

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF HEALTHSTREAM, INC.**

I. AUDIT COMMITTEE PURPOSE

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of HealthStream, Inc. (the “Company”) to assist the Board in fulfilling its oversight responsibilities. The Committee’s primary duties and responsibilities are to:

- Oversee the accounting and financial reporting processes of the Company and audits of the Company’s financial statements.
- Oversee the integrity of the Company’s financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.
- Oversee the qualifications, independence and performance of the Company’s independent auditors.
- Provide an avenue of communication among the independent auditors, management and the Board.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the independent auditors as well as anyone in the organization. The Committee has the ability to retain independent legal, accounting, or other advisors as it deems necessary or appropriate in the performance of its duties. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services and to any advisors employed by the Committee and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee’s oversight responsibility recognizes that the Company’s management is responsible for preparing the Company’s financial statements in accordance with generally accepted accounting principles (“GAAP”) and that the independent auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that the Company’s financial management, as well as its independent auditors, have more time, knowledge and more detailed information on the Company and its financial reports than do Committee members; consequently, in carrying out its duties and responsibilities, the Committee is not providing any expert or special assurance as to the Company’s financial statements and is not conducting an audit or investigation of the financial statements or determining that the Company’s financial statements are true and complete or are in accordance with generally accepted accounting principles.

II. AUDIT COMMITTEE COMPOSITION AND MEETINGS

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent under the requirements of the NASDAQ Stock Market (“Nasdaq”) and the Securities and Exchange Commission (“SEC”) and be free from any relationship that would interfere with the exercise of his or her independent judgment. Each member of the Committee must also meet the other qualification standards set by federal and state legislation and regulation and the applicable listing standards of Nasdaq. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements (including the

Company's balance sheet, income statement and cash flow statement), and at least one member of the Committee shall be an "audit committee financial expert" as defined by the SEC.

The Committee shall meet at least four times annually, or more frequently as circumstances require, including teleconferences when appropriate. The Committee Chair shall prepare and/or approve an agenda for each meeting. A majority of the Committee shall constitute a quorum, and the Committee shall act only on the affirmative vote of a majority of the members present at the meeting; provided that the Committee may form and delegate authority to subcommittees or members when appropriate. The Committee shall meet privately in executive session at least annually with management, the independent auditors and as a committee to discuss any matters that the Committee or each of these groups believes should be discussed. In addition, the Committee shall communicate with management and the independent auditors' quarterly to review the Company's financial statements and significant findings based upon the auditors limited review procedures.

III. AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES

The following functions shall be the common recurring activities of the Committee in carrying out its oversight duties and responsibilities. The Committee may undertake additional duties and responsibilities as the Board or the Committee deems appropriate given the circumstances.

Document/Reports Review Procedures

1. The Committee shall review and assess the adequacy of this Charter at least annually, submit the Charter to the Board for approval and have the document published in accordance with SEC regulations or applicable listing standards.
2. The Committee shall review and discuss with the Company's management and independent auditors the Company's annual audited financial statements, the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the selection, application and disclosure of critical accounting policies and practices used in such financial statements. Additionally, based on such review, the Committee shall consider whether to recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K. The discussion of financial statements and the related critical accounting policies and practices shall occur prior to the public release of such financial statements or results, and the discussion of the related disclosure, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," shall occur prior to the filing of the Form 10-K.
3. The Committee shall review with management and the independent auditors the Company's quarterly financial results and quarterly unaudited financial statements, the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Company's selection, application and disclosure of critical accounting policies and practices used in such financial statements. The discussion of financial statements and the related critical accounting policies and practices shall occur prior to the public release of such financial statements or results, and the discussion of the related disclosure, including "Management's Discussion and Analysis of Financial Condition and Results of Operations," shall occur prior to the filing of the Form 10-Q.
4. Discuss with management and the independent auditors policies with respect to risk assessment and risk management and the quality and adequacy of the Company's processes and controls that could materially affect the Company's financial statements and financial reporting. Discuss

significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review significant findings prepared by the independent auditors together with management's responses.

5. Discuss with management the Company's earnings press releases, , as well as financial information and earnings guidance provided to analysts.
6. Discuss with management any pro forma financial information or non-GAAP financial measures included in the Company's earnings press releases, periodic reports or other public disclosures.
7. Discuss with management and the independent auditors the effect of regulatory and accounting initiatives as well as off balance sheet structures on the Company's financial statements and any material changes to GAAP, SEC and other accounting standards that will impact or could impact the financial reports under review.
8. Discuss with the independent auditors any significant changes to the Company's accounting principles and any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards No. 61 (AICPA, Professional Standards, Vol. 1. AU section 380), as such standards may be modified or supplemented.
9. Oversee management's implementation of effective systems of internal controls and disclosure controls.
10. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Forms 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

Independent Auditors

11. The independent auditors are accountable to the Committee and the Board and shall report directly to the Committee. The Committee shall review the independence and performance of the auditors annually. In addition, the Committee shall:
 - oversee the work of the independent auditors and review the independent auditors' audit plan, including scope, staffing, locations, reliance upon management and general audit approval;
 - resolve disagreements between management and the independent auditors regarding financial reporting;
 - establish hiring policies for employees or former employees of the independent auditors;
 - pre-approve all auditing services to be provided by the independent auditors;
 - pre-approve all non-auditing services, including tax services, to be provided by the independent auditors, subject to such exceptions as may be determined by the Committee to be appropriate and consistent with federal and regulatory provisions;

- receive reports from the independent auditors regarding critical accounting policies and practices, alternative treatments of financial information and GAAP, and such other information as may be required by federal and regulatory provisions;
- receive from the independent auditors annually a formal written statement and any other required written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board delineating all relationships between the independent auditors and the Company that may impact the objectivity and independence of the independent auditors;
- discuss with the independent auditor the independent auditor's independence, including actively engaging in a dialogue with respect to any such disclosed relationships or services referenced above and their impact on the independent auditors' objectivity and independence, and take other appropriate action to oversee the independence of the independent auditor;
- review, evaluate and ensure the rotation of the lead partner of the independent auditors; and
- obtain and review a report from the independent auditors at least annually regarding (a) the independent auditors' internal quality control procedures, (b) any material issues raised by the most recent internal quality control review, or peer review of the independent auditor, or any material inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditor and (c) any steps taken to deal with any such issues.

12. The Committee shall be directly responsible and have the ultimate authority for the appointment (subject, if sought, to shareholder ratification), compensation, retention and oversight of the work of the independent auditors.

Legal Compliance

13. On at least an annual basis, review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, inquiries received from regulators or governmental agencies.

Other Audit Committee Responsibilities

14. Review the Related-Party Transaction Policy from time to time, and recommend any changes to the Board of Directors.

15. Review and approve all related-party transactions in accordance with the Related-Party Transactions Policy and report to the full Board on any approved transactions.

16. Monitor, oversee and review compliance with the provisions of the Company's Code of Ethics and Code of Conduct and monitor the Company's reporting hotline, including compliance that relates to accounting disclosures and regulations of the SEC or Nasdaq.

17. Serve as the initial reviewing body for allegations of violations of the Code of Ethics or requests for waivers of the provisions of the Code of Ethics by a director or executive officer of the Company, including those that relate to accounting disclosures and regulations of the SEC or Nasdaq.
18. Annually prepare a report to shareholders as required by the SEC. The report should be included in the Company's annual proxy statement.
19. At least annually review the Company's director and officer insurance provisions.
20. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.
21. Maintain minutes of meetings and periodically report to the Board on significant results of the foregoing activities.
22. Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.