and with any Person making any Determination with respect to any Claim for which a claim for indemnification under this Agreement has been made, as the Company may reasonably require. Indemnitee shall provide to the Company or the Person making any Determination, upon reasonable advance request, any documentation or information reasonably available to Indemnitee and necessary to (a) the Company with respect to any such Claim or (b) the Person making any Determination with respect thereto.

Section 9. Change in Control Procedures.

9.1. Determinations. If there is a Change in Control, any Determination to be made under Section 4 shall be made by Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). The Company shall pay the reasonable fees of the Independent Legal Counsel and indemnify fully such Independent Legal Counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or the engagement of Independent Legal Counsel pursuant hereto.

9.2. Establishment of Trust. Following the occurrence of any Potential Change in Control, the Company, upon receipt of a written request from Indemnitee, shall create a Trust (the "Trust") for the benefit of Indemnitee, the trustee of which shall be a bank or similar financial institution with trust powers chosen by Indemnitee. From time to time, upon the written request of Indemnitee, the Company shall fund the Trust in amounts sufficient to satisfy any and all Losses and Expenses reasonably anticipated at the time of each such request to be incurred by Indemnitee for which indemnification may be available under this Agreement. The amount or amounts to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by mutual agreement of Indemnitee and the Company or, if the Company and Indemnitee are unable to reach such an agreement, or, in any event, if a Change in Control has occurred, by Independent Legal Counsel. The terms of the Trust shall provide that, except upon the prior written consent of Indemnitee and the Company, (a) the Trust shall not be revoked or the principal thereof invaded, other than to make payments to unsatisfied judgment creditors of the Company, (b) the Trust shall continue to be funded by the Company in accordance with the funding obligations set forth in this Section, (c) the Trustee shall promptly pay or advance to Indemnitee any amounts to which Indemnitee shall be entitled pursuant to this Agreement, and (d) all unexpended funds in the Trust shall revert to the Company upon a Determination by Independent Legal Counsel (selected pursuant to Section 9.1) or a court of competent jurisdiction that Indemnitee has been fully indemnified under the terms of this Agreement. All income earned on the assets held in the trust shall be reported as income by the Company for federal, state, local and foreign tax purposes.

9.3. Expenses. Following any Change in Control, the Company shall be liable for, and shall pay the Expenses paid or incurred by Indemnitee in connection with the making of any Determination (irrespective of the determination as to Indemnitee's entitlement to indemnification) or the prosecution of any Claim pursuant to Section 8.2, and the Company hereby agrees to indemnify and hold Indemnitee harmless therefrom. If requested by counsel for Indemnitee, the Company shall promptly give such counsel an appropriate written agreement with respect to the payment of its fees and expenses and such other matters as may be reasonably requested by such counsel.

Section 10. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company, any Subsidiary, any Other Enterprise or any Affiliate of the Company against Indemnitee or Indemnitee's spouse, heirs, executors, administrators or personal or legal representatives after the expiration of two years from the date of accrual of such cause of action, and any claim or cause of action of the Company, any Subsidiary, any Other Enterprise or any Affiliate of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two-year period; provided, however, that if any shorter period of limitations, whether established by statute or judicial decision, is otherwise applicable to any such cause of action such shorter period shall govern.

Section 11. Contribution. If the indemnification provisions of this Agreement should be unenforceable under applicable law in whole or in part or insufficient to hold Indemnitee harmless in respect of any Losses and Expenses incurred by Indemnitee, then for purposes of this Section 11, the Company shall be treated as if it were, or was threatened to be made, a party defendant to the subject Claim and the Company shall contribute to the amounts paid or payable by Indemnitee as a result of such Losses and Expenses incurred by Indemnitee in such proportion as is appropriate to reflect the relative benefits accruing to the Company on the one hand and Indemnitee on the other and the relative fault of the Company on the one hand and Indemnitee on the other in connection with such Claim, as well as any other relevant equitable considerations. For purposes of this Section 11 the relative benefit of the Company shall be deemed to be the benefits accruing to it and to all of its directors, officers, employees and agents (other than Indemnitee) on the one hand, as a group and treated as one entity, and the relative benefit of Indemnitee shall be deemed to be an amount not greater than the Indemnitee's compensation from the Company during the first year in which the Covered Event forming the basis for the subject Claim was alleged to have occurred. The relative fault shall be determined by reference to, among other things, the fault of the Company and all of its directors, officers, employees and agents (other than Indemnitee) on the one hand, as a group and treated as one entity, and Indemnitee's and such group's relative intent, knowledge, access to information and opportunity to have altered or prevented the Covered Event forming the basis for the subject Claim.

Section 12. Miscellaneous Provisions.

12.1. Successors and Assigns, Etc.

12.1.1. This Agreement shall be binding upon and inure to the benefit of (a) the Company, its successors and assigns (including any direct or indirect successor by merger, consolidation or operation of law or by transfer of all or substantially all of its assets) and (b) Indemnitee and the heirs, personal and legal representatives, executors, administrators or assigns of Indemnitee.

12.1.2. The Company shall not consummate any consolidation, merger or other business combination, nor will it transfer 50% or more of its assets (in one or a series of related transactions), unless the ultimate Parent of the successor to the business or assets of the Company shall have first executed an agreement, in form and substance satisfactory to Indemnitee, to expressly assume all obligations of the Company under this Agreement and agree to perform this Agreement in accordance with its terms, in the same manner and to the same extent that the Company would be required to perform this Agreement if no such transaction had taken place; provided that, if the Parent is not the Company, the legality of payment of indemnity by the Parent shall be determined by reference to the fact that such indemnity is to be paid by the Parent rather than the Company.

12.2. Severability. The provisions of this Agreement are severable. If any provision of this Agreement shall be held by any court of competent jurisdiction to be invalid, void or unenforceable, such provision shall be deemed to be modified to the minimum extent necessary to avoid a violation of law and, as so modified, such provision and the remaining provisions shall remain valid and enforceable in accordance with their terms to the fullest extent permitted by law.

12.3. Rights Not Exclusive; Continuation of Right of Indemnification. Nothing in this Agreement shall be deemed to diminish or otherwise restrict Indemnitee's right to indemnification pursuant to any provision of the Charter or Bylaws of the Company, any agreement, vote of shareholders or Disinterested Directors, applicable law or otherwise. This Agreement shall be effective as of the date first above written and continue in effect until no Claims relating to any Covered Event may be asserted against Indemnitee and until any Claims commenced prior thereto are finally terminated and resolved, regardless of whether Indemnitee continues to serve as a director of the Company, any Subsidiary or any Other Enterprise.

12.4. No Employment Agreement. Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company, any Subsidiary or any Other Enterprise.

12.5. Subsequent Amendment. No amendment, termination or repeal of any provision of the Charter or Bylaws of the Company, or any respective successors thereto, or of any relevant provision of any applicable law, shall affect or diminish in any way the rights of Indemnitee to

indemnification, or the obligations of the Company, arising under this Agreement, whether the alleged actions or conduct of Indemnitee giving rise to the necessity of such indemnification arose before or after any such amendment, termination or repeal.

12.6. Notices. Notices required under this Agreement shall be given in writing and shall be deemed given when delivered in person or sent by certified or registered mail, return receipt requested, postage prepaid. Notices shall be directed to the Company at 209 10th Avenue, Suite 450, Nashville, Tennessee 37203, Attention: Chairman of the Board, and to Indemnitee at _____ (or such other address as either party may designate in writing to the other).

12.7. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Tennessee applicable to contracts made and performed in such state without giving effect to the principles of conflict of laws.

12.8. Headings. The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

12.9. Counterparts. This Agreement may be executed in any number of counterparts all of which taken together shall constitute one instrument.

12.10. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall constitute, or be deemed to constitute, a waiver of any other provisions hereof (whether or not similar) nor shall any such waiver constitute a continuing waiver.

The parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

HEALTHSTREAM, INC.

By:_____

Title:_____

INDEMNITEE

_____

_____

EXHIBIT 1

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE POLICY

EXHIBIT 10.7

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is made and executed this 21st day of April, 1999, by and between HealthStream, Inc., a Tennessee corporation (the "Company"), and Robert A. Frist, Jr., an individual and resident of Nashville, Tennessee ("Executive").

IN CONSIDERATION of the mutual undertakings of the parties set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive hereby agree as follows:

1. Employment. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, on the terms and conditions hereinafter set forth.

2. Term. The initial term of this Agreement shall commence and shall be effective as of the date set forth above (the "Effective Date") and shall extend from that date for a period of two years, unless earlier terminated as provided in this Agreement (the "Employment Term"). The Employment Term shall automatically be extended for successive one year periods unless on or before a date that is 90 days prior to the expiration of the Employment Term either the Company or Executive shall have given written notice to the other of its or his intention not to further extend the Employment Term, in which case in this Agreement shall expire and terminate at the end of the initial or extended Employment Term.

3. Nature of Duties and Responsibilities; Extent of Services. During the Employment Term, Executive shall be employed by the Company as its President and Chief Executive Officer, or such other executive position as Executive shall approve, and shall have such duties, powers and authority as generally inure to those offices. Executive shall have the principal authority and responsibility for managing the day-to-day business and affairs of the Company. Executive shall report to and take direction only from the Board of Directors of the Company. During the Employment Term, Executive shall devote his full time to the business of the Company. For purposes of this Agreement, the term "full time" shall mean an average of 40 hours per work week.

4. Location; Travel. The permanent place of employment of Executive shall be the corporate headquarters of the Company located in the metropolitan Nashville, Tennessee area. Executive shall not be required to relocate his place of employment outside of the metropolitan Nashville, Tennessee area at any time during the Employment Term without his prior consent, which consent may be withheld by Executive for any reason he deems appropriate. Executive may be required to conduct reasonable travel in the course of the performance of his duties on behalf of the Company.

5. Compensation.

(a) For all services rendered by Executive under this Agreement, the Company shall compensate Executive at the annual base rate of $85,000, payable in semi-monthly installments.

(b) The annual rate of compensation provided in Section 5(a) may be adjusted for each year of the Employment Term by an amount determined by the Compensation Committee of the Board of Directors of the Company in its sole discretion; provided, that such annual rate of compensation shall not at any time be less than the amount specified in Section 5(a).

(c) During the Employment Term, Executive shall be eligible for and shall participate

in any bonus program, plan or arrangement (whether formal or informal) generally adopted or made available by the Company with respect to its officers or senior management personnel, and the participation by Executive in any such program, plan or arrangement shall be upon terms and conditions (including without limitation the computation of amounts) substantially similar to those applicable to any other participant in such program, plan or arrangement; provided, that the Company may specify or require performance criteria unique to Executive. Nothing in this Section 5(c) shall be construed so as to require the Company to adopt any bonus program, plan or arrangement.

(d) The Company shall continue to pay Executive his compensation during any period of physical or mental incapacity or disability until his employment is terminated as provided in Section 9(d); provided, that payments so made to Executive during the period of disability shall be reduced by the sum of the amounts, if any, actually received by Executive with respect to such period under disability benefit plans provided by the Company at its cost or under the Social Security disability insurance program, and which amounts were not previously applied to reduce any such payment.

(e) During the Employment Term, the Company shall pay the reasonable expenses incurred by Executive (based on business development objectives and within limits that may be established by the Board of Directors of the Company) in the performance of his duties under this Agreement (or shall reimburse Executive on account of such expenses paid directly by Executive) promptly upon the submission to the Company by Executive of appropriate vouchers prepared in accordance with applicable regulations of the Internal Revenue Service and all policies and procedures of the Company.

6. Stock Options. During the Employment Term, Executive shall be eligible for and shall participate in any stock option or stock purchase plan, program or arrangement (whether formal or informal) generally adopted or made available by the Company with respect to its officers or senior management personnel, and the participation by Executive in any such plan, program or arrangement shall be upon terms and conditions (including without limitation the number of shares and the price at which such shares may be purchased) at least as favorable as those applicable to any other participant in such plan, program or arrangement.

7. Other Benefits. In addition to the benefits described herein, Executive shall be entitled to and eligible for group medical and disability insurance coverage, life insurance coverage, vacation and any other fringe benefits that generally may from time to time be available to other executive officers of the Company. Executive shall be eligible to participate in any pension, profit sharing or other employee benefit plan of the Company or in which the Company participates. Any and all such benefits provided in this Section 7 shall terminate on the expiration or earlier termination of this Agreement, except as otherwise required by law.

8. Tax Withholding. With respect to all forms of compensation and benefits to be provided by the Company to Executive under the terms of this Agreement, the Company shall be entitled to deduct and withhold from Executive all income, employment, payroll and other taxes and similar amounts required by applicable law, rule or regulation of any appropriate governmental authority.

9. Termination.

(a) Termination for Cause. Prior to the end of the stated or extended term of this Agreement, the Company may terminate this Agreement for cause, as provided below. In such

event, the Company shall pay to Executive all accrued but unpaid compensation (excluding any bonus) earned to the effective date of termination, and the Company shall thereafter have no further liability hereunder to Executive. The Company may terminate Executive for cause without notice in the event that Executive (i) has committed any act of intentional fraud or dishonesty that relates to the business of the Company; (ii) is convicted of, or enters a plea of nolo contendere with respect to, any felony at any time hereafter; (iii) willfully fails or refuses to perform his duties hereunder (other than as a result of Executive's incapacity due to physical or mental illness) within 30 days after a written demand for substantial performance is delivered to Executive by the Company specifying with reasonable particularity the duty or duties which the Company believes Executive has failed or refused to perform, or (iv) commits any other material breach of this Agreement which breach is not cured by Executive within 90 days of the date on which written notice of such breach is provided by the Company to Executive.

(b) Termination Without Cause. Prior to the end of the stated or extended term of this Agreement, the Company may terminate this Agreement, other than as provided in Section 9(a), upon 10 days prior written notice to Executive. In such event, the Company shall pay to Executive the amounts required under Section 9(i)).

(c) Death of Executive. In the event Executive's death occurs during the stated or extended term of this Agreement, Executive's employment with the Company shall terminate automatically and the Company shall pay to the estate of Executive all accrued but unpaid compensation (including any bonus previously declared or determined) earned to the date of death.

(d) Disability of Executive. In the event that Executive, due to any physical or mental illness, injury or condition, has been absent from his duties with the Company for more than 180 days (whether or not consecutive) during any 12-month period, the Company may terminate this Agreement immediately upon notice to Executive, in which case the Company shall pay to Executive or his legal guardian all accrued but unpaid compensation (including any bonus previously declared or determined) earned to the date of such termination.

(e) Voluntary Resignation. Executive may, upon 60 days prior written notice to the Company, voluntarily resign and thereby terminate this Agreement at any time prior to the expiration of the stated or extended term of this Agreement. In such event, the Company shall pay to Executive all accrued but unpaid compensation (excluding any bonus) earned to the effective date of resignation.

(f) Good Reason; Change of Control. Executive may, upon 30 days prior written notice to the Company, voluntarily resign for Good Reason at any time following any occurrence of a Change of Control. In such event, the Company shall pay to Executive the amounts required under Section 9(i).

For purposes of this Agreement, "Good Reason" shall mean the occurrence of any one of the following events, unless corrected by the Company during the 30-day notice period referred to in the first paragraph of this Section 9(f):

(i) Any change in Executive's title, authorities, responsibilities (including reporting responsibilities) which, in Executive's reasonable judgment, represents an adverse change from his status, title, position or responsibilities (including reporting responsibilities) which were in effect immediately prior to the Change in Control or from

his status, title, position or responsibilities (including reporting responsibilities) which were in effect following a Change in Control pursuant to Executive's consent to accept any such change; the assignment to him of any duties or work responsibilities which, in his reasonable judgment, are inconsistent with such status, title, position or work responsibilities; or any removal of Executive from, or failure to reappoint or reelect him to any such positions, except if any such changes are because of disability, retirement, death or cause (as defined in Section 9(a));

(ii) Any reduction by the Company in Executive's annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all senior executives of the Company and all senior executives of any Person (as defined below) in control of the Company; provided, that in no event shall any such reduction reduce Executive's base salary below $85,000;

(iii) The relocation of Executive's office at which he is to perform his duties to a location more than 30 miles from the location at which Executive performed his duties prior to the Change in Control, except for required travel on the Company's business to an extent substantially consistent with his business travel obligations prior to the Change in Control;

(iv) If the Executive had been based at the Company's principal executive offices immediately prior to the Change in Control, the relocation of the Company's principal executive offices to a location more that 30 miles from the location of such offices immediately prior to the Change in Control;

(v) The failure by the Company, without Executive's consent, to pay to Executive any portion of Executive's current compensation, or to pay to Executive any portion of an installment of deferred compensation under any deferred compensation program of the Company, within seven days of the date such compensation is due;

(vi) The failure by the Company to continue in effect any stock-based and/or cash annual or long-term incentive compensation plan in which Executive participates immediately prior to the Change in Control, unless Executive participates after the Change in Control in other comparable plans generally available to senior executives of the Company and senior executives of any Person in control of the Company;

(vii) The failure by the Company to continue to provide Executive with benefits substantially similar in value to Executive in the aggregate to those enjoyed by Executive under any of the Company's pension, life insurance, medical, health and accident or disability plans in which Executive was participating immediately prior to the Change in Control, unless Executive participates after the Change in Control in other comparable benefit plans generally available to senior executives of the Company and senior executives of any Person in control of the Company; or

(viii) The adverse and substantial alteration of the nature and quality of the office space within which Executive performed his duties prior to a Change in Control as well as in the secretarial and administrative support provided to Executive, provided, that a reasonable alteration of the secretarial or administrative support provided to Executive as a result of reasonable measures implemented by the Company to effectuate a cost-

reduction or consolidation program shall not constitutes Good Reason hereunder.

For purposes of this Agreement, a "Change in Control" shall mean the occurrence at any time during the Employment Term of any one of the following events:

(i) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as that term is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) other than Executive, immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the combined voting power of the Company's then outstanding Voting Securities; provided, however, in determining whether a Change in Control has occurred, Voting Securities which are acquired in a Non-Control Acquisition shall not constitute an acquisition which would cause a Change in Control. A "Non-Control Acquisition" shall mean an acquisition by (1) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company, or (B) any corporation or other Person of which a majority of its voting power or its voting equity securities or equity interest is owned, directly or indirectly, by the Company or the stockholders of the Company in substantially the same proportion as their ownership of the Voting Securities (for purposes of this definition, a "Subsidiary"), (2) the Company or its Subsidiaries, or (3) any Person in connection with a Non-Control Transaction (as hereinafter defined);

(ii) The individuals who, as of the date of this Agreement, are members of the Board of Directors of the Company (the "Incumbent Board"), cease for any reason to constitute at least a majority of the members of the Board of Directors of the Company; provided, however, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided, further, however, that no individual shall be considered a member of the Incumbent Board if such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of Directors of the Company (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest; or

(iii) Approval by stockholders of the Company of:

(1) A merger, consolidation or reorganization involving the Company, unless such merger, consolidation or reorganization is a Non-Control Transaction. A "Non-Control Transaction" shall mean a merger, consolidation or reorganization of the Company where the stockholders of the Company, immediately before such merger, consolidation or reorganization, own directly or indirectly immediately following such merger, consolidation or reorganization, 50% or more of the combined voting power of the outstanding voting securities of the corporation or its parent entity resulting from such merger or consolidation or reorganization in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

(2) A complete liquidation or dissolution of the Company; or

(3) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a Change in Control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the then outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities than outstanding, increases the proportional number of shares Beneficially Owned by the Subject Person, provided that if a Change in Control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a Change in Control shall occur.

(g) Change of Duties. Executive may, upon 30 days prior written notice to the Company, voluntarily resign and thereby terminate this Agreement at any time after there has been a material reduction in his duties, powers or authority as an officer or employee of the Company (a "Material Change") without the express written consent of Executive and the Company fails to cure such Material Change within 10 days of notice thereof by Executive. In such event, the Company shall pay to Executive the amounts required under Section 9(i). For purposes of this Agreement, a Material Change shall be deemed to have occurred if (i) any person other than Executive is elected by the Board of Directors of the Company to hold the office of Chief Executive Officer, (ii) Executive is made subordinate to any other officer or employee of the Company, or (iii) Executive ceases to be a member of the Board of Directors of the Company at any time for any reason other than his resignation or removal by the Board of Directors for cause (as defined in Section 9(a)).

(h) Material Breach by Company. In the event that the Company materially breaches this Agreement, which breach is not cured by the Company within 90 days of the date on which written notice of such breach is provided by Executive to the Company, Executive may thereafter voluntarily resign and thereby terminate this Agreement. In such event, the Company shall pay to Executive the amounts required under Section 9(i).

(i) Severance Benefits. In the event that (i) the Company terminates the employment of Executive without cause (as provided in Section 9(b)), (ii) Executive elects to resign for Good Reason after the occurrence of a Change in Control (as provided in Section 9(f)), (iii) Executive elects to resign and terminate this Agreement upon the occurrence of a Material Change (as provided in Section 9(g)), or (iv) Executive elects to resign and terminate this Agreement upon the occurrence of a material breach of this Agreement by the Company (as provided in Section 9(h)), then, in addition to all accrued but unpaid compensation earned to the effective date of such termination, the Company shall pay to Executive a severance benefit computed as provided in this Section 9(i). If termination occurs during the initial two year term of this Agreement, the severance benefit shall be the sum of (I) an amount equal to $290,000 less the cumulative amount of base salary actually paid to Executive during such two year period through the effective date of termination pursuant to the provisions of Section 5(a) and (b), and (II) $145,000. If termination occurs during any extended one year term of this Agreement, the severance benefit shall be the sum of (III) an amount equal to $145,000 less the cumulative amount of base salary actually paid to Executive during such one year period through the effective date of termination pursuant to the provisions of Section 5(a) and (b), and (IV) $145,000. In the event that Executive elects to resign for Good Reason after the occurrence of a Change in Control (as provided in Section 9(f)), then, in

addition to the payment of the severance benefit described herein, the Company shall amend each stock option or stock purchase agreement between Executive and the Company to provide for the full and immediate vesting of all options, shares and other benefits provided therein, in each case effective as of the date of the termination of Executive.

(j) Manner of Payment. The amount of the severance benefit required under Section 9(i) shall be paid by the Company to Executive in one lump sum within five days after the effective date of the termination of Executive; provided, that the $145,000 fixed amount described in subclauses (II) and (IV) of Section 9(i) shall be paid in 12 equal monthly installments beginning one month after the effective date of termination.

(k) Effect of Termination. Other than as expressly provided in this Agreement, all forms of compensation and benefits provided to Executive herein shall terminate on the expiration or earlier termination of this Agreement.

(l) Resignation as Chairman. If Executive's employment by the Company is terminated for any reason, Executive hereby agrees that he shall simultaneously submit his resignation as the Chairman of the Board of Directors of the Company, if Executive then serves in such capacity. If Executive fails to submit such required resignation in writing, the provisions of this Section 9(l) may be deemed by the Company to constitute the Executive's written resignation as the Chairman effective as of the effective date of termination. Nothing in this Section 9(l) shall require Executive to resign as a member (other than the Chairman) of the Board of Directors of the Company, and Executive may continue to serve in a capacity other than as the Chairman notwithstanding the termination of his employment.

10. Restrictive Covenant.

(a) Executive hereby covenants and agrees that during the Employment Term and for a period of one year thereafter, Executive shall not, directly or indirectly: (i) own any interest in, operate, join, control or participate as a partner, director, principal, officer or agent of, enter into the employment of, act as a consultant to, or perform any services for any entity (each a "Competing Entity") which has material operations which compete with any business in which the Company is then engaged; (ii) solicit any customer or client of the Company with respect to any business in which the Company is then engaged (other than on behalf of the Company); or (iii) induce or encourage any employee of the Company to leave the employ of the Company; provided, that Executive may: (1) subject to the provisions of Section 3, continue his association with each of the entities described on Exhibit A hereto; (2) subject to the provisions of Section 3, provide services to any entity primarily engaged in the business of providing an online healthcare news service; and (3) solely as an investment, hold not more than 5% of the combined voting securities of any publicly-traded corporation or other business entity. The foregoing covenants and agreements of Executive are referred to herein as the "Restrictive Covenant." Executive represents and warrants to the Company that each entity listed on Exhibit A is not a Competing Entity as of the date hereof.

(b) Executive has carefully read and considered the provisions of the Restrictive Covenant and, having done so, agrees that the restrictions set forth in this Section 10, including without limitation the time period of restriction set forth above, are fair and reasonable and are reasonably required for the protection of the legitimate business and economic interests of the Company.

(c) Executive acknowledges that the Company's business is and will be built upon the

confidence of those with whom it conducts business and that Executive will gain acquaintances and develop relationships by using the good will of the Company. Executive also acknowledges that the Company's business is and will be built upon the success of the Company in research, development and marketing, and through the development of certain business methods and trade secrets, and that Executive's position will give him confidential knowledge of all aspects of the Company's business and internal operations. In addition, Executive acknowledges that the Company's dealings through Executive will give Executive confidential knowledge that should not be divulged or used for his own benefit. Executive recognizes and agrees that his violation of any provision of the Restrictive Covenant will cause irreparable harm to the Company.

(d) In the event that, notwithstanding the foregoing, any of the provisions of this Section 10 or any parts hereof shall be held to be invalid or unenforceable, the remaining provisions or parts hereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable portions or parts had not been included herein. In the event that any provision of this Section 10 relating to the time period and/or the area of restriction and/or related aspects shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems reasonable and enforceable, the time period and/or area of restriction and/or related aspects deemed reasonable and enforceable by such court shall become and thereafter be the maximum restrictions in such regard, and the provisions of the Restrictive Covenant shall remain enforceable to the fullest extent deemed reasonable by such court.

11. Remedies. Executive agrees that in the event of any conduct by Executive violating any provision of Section 10, the Company shall be entitled, if it so elects, to institute and prosecute proceedings in any court of competent jurisdiction, either at law or in equity, to obtain damages for such conduct, to enforce specific performance of such provision, to enjoin Executive from such conduct, to obtain an accounting and repayment of all profits, compensation, commissions, remuneration or other benefits that Executive directly or indirectly has realized and/or may realize as a result of, growing out of, or in connection with any such violation, or to obtain any other relief, or any combination of the foregoing, that the Company may elect to pursue. Executive shall pay all legal fees and other costs incurred by the Company to enforce the provisions of Sections 10 and to obtain the remedies provided in this Section 11.

12. Prohibition on Parachute Payments.

(a) Notwithstanding any other provisions of this Agreement, in the event that any payment or benefit received or to be received by Executive in connection with a Change in Control or the termination of Executive's employment (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, any person whose actions result in a Change of Control or any person affiliated with the Company or such person)(all such payments and benefits, including, without limitation, base salary and bonus payments, being hereinafter called "Total Payments"), would not be deductible (in whole or part) by the Company, an affiliate or any person making such payment or providing such benefit as a result of section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), then, to the extent necessary to make such portion of the Total Payments deductible (and after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in such other plan, arrangement or agreement), (i) the cash portion of the Total Payments shall first be reduced (if necessary, to zero), and (ii) all other non-cash payments by the Company to Executive shall next be reduced (if necessary, to zero). For purposes of this limitation (1) no portion of the Total Payments the receipt or enjoyment of which Executive shall have effectively waived in writing prior to the date of termination shall be taken into account, (2) no portion of the Total Payments shall be taken into account which in the opinion of tax counsel selected by

the Company's independent auditors and reasonably acceptable to Executive does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code, including by reason of section 280G(b)(4)(A) of the Code, (3) such payments shall be reduced only to the extent necessary so that the Total Payments (other than those referred to in clauses (1) or (2)) in their entirety constitute reasonable compensation for services actually rendered within the meaning of section 280G(b)(4)(B) of the Code or are otherwise not subject to disallowance as deductions, in the opinion of the tax counsel referred to in clause (2), and (4) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Company's independent auditors in accordance with the principles of sections 280G(d)(3) and (4) of the Code.

(b) If it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that, notwithstanding the good faith of Executive and the Company in applying the terms of this Section 12, the aggregate "parachute payments" paid to or for Executive's benefit are in an amount that would result in any portion of such "parachute payments" not being deductible by reason of section 280G of the Code, then Executive shall have an obligation to pay to the Company upon demand an amount equal to the sum of (i) the excess of the aggregate "parachute payments" paid to or for Executive's benefit over the aggregate "parachute payments" that could have been paid to or for Executive's benefit without any portion of such "parachute payments" not being deductible by reason of section 280G of the Code; and (ii) interest on the amount set forth in clause (i) of this sentence at the rate provided in section 1274(b)(2)(B) of the Code from the date of Executive's receipt of such excess until the date of such payment.

13. Representations.

(a) The Company represents and warrants that this Agreement has been authorized by all necessary corporate action of the Company and is a valid and binding agreement of the Company enforceable against it in accordance with its terms.

(b) Executive represents and warrants that he is not a party to any agreement or instrument that would prevent him from entering into or performing his duties in any way under this Agreement

14. Waiver of Breach. The waiver by either party of a breach of any provisions of this Agreement by either party shall not operate or be construed as a waiver of any subsequent breach by either party.

15. Successors. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and permitted assigns of the parties hereto. This Agreement may not be assigned by Executive or by the Company without the prior written consent of the other, except that the Company may assign this Agreement to any business entity that acquires the Company or its business operations and thereafter conducts the business of the Company.

16. Construction. This Agreement shall be construed under and enforced in accordance with the internal laws of the State of Tennessee.

17. Entire Agreement. This Agreement is the entire agreement of the parties and supersedes all prior agreements and understandings, written or oral. This Agreement shall not be amended or modified except in writing executed by both parties.

18. Notice. For the purposes of this Agreement, notices shall be deemed given when mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed in the case of the Company to its principal executive office; or in the case of Executive to the address shown on the signature page of this Agreement. Either party may change such address by giving the other party notice of such change in the aforesaid manner, except that notices of changes of address shall only be effective upon receipt.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

HEALTHSTREAM, INC.

By: /s/ Robert H. Laird, Jr.

Title: General Counsel

EXECUTIVE:

/s/ Robert A. Frist, Jr.

Robert A. Frist, Jr.

Address:

201 Abbott Glen Court
Nashville, Tennessee 37215

EXHIBIT A

Adam Internet Health Software

Passport Health Communications

A to be formed entity named U.S. Medical News, or any substantially similar name
(a company involved in on-line healthcare news)

EXHIBIT 10.8

LEASE AGREEMENT

LANDLORD & TENANT

1. THIS LEASE AGREEMENT, entered into this 27th day of March 1995, by and between Cummins Station LLC corporation with its principal office and place of business in Nashville, Tennessee, hereinafter called "Landlord," and NewOrder Media, Inc. hereinafter called "Tenant."

WITNESSETH:

PREMISES

2. That the Landlord, for and in consideration of the payments hereinafter stipulated to be made by Tenant, and the covenants and agreements hereinafter contained to be kept and performed by Tenant, does by these presents hereby lease unto the Tenant, and Tenant does by these presents hereby lease from Landlord, the use and occupancy of

See Exhibit "A"

Suite 450

containing approximately 6,954 square feet and being the leased premises as shown by design attached hereto as Exhibit "A," and incorporated herein, and being a part of that building known as Cummins Station, situated on _____ in Nashville, Tennessee, on a tract of land owned by Landlord more particularly described in a certain warranty deed of record in the office of The County Recorder.

TERM

3. TO HAVE AND TO HOLD the same for the term of 5 years next ensuing from and after the 1st day of May, 1995, and ending on the 30th day of April, 2000, unless the term hereby demised shall be sooner terminated as hereinafter provided.

RENT

4. Tenant shall pay to Landlord as rent at the office of Landlord in Nashville, Tennessee, or as may be directed the sum of $52,155.00/yr., years 1 & 2, $59,109.00/year, years 3, 4 & 5 per annum for the original term hereof, except as noted hereinafter, payable in installments of $4,346.25/month, years 1 & 2, $4,925.75/month years 3, 4 & 5 per month for each and every month during the original term hereof, the first such installment being on the first day of the first calendar month of said term, and another such installment being due and payable on the first day of each and every succeeding calendar month of said term, in advance, until the full payment of the total sum shall be made. Any rental not paid when due shall bear interest at the rate of 10 per cent per annum from the date payment was due until paid.

CONDITIONS

5. This lease is entered into upon the understanding and agreement that the same shall be subject to the following express terms and conditions and rules "Exhibit B" attached, each and every one of which the parties hereto covenant and agree to keep and perform:

FIRST: That Tenant agrees to pay to Landlord the sums herein, specified during the original and any renewal term hereof without demand, and without counterclaim, deduction, or set-off, and to comply with the terms and provisions of this lease.

USE

SECOND: That Tenant will use and occupy said premises for offices for computer software, design & related services and for no other purpose; that Tenant will keep said demised premises in good repair and tenantable condition and shall quit and surrender said premises peaceably at the end of the original or any renewal term hereof in as good condition as the reasonable use thereof will permit; and that Tenant will replace at his own expense any and all broken glass in and about said premises, if due to Tenant's negligence, with glass of the same size and quality, including all signs thereon. If Tenant fails to make proper repairs, Landlord, at its option, may make such repairs at Tenant's expense.

CONDITIONS OF PREMISES

THIRD: That no representations, except as are contained herein or endorsed hereon, have been made to the Tenant respecting the condition of said premises. The taking possession of the said premises by the Tenant shall be conclusive evidence against the Tenant that premises were in good and satisfactory condition when possession of the same was so taken; and the Tenant will, at the termination of this lease, by lapse of time or otherwise, return said premises to the Landlord in as good condition as when received, loss by fire, storm or other casualty and ordinary wear excepted.

SUBLETTING & ASSIGNMENT

FOURTH: That the Tenant will not assign this lease nor any interest hereunder; and will not permit any assignment hereof by operation of law; and will not sublet said premises or any part thereof; and will not permit the use of said premises by desk tenants or any parties other than the Tenant, and the

agents and servants of the Tenant, without first obtaining the written consent of the Landlord, which shall not be unreasonably withheld. Landlord may assign his lease or any part thereof or right thereunder.

ALTERATIONS & IMPROVEMENTS

FIFTH: No alterations, additions or improvement to the leased premises, except such as may be provided for in this lease, shall be made without first having the consent, in writing, of the Landlord, and any improvements, additions or alterations made by the Tenant after such consent shall have been given, including any and all fixtures installed, excepting trade fixtures, shall at Landlord's option remain on the premises as the property of the Landlord, without compensation to Tenant, or shall be removed therefrom and the premises restored to their original condition at cost to Tenant, at the expiration or sooner termination of this lease. The Tenant shall at his own cost repair any damage caused by the removal of trade fixtures restoring the premises to their original condition at his own expense. The Tenant agrees to save Landlord harmless on account of claims for mechanics, materialmen or other liens in connection with any alterations, additions, or improvements to which Landlord may give its consent in connection with the leased premises, and Tenant will, if required by Landlord, furnish such waiver or waivers of lien or bond in form and with surety satisfactory to Landlord, as Landlord may require before starting any work in connection with alterations, additions or improvements to the leased premises.

LIMITS OF USE & PEACEFUL ENJOYMENT

SIXTH: That the Tenant will not use or permit upon said premises anything that will invalidate any policies of insurance now or hereafter carried on said building or that will increase the rate of insurance on said demised premises or on the building of which said demised premises are a part; that the Tenant will not use or permit upon said demised premises anything that may be dangerous to life or limb; the Tenant will not in any manner deface or injure said building or any part thereof, or overload the floors of said premises, it being mutually agreed that in no event shall any weight placed upon said floors exceed seventy-five pounds per square foot of floor space covered; that the Tenant will not permit any objectionable noise or odor to escape or be emitted from said premises in any way tending to create a nuisance,

or tending to disturb any other tenant in said building or the occupants of neighboring property, or tending to injure the reputation of the said building: the Tenant will comply with all governmental, health and police requirements and regulations respecting said premises.

PERSONAL OR PROPERTY RISKS

SEVENTH: Landlord shall not be held responsible for and is hereby expressly relieved from all liability by reason of any injury, loss or damage to any person or property in or about the leased premises, unless caused by negligence of Landlord, whether the loss, injury, or damage be to the person or property of the Tenant or any other person. This provision shall apply especially (but not exclusively) to damage caused by water, snow, frost, steam, sewage, illuminating gas, sewer gas, or odors, or by the bursting or leaking of pipes or plumbing works, and shall apply equally whether such damage be caused by the act or neglect of other tenants, occupants or janitors of said building or of any other persons, and whether such damage be caused or occasioned by anything above mentioned or referred to, or by any other thing or circumstance, whether of a like nature, or of a wholly different nature. If any such damage shall be caused by the acts of neglect of the Tenant, the Landlord may, at its option, repair such damage, whether caused to the building or the tenants thereof, and the Tenant shall thereupon reimburse the Landlord the total cost of such damage both to the building and to the tenants thereof. The Tenant further agrees that all personal property upon the demised premises shall be at risk of the Tenant only and that the Landlord shall not be liable for any damage thereto or theft thereof. Nor shall the landlord be liable for the stoppage or interruption of water, light, heat, air conditioning, janitor or elevator service, caused by riot, strike, accident, or to make needful repairs, or by any cause over which the Landlord has no control. Nor shall the Landlord be liable for any act or neglect of the janitors or other employees not authorized by the Landlord. And such failure, delay or default of the janitors or employees shall not be construed or considered as an actual or constructive eviction of the Tenant nor shall it in any way operate to release the Tenant from the punctual performance of each and all of the other covenants herein contained by the Tenant to be performed.

RIGHTS OF LANDLORD ON DEFAULT

EIGHTH: That if default shall at any time be made by said Tenant in the payment of the rent hereby reserved, or any installment thereof, or if default shall be made in any of the other covenants herein contained, to be kept, observed and performed by the Tenant, or if the leasehold interest shall be levied on under execution, or in the event of the insolvency or bankruptcy of the Tenant, or the filing of any petition under the bankruptcy statute, voluntarily or involuntarily and whether or not resulting in an adjudication in bankruptcy, or in the event of a partial or general assignment for the benefit of a creditor, then, and in any of said cases, the Landlord may, at its option, at once, without notice to the Tenant, terminate this lease; and upon the termination of said lease at the option of the Landlord as aforesaid, or at the expiration by lapse of time of the term hereby demised, the Tenant will at once surrender possession of said premises to the Landlord, and remove all effects therefrom, and if such possession be not immediately surrendered, the Landlord may forthwith re-enter said premises and repossess itself thereof as of its former estate and remove all persons and effects therefrom, using such force as may be necessary, without being deemed guilty of any manner of trespass or forcible entry and detainer. And the Tenant expressly waives the service of any notice of intention to terminate this lease or to re-enter said premises, and waives the service of any demand for payment of rent or for possessions, and waives the service of any and every other notice or demand prescribed by any statute or other law, and agrees that the simple breach of any of the said covenants shall, of itself, without the service of any notice or demand whatever, constitute a forcible detainer by the Tenant of said premises, within the meaning of the statutes, of the State of Tennessee. No receipt of moneys by the Landlord from the Tenant, after the termination in any way of this lease, or after giving of any notice, shall reinstate, continue or extend the term of this lease or affect any notice given to the Tenant prior to the receipt of such money, it being agreed that after the service of notice of the commencement of a suit, or after final judgment for possession of said premises, the Landlord may receive and collect any rent due, and the payment of said rent shall not waive or affect said notice, said suit or said judgment. If the tenant shall not remove all effects from said premises as above agreed, the Landlord may, at its option, remove the same in any manner that the Landlord shall choose and store the same without liability to the Tenant for loss thereof, and the Tenant will pay the Landlord, on request, any and all expense incurred in such removal and also storage on said effects for any length of time during which the same shall be in the Landlord's possession; or the Landlord may at its option, without notice, sell the said effects or any of the same for such price as the Landlord may deem best and apply the proceeds of such sale upon any amounts due under this lease from the Tenant to the Landlord, including the expenses of the removal and sale.

RIGHTS OF LANDLORD ON ABANDONMENT

NINTH: That in event the Tenant shall vacate said premises or abandon the same during the life of this lease, the Landlord may, at its option, without terminating this lease, but the Landlord shall not be under any obligation to do so, enter into said premises, remove the Tenant's signs therefrom, and relet the same for the account of the Tenant, for such rent and upon terms as shall be satisfactory to the Landlord, without such re-entry working a forfeiture of the rents to be paid and the covenants to be performed by the Tenant during the full term of this lease; and for the purpose of such re-letting the Landlord is authorized to make any repairs, changes, alterations or additions in or to said demised premises that may be necessary or convenient, and if a sufficient sum

shall not be realized monthly from such re-letting, after paying all of the costs and expenses of such re-letting the collection of the rent accruing therefrom each month to satisfy the monthly rent above provided to be paid by the Tenant, then the Tenant will pay and satisfy such deficiency each month upon demand therefor.

LOSS OR DAMAGE TO PREMISES

TENTH: Should the building upon the demised premises be totally destroyed by fire or other cause, or so damaged that rebuilding or repairs cannot be completed within one hundred and eighty (180) days from date of fire, or other cause of damage, this lease shall terminate and the Tenant shall be allowed an abatement of rent from the date of such damage or destruction. However, if the damage is such that rebuilding or repairs can be completed within 180 days, the Landlord covenants and agrees to make such repairs with reasonable promptness and dispatch, and to allow Tenant an abatement in the rent for such time as the building is untenantable, or proportionately for such portion of the leased premises as shall be untenantable and the Tenant covenants and agrees that the terms of this lease shall not otherwise be affected.

CONDEMNATION

ELEVENTH: If the whole of the demised premises shall be taken or condemned by any competent authority for public or quasi public use or purpose, then, and in that event, the term of this lease shall cease and terminate when the possession of the demised premises so taken shall be required for such use or purpose and without apportionment of the award. If any part, less than the whole, of the demised premises shall be so taken or condemned, then, and in that event, the Landlord shall have the option exercisable by notice in writing to the Tenant within sixty (60) days from the notice to Landlord of the taking or condemnation, to terminate this lease; and in the event Landlord does not exercise its option reserved herein to so terminate this lease, it shall continue with reference to the portion of the demised premises not taken or condemned unless the same is rendered untenantable by such taking and condemnation or cannot be made tenantable by repairs to be conducted by Landlord at its expense. In either event, the entire award for the taking and condemnation of the premises shall belong to Landlord, and Tenant shall have no interest therein; and in the event this lease continues with reference to the portion of the demised premises not taken, the rental specified hereunder shall be prorated and adjusted on a square footage basis. In the event that this lease terminates by a taking or condemnation of the whole of the demised premises or by the election on the part of Landlord as provided herein, the current rental shall in either case be apportioned to the date of termination of the lease.

REDECORATION

TWELFTH: That if the Tenant shall move from said premises at any time prior to the termination of this lease, the Landlord shall have the right to enter upon said premises for the purpose of decorating the same or making alterations or changes therein, without such entry in any manner affecting the obligation of the Tenant hereunder.

MOVING TENANT

THIRTEENTH: Landlord reserves the right to move Tenant to other space in said building on thirty days' notice. Tenant to have the option within ten days from the date of said notice to agree with Landlord upon new space. In case Landlord and Tenant do not agree within said ten days upon terms of removal, then this lease to become null and void and of no further effect, after thirty days from the date of above notice. Landlord agrees to pay expenses of moving Tenant to the new space agreed upon.

RIGHTS OF LANDLORD

FOURTEENTH: The right of the Landlord to terminate this lease as herein set forth is in addition to and not in exhaustion of such other rights that the Landlord has, or causes of action that may accrue to the Landlord because of the Tenant's failure to fulfill, perform or observe the obligations, agreements or covenants of this lease, and the exercise or pursuit by the Landlord of any of the rights or causes of action accruing hereunder shall not be an exhaustion of such other rights or causes of action that the Landlord might otherwise have.

WAIVERS

FIFTEENTH: No waiver of any condition expressed in this lease shall be implied by any neglect of the Landlord to declare a forfeiture on account of the violation of such condition if such violation be repeated or continued subsequently and no express waiver shall affect any condition other than the one specified in such waiver, and that one only for the time and in the manner specifically stated.

ATTORNEYS

SIXTEENTH: That the Tenant will pay all reasonable attorney's fees and expenses the Landlord incurs in enforcing any of the obligations of the Tenant under this lease, or in any litigation or negotiation in which the Landlord shall without its fault, become involved through or on account of this lease.

LIENS

SEVENTEENTH: A first lien is hereby expressly reserved by the Landlord and granted by the Tenant upon the term of this lease and upon all interest of the Tenant in this leasehold for the payment of rent and also for the satisfaction of any cause of action which may accrue to the Landlord by the provisions of this instrument. A first lien is also expressly reserved by the Landlord and granted by the Tenant upon all personal property, fixtures, improvements and all other fixtures erected or put in place or that may be erected or put in place upon the premises by or through the Tenant or other occupants for the payment of rent and also for the satisfaction of any causes of action which may accrue to the Landlord by the provisions of this instrument.

HOLD OVER

EIGHTEENTH: That the Tenant will pay to the Landlord, as liquidated damages, double rent for all the time the Tenant shall retain possession of said premises or any part thereof after the termination of this lease, whether by lapse of time or otherwise; but the provisions of this clause shall not operate as a waiver by the Landlord of any right of re-entry hereinbefore provided; nor shall any waiver by the Landlord of its right to terminate this lease for breach of covenant affect its right to terminate this lease for any later breach of the same or another covenant.

AIR RIGHTS

NINETEENTH: It is understood and agreed that this lease does not grant any rights to light and air over property except public streets adjoining the land on which said building is situated.

HOLD HARMLESS

TWENTIETH: Tenant covenants to save and hold the Landlord harmless from violations of the laws of the United States, of the State in which the demised premises are located, and the ordinances and laws of the city in which the demised premises are located.

EXTRA USE OF PREMISES

TWENTY-FIRST: That in consideration of the execution of this lease by the Landlord, the Tenant shall not use said premises for any purpose except that which is above specified, and in particular will not expose nor offer for sale on said premises, any alcoholic or other liquors, tobacco, drugs, flowers, candies, confections nor any other thing or things whether of a like or of a wholly different nature, without the written consent of the Landlord, the right being hereby reserved to the Landlord to grant to any person, firm or corporation the exclusive right and privilege to conduct any particular business in said building, and such exclusive right and privilege so granted shall be binding upon the Tenant hereunder the same as though specifically incorporated in this lease.

ELECTRICAL & MECHANICAL IMPROVEMENTS

TWENTY-SECOND: Tenant shall not install or connect any air conditioning equipment, electric-driven motor or any electrical, gas or water appliance or equipment, without first submitting the same to Landlord and securing its written consent. If such consent is obtained, Tenant shall each month promptly pay the prevailing City or utility district in which the demised premises are

located, rates for the gas, electricity and/or water used by the Tenant for the operation of such appliances, in addition to the rent provided for in Section FIRST of this lease. With respect to air conditioning or any other electrical, gas or water appliance or equipment installed by or under Tenant, Landlord shall have the right to require that the premises be restored to the condition existing prior to the installation of said appliance, including the removal of any or all ducts, wiring, piping, etc., and the repair and replacement of all damage caused by such removal, or, at Landlord's option, the right to retain all ducts, wiring, piping, etc., and the right to require the delivery of demised premises in the condition as changed as the result of the installation of such ducts, wiring, piping, etc. Unless parties agree to the contrary, nothing herein shall, however, prevent Tenant from removing the air conditioning or other electrical units installed by or under Tenant, provided Tenant is not then in default hereunder.

STORAGE

TWENTY-THIRD: If Tenant shall fail to remove all effects from said premises upon termination of this lease for any cause whatsoever, Landlord may at its option remove the same in any manner that Landlord shall choose and store said effects without liability to Landlord for loss thereof, and Tenant agrees to pay Landlord on demand any and all expenses incurred in such removal, including court costs and attorney's fees and storage charge on such effects for any length of time the same shall be in Landlord's possession, or Landlord may at its option without notice sell said effects or any part of the same at private sale and without legal process for such price as Landlord may obtain and apply the proceeds of such sale upon any amounts due under this lease from Tenant to Landlord and upon the expense incident to the removal and sale of said effects.

DEFECTS

TWENTY-FOURTH: Said Tenant shall give to said Landlord or its agent prompt written notice of any accident to or defects in the water pipes, gas pipes, air conditioning apparatus, to be remedied by said Landlord with due diligence from and after its receipt of any such notice.

SUBORDINATION

TWENTY-FIFTH: This lease is subject and subordinate to all present mortgages affecting the real estate and improvements thereon of which the demised premises form a part, and to all renewals and extension thereof, and to any mortgage which may hereafter be executed affecting the same.

LIQUIDATED DAMAGES

TWENTY-SIXTH: It is agreed between the parties hereto that if the rent stipulated herein at any time shall not be paid when due, then all subsequent installments of rent, remaining unpaid, shall forthwith become due and payable at the option of Landlord with notice to Tenant, and in case the said Tenant is declared bankrupt or voluntarily offers to creditors terms of composition, or in case a receiver is appointed to take charge of and conduct the affairs of Tenant, such claim for further unpaid installments of rent due under this lease shall be considered liquidated damages and shall constitute a debt provable in bankruptcy or receivership.

REMEDIES

TWENTY-SEVENTH: No act or thing done by Landlord or its agents during the term hereby granted shall be deemed an acceptance of a surrender of said premises, and no agreement to accept a surrender of said premises shall be valid unless the same be made in writing and subscribed by Landlord. The provision in this lease of any particular remedy shall not preclude Landlord from any other remedy Landlord might have, either in law or in equity, nor shall the waiver of or redress for any violation of any covenant or condition in this lease contained or any of the rules and regulations set forth herein in Exhibit "B" or hereafter adopted by Landlord, prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. In case it should be necessary or

proper for Landlord to bring any action under this lease or to consult or place said lease, for any amount payable by Tenant thereunder, with an attorney concerning or for the enforcement of any of Landlord's rights hereunder, then Tenant agrees in each and any such case to pay to Landlord a reasonable attorney's fee. The receipt by Landlord of rent with knowledge of the breach of any covenant in this lease contained, shall not be deemed a waiver of such breach. The failure of Landlord to enforce any of the rules and regulations set forth in Exhibit "B," or hereafter adopted, against the Tenant and/or any other tenant in the building shall not be deemed a waiver of such rules and regulations. The receipt by Landlord of rent from any assignee, under-tenant or occupant of said premises shall not be deemed a waiver of the covenant in this lease contained, against assignment, and underletting or an acceptance of the assignee, under-tenant or occupant as Tenant, or a release of Tenant from the further observance or performance by Tenant of the covenant in this lease contained, on the part of the Tenant to be observed and performed. No provision of this lease shall be deemed to have been waived by Landlord unless such waiver be in writing signed by Landlord. In case of termination of this lease by Landlord under any option herein provided for, Landlord may re-enter the premises without notice or demand, and in that event rent shall become due and be apportioned and paid up to and including the day of such entry.

COMPLETION OF PREMISES

TWENTY-EIGHTH: The parties hereto agree that if, through no fault of Tenant, the demised premises shall not be ready for occupancy at the date upon which the term hereby demised is to begin, the rent under this lease shall not commence until the said demised premises are ready for occupancy, where-upon this lease and all the covenants, conditions and agreements herein contained shall be given full force and effect, and the allowance of rent herein provided to be paid by Tenant for such period prior to delivery of the demised premises to said Tenant for occupancy, shall be in full settlement of all claims which Tenant might otherwise have by reason of said demised premises not being ready for occupancy on the date of the beginning of the term as set forth herein. The certificate of the architect or company in charge of the construction of said building shall control conclusively the date upon which the demised premises are ready for occupancy. The parties also agree that for the purpose of completing or of making repairs or alterations in any portion of said building. Landlord may use one or more of the street entrances, the halls, passageways and elevators of said building; provided, however, that there shall be no unnecessary obstruction of the right of entry to the demised premises while the same are occupied.

ESCALATION

TWENTY-NINTH: Intentionally omitted.

THIRTIETH: The Landlord covenants that the Tenant upon paying the rent and complying with the terms, covenants and conditions aforesaid shall and may peaceably and quietly have, hold, and enjoy the leased premises for the term aforesaid.

Further, the Landlord and Tenant covenant with each other:

(a) That all rights and remedies of the Landlord under this lease shall be cumulative, and none shall exclude any other rights and remedies allowed by law.

(b) That the word "Landlord" and "Tenant" wherever used herein shall be construed to mean Landlords and Tenants in all cases where there is more than one Landlord or Tenant, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

(c) Tenant hereby waives and renounces any and all homestead exemption rights he may have now, or hereafter, under or by virtue of the constitution and laws of the State in which the demised premises are located, or of any other state, or of the United States, as against the payment of said rental or any portion thereof, or any other obligation or damage that may accrue under the terms of this agreement.

(d) It is understood and agreed between the parties hereto that notice from the Landlord mailed or delivered to the premises leased thereunder shall constitute sufficient notice to the Tenant to comply with the terms of this contract.

(e) It is further understood and agreed between the parties hereto that any charges against the Tenant by the Landlord for supplies, services, or work done on the premises by order of the Tenant, or otherwise accruing under this contract, shall be considered as rent due and shall be included in any lien for rent due and unpaid.

(f) That all covenants, conditions, agreements and undertakings in this lease shall extend to, and be binding on, the respective heirs, executors, administrators, successors and assigns of the respective parties hereto the same as if they were in every case named.

(g) That this lease embodies the entire agreement of the parties hereto and that the same may not be altered, changed, or amended except by an instrument in writing executed by both parties.

(h) That this lease shall be interpreted in accordance with the laws of the State of Tennessee. If any clause or provision hereof should be determined to be illegal, invalid or unenforceable under present or future laws effective during the term of this lease or any renewal term hereof, then and in that event, it is the express intention of the parties hereto that the remainder of this lease shall not be affected thereby, and it is also the express intention of the parties hereto that in lieu of each clause or provision of this lease which may be determined to be illegal, invalid or unenforceable, there may be added as a part of this lease a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

THIRTY-FIRST: Periodical replacement of fluorescent tubes and bulbs will be provided by Landlord, but the cost of such replacement tubes or bulbs will be borne by Tenant.

ADDENDA TO LEASE

THIRTY-SECOND:

See attached

IN WITNESS WHEREOF, the parties hereto have, on the day and year first above written, executed this lease agreement in duplicate, one copy to be retained by each of the parties and each such copy to be considered as an original for all purposes.

ATTEST: CUMMINS STATION LLC

/s/ Buist Richardson
- ----------

By /s/ Landlord

Landlord, Chief Member

ATTEST OR WITNESS: NEWORDER MEDIA, INC.

/s/ Buist Richardson   By /s/ Jeff McLaren

\- ----------------------------------   ----------------------------------

Tenant, President

EXHIBIT "B"
RULES AND REGULATIONS

Rule 1. No sign, picture, advertisement, or notice shall be displayed, inscribed, painted or affixed, on any part of the outside or inside of said building, or on or about the premises hereby demised, except on the glass of the doors and windows of said premises and on the Directory Board of the building, and then only of such color, size, style and materials as shall be first specified by the Landlord in writing on this lease. No "For Rent" signs shall be displayed by the Tenant, and no showcases, or obstructions, signs, flags, barber poles, statuary, or any advertising device of any kind whatever shall be placed in front of said building or in the passageways, halls, lobbies, or corridors thereof by the Tenant; and the Landlord reserves the right to remove all such showcases, obstructions, signs, flags, barber poles, statuary or advertising devices and all signs other than those provided for, without notice to the Tenant and at his expense.

Rule 2. The Tenant shall not, without the Landlord's written consent, put up or operate any steam engine, boiler, machinery or stove upon the premises, or carry on any mechanical business thereon, or do any cooking thereon, or use or allow to be used upon the demised premises oil, burning fluids, camphene, kerosene for heating, warming or lighting, or anything (except gas or incandescent electric lights, and those only of such company or companies as may be supplying the building) for illuminating said premises. No article deemed extra hazardous on account of fire and no explosives shall be brought into said premises.

Rule 3. No additional locks shall be placed upon any doors of the premises. Upon the termination of the lease the Tenant shall surrender to the Landlord all keys of the premises.

Rule 4. Safes, furniture, boxes or other bulky articles shall be carried into the premises only with written consent of the Landlord first obtained, and then only by means of the elevators, by the stairways or through the windows of said building as the Landlord may in writing direct, and at such times and in such manner and by such persons as the Landlord may direct. Safes and other heavy articles shall be placed by the Tenant in such places only as may be first specified in writing by the Landlord, and any damage done to the building or to tenants or to other persons taking a safe or other heavy article in or out of the demised premises, from overloading a floor, or in any other manner shall be paid for by the Tenant causing such damage.

Rule 5. Elevator service and/or self-service elevator will be furnished by the Landlord daily whenever said service shall, in the Landlord's judgement, be required for the proper occupation and use of said premises.

Any person employed by the Tenant to do janitor work, shall, while in said building and outside of said demised premises, be subject to and under the control and direction of the Superintendent of said building (but not as agent or servant of said Superintendent or of the Landlord).

The Landlord may retain a pass key to the premises and be allowed admittance thereto at all times to enable its representatives to examine said premises from time to time.

Rule 7. The Landlord and its agents shall have the right to enter the demised premises at all reasonable hours for the purpose of examining or exhibiting the same.

Rule 8. The Landlord, and its agents, shall have the right to enter the demised premises at all reasonable hours for the purpose of making any repairs, alterations, or additions which it or they shall deem necessary for the safety, preservation, or improvement of said premises of said building, and the Landlord shall be allowed to take all material into and upon said premises that may be required to make such repairs, improvements and additions, or any alterations for the benefit of the Tenant without in any way being deemed or held guilty of an eviction of the Tenant; and the rent reserved shall in no wise abate while said repairs, alterations, or additions are being made; and the Tenant shall not be entitled to maintain a set-off or counter-claim for damages against the Landlord by reason of loss or interruption to the business of the Tenant because of the prosecution of any such work. All such repairs, decorations, alterations, additions, and improvements shall be done during ordinary business hours.

Rule 9. If the Tenant desires telegraphic or telephonic connections, or the installation of any other electrical wiring, the Landlord will, upon receiving a written request from the Tenant, direct the electricians as to where and how the wires are to be introduced and run, and without such directions no boring, cutting or installations of wires will be permitted.

Rule 10. The Tenant shall not allow anything to be placed against or near the glass in the partitions, between the premises leased and the halls or corridors of the building, which shall diminish the light in, or prove unsightly from the halls or corridors.

Rule 11. No electric current, intended for light or power purposes, shall be used by the tenants, excepting that furnished or approved by the Landlord; nor shall electric or other wires be brought into the premises, except upon the written consent and approval of the Landlord.

Rule 12. The Tenant, when closing his office for business at any time, shall see that all windows are closed, thus avoiding possible damage from fire, storm, rain or freezing.

Rule 13. The Tenant shall not allow anything to be placed on the outside window ledges of the premises, nor shall anything be thrown by the Tenant, or his employees, out of the windows of the building; nor shall they undertake to regulate the thermostats, if any, which control the heat or air conditioning.

Rule 14. The water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish, rags, or other substances shall be thrown therein. All damages resulting from any misuse of the fixtures shall be borne by the Tenant who, or whose servants, employees, agents, visitors or licensees, shall have caused the same.

Rule 15. No bicycle or other vehicle, and no animal shall be brought into the offices, halls, corridors, elevators or any other parts of said building, by the Tenant, his agents or employees.

Rule 16. No person shall disturb the occupants of this or any adjoining building premises by the use of any musical instruments, unseemly noises, whistling, singing or in any other way.

Rule 17. The premises leased shall not be used for lodging or sleeping, nor for any immoral or illegal purposes or for any purpose that will damage the premises.

Rule 18. The entrances, corridors, passages, stairways and elevators shall be under the exclusive control of the Landlord and shall not be obstructed, or used by the Tenant for any other purpose than ingress and egress to and from the leased premises.

Rule 19. Canvassing, soliciting and peddling in the building is prohibited and each Tenant shall co-operate to prevent the same.

Rule 20. All office or other equipment of any electrical or mechanical nature shall be placed by Tenant in demised premises in approved settings to absorb or prevent any vibration, noise or annoyance.

Rule 21. No water cooler, air conditioning unit or system or other apparatus shall be installed or used by any Tenant without the written consent of Landlord.

Rule 22. There shall not be used in any space, or in the public halls of said building, either by any tenant or by jobbers or others, in the delivery or receipt of merchandise, any hand trucks, except those equipped with rubber tires and side guards.

Rule 23. The Landlord reserves the right to make such other and further reasonable rules and regulations as in its judgment may from time to time be needful for the safety, care and cleanliness of the premises, and for the preservation of good order therein, and any such other or further rules and regulations shall be binding upon the parties hereto with the same force and effect as if they had been inserted herein at the time of the execution hereof.

EXHIBIT A

Map with layout of floor plan of 4th floor, Suite 450, of 209 10th Avenue South with hand drawn heavy outline of leased space.

ADDENDUM TO LEASE

This Addendum To Lease, entered into as of this 12 day of March, 1995, by and between NewOrder Media, Inc., a Tennessee corporation, ("Tenant") and Cummins Station LLC, a Tennessee corporation ("Landlord"), supplements and is hereby made a part of the Lease Agreement ("Lease") entered into between Tenant and Landlord on the 27 day of March, 1995.

Section 3 of the Lease is hereby modified and amended to provide Tenant with two (2) options to renew the Lease for additional terms of five (5) years each. Rent during the first renewal term (May 1, 2000 - April 30, 2005) shall be at the lessor of the then-current market base rent for comparable space in the building or $7.00 per square foot. Rent during the second renewal term (May 1, 2005 - April 30, 2010) shall be at the lessor of the then-current market base rent for comparable space in the building or $9.00 per square foot.

The following provisions of section 5 of the Lease enumerated below are hereby modified and amended as follows:

Paragraph THIRD. Prior to the semicolon in the fourth line, insert "provided, however, that the foregoing shall not apply as against Tenant with respect to any defects that would not be obvious upon a general inspection of the premises".

Paragraph FIFTH. Landlord hereby approves and consents to the preliminary plans for leasehold improvements attached to this Addendum To Lease as Exhibit A-1. Landlord's consent to the final plans substantially conforming to the attached preliminary plans shall not be unreasonably withheld. Any provisions to the Lease to the contrary notwithstanding, Tenant shall not be required by to remove any improvements, additions or alterations that have been approved by Landlord. Any provisions to the Lease to the contrary notwithstanding, Tenant shall have at its option the right to remove the following items upon expiration of the Lease: front receptionist's desk, kitchen cabinetry, installed kitchen appliances, copy room cabinetry and lighting fixtures. In addition to the aforesaid, Tenant shall have at its option the right to remove any Tenant installed doors and door frames, provided that building standard doors and door frames are installed as replacements at Tenant expense, and Tenant shall have the right to remove any Tenant installed windows and window frames, provided that building standard, finished walls are installed as replacements at Tenant expense.

Paragraph SIXTH. Tenant shall in no way be responsible for the physical condition of the premises to be in compliance with any requirements and regulations mentioned in this paragraph. Compliance with such regulations shall be the exclusive responsibility of Landlord (including, but not limited to, compliance with federal and state environmental laws and the Americans With Disabilities Act).

Paragraph SEVENTH. Any provisions to the Lease to the contrary notwithstanding, in the event of any stoppage or interruption of water, light, heat, air conditioning, janitor or elevator services, or any such condition that shall render the premises or a portion thereof untenantable and should such condition exist or continue for more than 72 hours, such condition shall constitute a constructive eviction.

Landlord by TP

Tenant by JM

Paragraph EIGHTH. All waivers of notice set forth in this paragraph or elsewhere in the Lease are hereby deleted therefrom. In the event of a default by Tenant under the Lease, Landlord shall give Tenant written notice thereof and a reasonable period to cure any alleged default, but in no case less than 10 days for a default that can be cured by money and 30 days for a non-monetary default. In addition to the aforesaid, the filing of an involuntary bankruptcy petition against Tenant shall not be an event of default unless such a petition is not dismissed within 60 days from the filing thereof.

Paragraph TENTH. This paragraph is to amended and modified to state that in the event of any interruption of Tenant's business, due to damage by fire or other act of God on the building upon the demised premises, lasting longer in an uncorrected and unrepaired state for more than 96 hours, such condition shall constitute a constructive eviction.

Paragraph ELEVENTH. Any provision to the Lease to the contrary notwithstanding, in the event that the whole of the demised premises or a portion thereof shall be taken or condemned by any competent authority for public or quasi-public use, such an event shall be considered a constructive eviction.

Paragraph THIRTEENTH. In the event that Landlord exercises its right to move Tenant to another space in the building, such space shall be comparable to Tenant's existing space in all material aspects including views from the space and number of windows, and Landlord shall, at Landlord's sole cost and expense, provide leasehold improvements to the new space comparable to Tenant's existing space and reimburse Tenant for any and all costs incurred with the change of location within the building.

Paragraph SIXTEENTH. This paragraph is hereby amended to delete the phrase "or in any litigation in which Landlord shall, without its fault, become involved through or on account of this lease."

Paragraph TWENTIETH. This section is deleted in its entirety and replaced with the following: "Tenant and Landlord each covenants to save and hold the other harmless from any costs or liabilities, including, but not limited to, attorney's fees, arising from or related to any neglect act or omission of the other."

Paragraph TWENTY-FIRST. Landlord and Tenant hereby stipulate and agree that the purpose of this paragraph is to allow Landlord to control the nature and extent of vending of the items mentioned in this paragraph within the building.

Paragraph TWENTY-SECOND. This paragraph is amended by inserting, at the beginning thereof, the following: "Except as otherwise provided in this Lease or in the plans attached hereto,". Landlord agrees that there shall be no separate metering for any utilities other than electrical and natural gas service. Furthermore, Tenant shall not be required to remove any leasehold improvements, additions or modifications installed in accordance with the terms of the Lease, but Tenant shall be permitted to remove various installed improvements as mentioned in section 5, paragraph fifth hereinabove. Landlord and Tenant agree that Landlord shall be responsible for, and shall timely undertake or cause to be undertaken, repairs and maintenance as necessary from time to time in or to any of the common areas or parking areas; in particular, without limiting the forgoing, Landlord shall be responsible for any leaks into the premises, whether from outside the building or

from other tenant premises within the building. Landlord shall also be responsible for building security and for ensuring that the common areas and facilities are clean, comfortable and operational.

Paragraph TWENTY-FIFTH. This paragraph is amended by adding the following to the end thereof. "Provided, however, that in the event the building is sold at foreclosure or by deed in lieu of foreclosure, this Lease shall continue in full force and effect as if such purchaser were the original landlord, except that such purchaser shall not be liable for any act or omission of any prior landlord and shall not be subject to any offsets or defenses which Tenant might have against such prior landlord, and Tenant shall attorn to such purchaser and recognize the same as Landlord hereunder, provided that such purchaser agrees in writing not to disturb Tenant's possession of the premises."

Rule 8. in Exhibit "B" Rules And Regulations of the Lease is hereby modified and amended to ensure that any repairs described in this paragraph must not cause the business of Tenant to be unreasonably impaired, and Landlord hereby agrees that any repairs that would cause aforesaid unreasonable impairment must be performed after standard business hours.

The following additional terms are hereby made a part of the Lease:

LEASEHOLD IMPROVEMENTS. Tenant shall be responsible for its own leasehold improvements made to the premises. An amount of sixty-one thousand dollars ($61,000.00) of Tenant furnished leasehold improvements shall be paid by Landlord, provided that Tenant furnishes Landlord with appropriate construction invoices and lien waivers for construction. Landlord payment of the abovementioned moneys is recognized and included in the rents due under section 4 of this Lease.

Landlord shall provide the secondary entrance into the demised space and install the exterior, insulated walls demising the premises in such a manner that said walls are ready-to-paint. Further, Landlord shall install four (4) absent windows to the exterior of the building, located on the northern end of Tenant premises, and shall install building standard storm windows on the older exterior windows, located on the east and west ends of Tenant premises. Landlord shall further demolish the brick and structure of the old freight elevator currently occupying a portion of the premises and cause any piping structures obscuring the window behind aforesaid freight elevator to be relocated near the closest building support post. Landlord shall make all abovementioned improvements in such a manner that Tenant's occupancy of the premises and installation of leasehold improvements are not hindered.

CONSTRUCTIVE EVICTION. Any constructive eviction (as mentioned in section 5 hereinabove) shall give Tenant the option to terminate the Lease, or, at Tenant's election, an equitable adjustment or abatement of rent for the period. In addition to the aforesaid, a constructive eviction that results in a termination of the Lease shall also entitle Tenant to an award based on the loss of the unamortized portion of the value of any improvements constructed or placed by Tenant on the premises and any loss based on the interruption of occupancy. Should any event that would cause a constructive eviction not result in a termination of the Lease, Tenant is entitled, to any costs resulting from any alterations or restorations that were necessitated by the said event.

PARKING. Landlord shall provide for Tenant and its invitees twenty (20) parking spaces: eight (8) spaces to be located in the lot across from the main entrance to the building on 10th Avenue South ("Lot A") and twelve (12) spaces to be located in the lot at the south end of the

building ("Lot B"). Further, Tenant shall have the right to lease up to and including eight (8) additional spaces in Lot B at the rate of $40.00 per space per month. Guests of Tenant shall be allowed to park in Lot A for thirty (30) minutes without cost.

RIGHT OF FIRST REFUSAL. During the term of this Lease and provided that Tenant is not in default of this Lease, Landlord agrees that prior to leasing to a third party any part of the spaces immediately contiguous to Tenant's premises ("First Refusal Space"), Landlord shall notify Tenant in writing of Landlord's intent to enter into negotiations with a third party to lease the First Refusal Space. On or before the fifth (5th) business day after the receipt of such notice, Tenant shall have the right to send to Landlord a notice stating that Tenant elects to lease the First Refusal Space under the same terms, covenants and conditions as the Lease except as outlined below.

The rents payable for the First Refusal Space shall be the prevailing market rent, and Tenant shall provide any leasehold improvements to the First Refusal Space. Landlord's consent to the aforesaid leasehold improvements shall not be unreasonably withheld.

The First Refusal Space shall be added to Tenant's premises for the remaining term of the Lease (including any extension term(s), if any). The First Refusal Space shall become a part of Tenant's premises for all purposes of this Lease, and any reference in this Lease to the term "Tenant premises" or "premises" shall be deemed to refer to and include the First Refusal Space. Tenant's obligation to pay any increased rents due to the addition of the First Refusal Space shall commence with the date the First Refusal Space is made usable by Tenant; said date shall be after a reasonable allowance of time that shall be granted for Tenant to make any leasehold improvements to the First Refusal Space.

Tenant's Right of First Refusal described herein is subordinate to any rights of other tenants which exist as of the execution date of this Lease. Promptly after Tenant's exercise of the Right of First Refusal, Landlord shall prepare an amendment to the Lease to reflect changes in the size of Tenant premises, rents due, and any other appropriate terms due to the addition of the First Refusal Space. Tenant shall execute and return such an amendment to the Lease within ten (10) days after its submission to Tenant.

This Right of First Refusal shall remain in effect during the term of the Lease and shall be exercisable at any such time that Landlord seeks to lease the First Refusal Space. This Right of First Refusal shall not be assignable.

REAL ESTATE BROKERAGE COMMISSION. Landlord shall pay Centennial, Inc. a six percent (6%) commission based on the gross rent of $5.50 per square foot for years one and two, $6.50 per square foot for years three, four and five.

Landlord by: TP

Tenant by: JM

L E A S E A M E N D M E N T A G R E E M E N T

NO. 1

This is to amend the Lease Agreement dated 3/27/95 between CUMMINS STATION, L.L.C. Lessor and NEWORDER MEDIA, INC. Lessee for Suite 450 located on the 4th level of Cummins Station as follows:

Rental Amounts Changed as follows:

5/1/95 -- 4/30/97 $50,447.04/yr. or $4,203.92/mo.
5/1/97 -- 4/30/2000 $57,401.04/yr. or $4,783.42/mo.

ALL OTHER TERMS, CONDITIONS AND AGREEMENTS OF THE ORIGINAL LEASE AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

CUMMINS STATION, L.L.C.	NEWORDER MEDIA, INC.
BY: /s/ Lessor	BY: /s/ Jeff McLaren
LESSOR Chief Member	LESSEE
	6/6/95
DATE	DATE

L E A S E A M E N D M E N T A G R E E M E N T

No. 2

This is to amend the Lease Agreement dated 3/27/95 and Lease Amendment Agreement No. 1 dated 6/6/95 between CUMMINS STATION, L.L.C. Lessor and NEWORDER MEDIA, INC. Lessee for Suite 450 located on the 4th level of CUMMINS STATION as follows: Effective March 1, 1999, Lessee rents additional space on the 5th Floor, Suite 547, consisting of approximately 6,500 square feet at the following rental rates:

3/1/99 -- 2/28/2001	$90,155.00/yr. or $7,512.92/mo.
3/1/2001 -- 2/28/2004	$92,170.00/yr. or $7,680.83/mo.
3/1/2004 -- 4/30/2005	$75,400.00/yr. or $6,283.33/mo. (no longer amortized)

Lessee shall take possession of said premises on August 1, 1998.

Twenty-four (24) parking permits included with this amendment (l4 in A Lot and 10 at the Shed). Optional parking spaces: $75 per month each, rate good for 6 years. This would be over and above the 8 optional spaces currently available at $40 per month. Lessor to provide hole for interior stairwell. Lessee extends term of original lease and amendment on Suite 450 from 4/30/2000 to 4/30/2005.

Rental rates for total leased area of 13,454 square feet are as follows:

3/1/99 - 4/30/2000	$147,556.00/yr. or $12,296.33/mo.
5/1/2000 - 2/28/2001	$138,833.00/yr. or $11,569.42/mo.
3/1/2001 - 2/28/2004	$140,848.00/yr. or $11,737.33/mo. (no longer amortized)
3/1/2004 - 4/30/2005	$124,078.00/yr. or $10,339.83/mo.

Dates to be determined.

Tenant shall have option to lease current MPL space and 2,200 square foot space currently occupied. This option shall run concurrently with existing lease. Option must be exercised within 5 days of notice.

Tenant shall have option to renew lease for two additional five year periods. Rate for first five year option shall be $11.60/sq. ft. Rates for second five year option shall be: 2 years at $13.00/sq. ft. and 3 years at $14.00/sq. ft.

Lessor shall amortize up to $83,850.00 on leasehold improvements on Suite 547. Lessor's payment of this amount shall be recognized and included in the amounts stated above. ALL OTHER TERMS, CONDITIONS AND AGREEMENTS OF THE ORIGINAL LEASE AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

CUMMINS STATION, L.L.C.	NEWORDER MEDIA, INC.
BY: /s/ LESSOR	BY: /s/ Robert A. Frist, Jr.
LESSOR Chief Member	LESSEE
9/22/98	9/22/98
DATE	DATE

EXHIBIT 23.1

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 September 24, 1999, with respect to the financial statements of HealthStream, Inc., and (2) of our report dated September 17, 1999 with respect to the financial statements of SilverPlatter Education, Inc., in the Registration Statement (Form S-1) and related Prospectus of HealthStream, Inc. dated October 13, 1999.

/s/ Ernst & Young LLP

Nashville, Tennessee
October 12, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF HEALTHSTREAM, INC. FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR	
DEC-31-1998	
JAN-01-1998	
DEC-31-1998	
	50,823
	0
	528,637
	36,500
	0
	551,318
	981,663
	380,134
	1,152,847
	3,405,813
	31,968
	0
	410,000
	1,798,498
	(4,493,432)
	1,152,847
	1,716,094
	1,716,094
	1,057,453
	1,057,453
	443,336
	0
	330,482
	(1,589,500)
	0
	(1,589,500)
	0
	0
	0
	(1,589,500)
	(0.90)
	(0.90)

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF HEALTHSTREAM, INC. FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
3,967,456
0
563,548
38,000
0
4,514,458
1,219,206
470,850
5,296,814
2,260,069
64,165
0
5,887,500
3,056,776
(5,971,696)
5,296,814
1,112,519
1,112,519
790,911
790,911
764,975
0
139,052
(1,478,264)
0
(1,478,264)
0
0
0
(1,478,264)
(0.77)
(0.77)