UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2017

Commission File No.: 000-27701

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

Tennessee **(State or other jurisdiction of incorporation or organization)**	**62-1443555** **(I.R.S. Employer Identification No.)**
209 10th Avenue South, Suite 450 **Nashville, Tennessee** **(Address of principal executive offices)**	**37203** **(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer ☐		Smaller reporting company	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 28, 2017, there were 31,882,227 shares of the registrant's common stock outstanding.

Index to Form 10-Q

HEALTHSTREAM, INC.

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. ***Financial Statements***

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 53,034	$ 49,634
Marketable securities	62,265	53,540
Accounts receivable, net of allowance for doubtful accounts of $956 and $863 at March 31, 2017 and December 31, 2016, respectively	39,267	44,805
Accounts receivable - unbilled	2,890	2,581
Prepaid royalties, net of amortization	18,613	18,183
Other prepaid expenses and other current assets	7,965	8,694
Total current assets	184,034	177,437
Property and equipment, net	10,494	10,245
Capitalized software development, net of accumulated amortization of $34,045 and $31,787 at March 31, 2017 and December 31, 2016, respectively	17,652	16,310
Goodwill	109,765	109,765
Intangible assets, net of accumulated amortization of $18,846 and $16,445 at March 31, 2017 and December 31, 2016, respectively	75,963	78,364
Non-marketable equity investments	3,271	3,276
Other assets	645	603
Total assets	$ 401,824	$ 396,000
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 3,837	$ 3,127
Accrued royalties	12,137	13,161
Accrued liabilities	7,656	8,146
Accrued compensation and related expenses	2,192	1,994
Deferred revenue	72,306	68,542
Total current liabilities	98,128	94,970
Deferred tax liabilities	4,556	5,968
Deferred revenue, noncurrent	7,790	7,859
Other long term liabilities	1,590	1,095
Commitments and contingencies	—	—
Shareholders’ equity:		
Common stock, no par value, 75,000 shares authorized; 31,840 and 31,748 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	280,986	280,813
Retained earnings	8,823	5,346
Accumulated other comprehensive loss	(49)	(51)
Total shareholders’ equity	289,760	286,108
Total liabilities and shareholders’ equity	$ 401,824	$ 396,000

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Revenues, net	$59,870	$54,078
Operating costs and expenses:		
Cost of revenues (excluding depreciation and amortization)	26,276	22,900
Product development	6,599	7,018
Sales and marketing	10,834	8,557
Other general and administrative expenses	7,941	7,976
Depreciation and amortization	6,387	5,140
Total operating costs and expenses	58,037	51,591
Operating income	1,833	2,487
Other income, net	130	18
Income before income tax provision	1,963	2,505
Income tax provision	678	1,004
Net income	$ 1,285	$ 1,501
Earnings per share:		
Basic	$ 0.04	$ 0.05
Diluted	$ 0.04	$ 0.05
Weighted average shares of common stock outstanding:		
Basic	31,774	31,666
Diluted	32,104	31,970

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Net income	$ 1,285	$ 1,501
Other comprehensive income, net of taxes:		
Unrealized gain on marketable securities	2	56
Total other comprehensive income	2	56
Comprehensive income	$ 1,287	$ 1,557

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
THREE MONTHS ENDED MARCH 31, 2017
(In thousands)

	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at December 31, 2016	31,748	$280,813	$ 5,346	$ (51)	$ 286,108
Cumulative effect of accounting change	—	—	2,192	—	2,192
Net income	—	—	1,285	—	1,285
Comprehensive income	—	—	—	2	2
Stock based compensation	—	441	—	—	441
Common stock issued under stock plans, net of shares withheld for employee taxes	92	(268)	—	—	(268)
Balance at March 31, 2017	31,840	$280,986	$ 8,823	$ (49)	$ 289,760

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Three Months Ended March 31, 2017	2016
OPERATING ACTIVITIES:		
Net income	$ 1,285	$ 1,501
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,387	5,140
Stock based compensation expense	441	500
Provision for doubtful accounts	200	90
Deferred income taxes	526	—
Loss on non-marketable equity investments	5	43
Other	148	339
Changes in operating assets and liabilities:		
Accounts and unbilled receivables	5,028	4,451
Prepaid royalties	(430)	(1,027)
Other prepaid expenses and other current assets	730	789
Other assets	(42)	314
Accounts payable	(147)	(1,879)
Accrued royalties	(1,024)	768
Accrued liabilities and accrued compensation and related expenses and other long-term liabilities	(276)	(2,099)
Deferred revenue	3,696	(3,218)
Net cash provided by operating activities	16,527	5,712
INVESTING ACTIVITIES:		
Proceeds from sale of long-lived assets	—	975
Proceeds from maturities of marketable securities	19,340	40,916
Purchases of marketable securities	(28,211)	(41,912)
Payments associated with capitalized software development	(2,970)	(1,990)
Purchases of property and equipment	(1,018)	(2,685)
Net cash used in investing activities	(12,859)	(4,696)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	99	55
Taxes paid related to net settlement of equity awards	(367)	(288)
Net cash used in financing activities	(268)	(233)
Net increase in cash and cash equivalents	3,400	783
Cash and cash equivalents at beginning of period	49,634	82,010
Cash and cash equivalents at end of period	$ 53,034	$ 82,793

See accompanying notes to the unaudited condensed consolidated financial statements.

HEALTHSTREAM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, condensed consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. All significant intercompany transactions have been eliminated in consolidation. Operating results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The balance sheet at December 31, 2016 is consistent with the audited financial statements at that date but does not include all of the information and footnotes required by US GAAP for a complete set of financial statements. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2016 (included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 27, 2017).

2. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Recently Adopted

The Company has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, effective January 1, 2017. As a result of the adoption, the Company recorded an adjustment to retained earnings of approximately $2.2 million to recognize deferred tax assets associated with previous excess tax benefits on stock based compensation that had not been previously recognized because the related tax deduction had not reduced income taxes payable. The Company elected to continue to estimate expected forfeitures rather than account for them as they occur, and to prospectively reflect the presentation of excess tax benefits on the statement of cash flows as an operating activity. In addition, effective January 1, 2017, excess tax benefits or deficiencies from equity based awards is reflected in the statement of income as a component of the provision for income taxes.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the measurement of goodwill by eliminating Step 2 from the goodwill impairment test. With the elimination of Step 2, entities will measure goodwill for impairment by comparing the fair value of the reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting units fair value, only to the extent of the carrying value of goodwill allocated to that reporting unit. The Company elected to early adopt ASU 2017-04 effective January 1, 2017 and is required to apply the new guidance on a prospective basis. The adoption is not expected to have a material effect on the Company's consolidated financial statements. The Company anticipates the new guidance will make the goodwill impairment evaluation process more efficient and cost effective.

Accounting Standards Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific revenue recognition guidance throughout the Industry Topics of the Accounting Standards Codification. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2017, and the Company currently anticipates adopting the standard using the modified retrospective approach effective January 1, 2018. The Company is in the process of implementing the standard, and has identified several key provisions that may result in changes to current accounting policies, systems and processes, and internal controls, including but not limited to the following: 1) Determining the relative selling price for software-as-a-service agreements, software licenses, software maintenance, and professional services in order to assign value to the separate performance obligations within a contract. Certain existing right to use arrangements are recognized over time because VSOE cannot be established, but may result in earlier revenue recognition under the new standard; 2) Capitalizing costs to acquire contracts, such as sales commissions, is not a current accounting policy; therefore we expect historical sales commissions, which have been expensed as incurred, will need to be evaluated for capitalization; 3) Ensuring the Company's financial systems can record, calculate, summarize, and report the necessary information required by the standard, which will require additional investments in technology and resources. The Company is not currently able to quantify the financial impact of the Company's adoption of this accounting standard on its future consolidated financial statements, but does anticipate adjustments to retained earnings upon adoption.

HEALTHSTREAM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize assets and liabilities for most leases. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance; however, the Company is currently reviewing this standard to determine the method of adoption and to assess the impact on its future consolidated financial statements. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2018, and early adoption is permitted.

In March 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Sub Topic 825-10)*, which addresses certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments. The guidance will, among other things, require equity method investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The standard will be effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is permitted for only limited aspects of such guidance. The Company is currently reviewing this standard to determine the method of adoption and to assess the impact on its future consolidated financial statements.

3. INCOME TAXES

Income taxes are accounted for using the asset and liability method, whereby deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities measured at tax rates that will be in effect for the year in which the differences are expected to affect taxable income.

During the three months ended March 31, 2017 and 2016, the Company recorded a provision for income taxes of approximately $678,000 and $1.0 million, respectively. The Company's effective tax rate for the three months ended March 31, 2017 and 2016 was 34.5% and 40.1%, respectively. During the three months ended March 31, 2017, the Company recorded excess tax benefits of approximately $57,000 as a component of the provision for income taxes. The Company's effective tax rate primarily reflects the statutory corporate income tax rate, the net effect of state taxes, and the effect of various permanent tax differences.

4. STOCK BASED COMPENSATION

The Company has stock awards outstanding under three stock incentive plans, the Company's 2016 Omnibus Incentive Plan, the 2010 Stock Incentive Plan, and the 2000 Stock Incentive Plan, as amended. The Company accounts for its stock based compensation plans using the fair-value based method for costs related to share-based payments, including stock options and restricted share units (RSUs). During the three months ended March 31, 2017, the Company issued 86,727 RSUs, subject to service-based vesting, with a weighted average grant date fair value of $23.54 per share, measured based on the closing fair market value of the Company's stock on the date of grant. During the three months ended March 31, 2016, the Company issued 103,210 RSUs, subject to service-based vesting, with a weighted average grant date fair value of $20.20 per share, measured based on the closing fair market value of the Company's stock on the date of grant.

Total stock based compensation expense recorded for the three months ended March 31, 2017 and 2016, which is recorded in the condensed consolidated statements of income, is as follows (in thousands):

	Three Months Ended March 31,	
	2017	2016
Cost of revenues (excluding depreciation and amortization)	$ 34	$ 40
Product development	70	58
Sales and marketing	63	62
Other general and administrative	274	340
Total stock based compensation expense	$ 441	$ 500

HEALTHSTREAM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

5. EARNINGS PER SHARE

Basic earnings per share is computed by dividing the net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing the net income for the period by the weighted average number of potentially dilutive common and common equivalent shares outstanding during the period. Common equivalent shares are composed of incremental common shares issuable upon the exercise of stock options and RSUs subject to vesting. The dilutive effect of common equivalent shares is included in diluted earnings per share by application of the treasury stock method. The total number of common equivalent shares excluded from the calculations of diluted earnings per share, due to their anti-dilutive effect or contingent performance conditions, was approximately 143,000 and 85,000 for the three months ended March 31, 2017 and 2016, respectively.

The following table sets forth the computation of basic and diluted earnings per share for the three months ended March 31, 2017 and 2016 (in thousands, except per share data):

	Three Months Ended March 31,	
	2017	2016
Numerator:		
Net income	$ 1,285	$ 1,501
Denominator:		
Weighted-average shares outstanding	31,774	31,666
Effect of dilutive shares	330	304
Weighted-average diluted shares	32,104	31,970
Basic earnings per share	$ 0.04	$ 0.05
Diluted earnings per share	$ 0.04	$ 0.05

6. MARKETABLE SECURITIES

At March 31, 2017 and December 31, 2016, the fair value of marketable securities, which were all classified as available for sale, included the following (in thousands):

	March 31, 2017			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Level 2:				
Corporate debt securities	$57,714	$ 1	$ (48)	$57,667
Government-sponsored enterprise debt securities	4,600	—	(2)	4,598
Total	$62,314	$ 1	$ (50)	$62,265

	December 31, 2016			
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value
Level 2:				
Corporate debt securities	$44,486	$ —	$ (50)	$44,436
Government-sponsored enterprise debt securities	9,105	1	(2)	9,104
Total	$53,591	$ 1	$ (52)	$53,540

The carrying amounts reported in the condensed consolidated balance sheet approximate the fair value based on quoted market prices or alternative pricing sources and models utilizing market observable inputs. As of March 31, 2017, the Company does not consider any of its marketable securities to be other than temporarily impaired. During the three months ended March 31, 2017 and 2016, the Company did not reclassify any items out of accumulated other comprehensive income to net income. All investments in marketable securities are classified as a current asset on the balance sheet because the underlying securities mature within one year from the balance sheet date.

HEALTHSTREAM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

7. BUSINESS COMBINATION

Morrisey Associates, Inc.

On August 8, 2016, Echo, Inc. (“Echo”), a wholly owned subsidiary of the Company, acquired all of the outstanding stock of Morrisey Associates, Inc. (“MAI”), a Chicago, Illinois based company that provides credentialing and privileging software to healthcare organizations. The acquisition of MAI allows the Company to expand its credentialing and privileging product offerings and solutions to healthcare organizations. The consideration paid for MAI consisted of approximately $48.0 million in cash, which the Company funded with cash on hand, and was not subject to any post-closing working capital or similar adjustment. The Company incurred approximately $953,000 in transaction costs, all of which were incurred during the year ended December 31, 2016. The transaction costs were recorded in other general and administrative expenses in the condensed consolidated statements of income. The results of operations for MAI have been included in the Company’s consolidated financial statements from the date of acquisition, and are also included in the HealthStream Provider Solutions segment.

A summary of the purchase price is as follows (in thousands):

Cash paid at closing	$44,120
Cash held in escrow	3,880
Total consideration paid	$48,000

The following table summarizes the fair value of the assets acquired and liabilities assumed as of the date of acquisition (in thousands):

Accounts receivable, net	$ 3,402
Prepaid royalties and other prepaid assets	187
Property and equipment	75
Deferred tax assets	1,507
Goodwill	20,467
Intangible assets	27,400
Accounts payable and accrued liabilities	(1,031)
Deferred revenue	(4,007)
Net assets acquired	$48,000

The excess purchase price over the fair values of net tangible and intangible assets was recorded as goodwill. The fair values of tangible and identifiable intangible assets, deferred revenue, and other liabilities assumed were based on management’s estimates and assumptions. The goodwill balance was primarily attributed to the assembled workforce, additional market opportunities from offering MAI’s products, and expected synergies from integrating MAI with other products or other combined functional areas within the Company. The goodwill balance will be deductible for U.S. income tax purposes. The net tangible assets include deferred revenue, which was adjusted down from a book value at the acquisition date of $8.8 million to an estimated fair value of $4.0 million. The $4.8 million write-down of deferred revenue will result in lower revenues than would have otherwise been recognized for such services.

The following table sets forth the components of identifiable intangible assets and their estimated useful lives as of the acquisition date (in thousands):

	Fair value	Useful life
Customer relationships	$ 21,400	13 years
Developed technology	5,400	5 years
Trade name	600	6 years
Total intangible assets subject to amortization	$ 27,400	

HEALTHSTREAM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

7. BUSINESS COMBINATION (continued)

The following unaudited pro forma financial information summarizes the combined results of operations of the Company and MAI as though the companies were combined as of January 1, 2015 (in thousands, except per share data):

	Three Months Ended March 31,	
	2017	2016
Total revenues	$60,585	$57,485
Net income	$ 1,754	$ 1,753
Basic earnings per share	$ 0.06	$ 0.06
Diluted earnings per share	$ 0.05	$ 0.05

These unaudited pro forma combined results of operations include certain adjustments arising from the acquisition such as adjustment for amortization of intangible assets, depreciation of property and equipment, and fair value adjustments of acquired deferred revenue balances. The unaudited pro forma combined results of operations is for informational purposes only and is not indicative of what the Company’s results of operations would have been had the transaction occurred at the beginning of the period presented or to project the Company’s results of operations in any future period.

The unaudited pro forma financial information for the three months ended March 31, 2017 and 2016 combines the historical results of the Company and MAI for the three months ended March 31, 2017 and 2016, taking into account the pro forma adjustments listed above.

8. BUSINESS SEGMENTS

The Company provides services to healthcare organizations and other members within the healthcare industry. The Company’s services are focused on the delivery of workforce development products and services (HealthStream Workforce Solutions), survey and research services (HealthStream Patient Experience Solutions), and provider credentialing, privileging, and enrollment products and services (HealthStream Provider Solutions).

The Company measures segment performance based on operating income before income taxes and prior to the allocation of certain corporate overhead expenses, interest income, interest expense, and depreciation. The Unallocated component below includes corporate functions, such as accounting, human resources, legal, investor relations, administrative, and executive personnel, depreciation, a portion of amortization, and certain other expenses, which are not currently allocated in measuring segment performance. The following is the Company’s business segment information as of and for the three months ended March 31, 2017 and 2016 (in thousands).

	Three Months Ended March 31,	
	2017	2016
Revenues, net:		
Workforce	$43,701	$41,316
Patient Experience	7,903	7,964
Provider	8,266	4,798
Total revenues, net	$59,870	$54,078

	Three Months Ended March 31,	
	2017	2016
Income from operations:		
Workforce	$ 8,745	$10,405
Patient Experience	(257)	(656)
Provider	(601)	(166)
Unallocated	(6,054)	(7,096)
Total operating income	$ 1,833	$ 2,487

HEALTHSTREAM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8. BUSINESS SEGMENTS (continued)

	March 31, 2017	December 31, 2016
Segment assets *		
Workforce	$ 95,028	$ 96,323
Patient Experience	33,521	35,988
Provider	152,548	155,011
Unallocated	120,727	108,678
Total assets	$401,824	$ 396,000

* Segment assets include accounts and unbilled receivables, prepaid and other current assets, other assets, capitalized software development, certain property and equipment, and intangible assets. Cash and cash equivalents and marketable securities are not allocated to individual segments, and are included within Unallocated. A significant portion of property and equipment assets are included within Unallocated.

9. DEBT

Revolving Credit Facility

The Company maintains a Loan Agreement (the “Revolving Credit Facility”) with SunTrust Bank (“SunTrust”) in the aggregate principal amount of $50.0 million, which matures on November 24, 2017. Under the Revolving Credit Facility, the Company may borrow up to $50.0 million, which includes a $5.0 million swing line subfacility and a $5.0 million letter of credit subfacility, as well as an accordion feature that allows the Company to increase the Revolving Credit Facility by a total of up to $25.0 million, subject to securing additional commitments from existing lenders or new lending institutions. The obligations under the Revolving Credit Facility are guaranteed by each of the Company’s subsidiaries. At the Company’s election, the borrowings under the Revolving Credit Facility bear interest at either (1) a rate per annum equal to the highest of SunTrust’s prime rate or 0.5% in excess of the Federal Funds Rate or 1.0% in excess of one-month LIBOR (the “Base Rate”), plus an applicable margin, or (2) the one, two, three, or six-month per annum LIBOR for deposits in the applicable currency (the “Eurocurrency Rate”), as selected by the Company, plus an applicable margin. The applicable margin for Eurocurrency Rate loans depends on the Company’s funded debt leverage ratio and varies from 1.50% to 2.00%. The applicable margin for Base Rate loans depends on the Company’s funded debt leverage ratio and varies from 0.50% to 1.50%. Commitment fees and letter of credit fees are also payable under the Revolving Credit Facility. Principal is payable in full at maturity on November 24, 2017, and there are no scheduled principal payments prior to maturity. The Company is required to pay a commitment fee ranging between 20 and 30 basis points per annum of the average daily unused portion of the Revolving Credit Facility, depending on the Company’s funded debt leverage ratio.

The purpose of the Revolving Credit Facility is for general working capital needs, permitted acquisitions (as defined in the Loan Agreement), and for stock repurchase and/or redemption transactions that the Company may authorize.

The Revolving Credit Facility contains certain covenants that, among other things, restrict additional indebtedness, liens and encumbrances, changes to the character of the Company’s business, acquisitions, asset dispositions, mergers and consolidations, sale or discount of receivables, creation or acquisitions of additional subsidiaries, and other matters customarily restricted in such agreements.

In addition, the Revolving Credit Facility requires the Company to meet certain financial tests, including, without limitation:

- a funded debt leverage ratio (consolidated debt/consolidated EBITDA) of not greater than 3.0 to 1.0; and
- an interest coverage ratio (consolidated EBITDA/consolidated interest expense) of not less than 3.0 to 1.0.

As of March 31, 2017, the Company was in material compliance with all covenants. There were no balances outstanding on the Revolving Credit Facility as of or during the three months ended March 31, 2017.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Special Cautionary Notice Regarding Forward-Looking Statements

You should read the following discussion and analysis in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report and our audited consolidated financial statements and the notes thereto for the year ended December 31, 2016, appearing in our Annual Report on Form 10-K that was filed with the Securities and Exchange Commission ("SEC") on February 27, 2017, (the "2016 Form 10-K"). Statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements that the Company intends to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend on or refer to future events or conditions, or that include words such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," " projects," "should," "will," "would," and similar expressions are forward-looking statements.

The Company cautions that forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Forward-looking statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

In evaluating any forward-looking statement, you should specifically consider the information regarding forward-looking statements and the information set forth under the caption "Item 1A. Risk Factors" in our 2016 Form 10-K and the information regarding forward-looking statements and other disclosures in our 2016 Form 10-K, earnings releases and other filings with the SEC from time to time, as well as other cautionary statements contained elsewhere in this report, including the matters discussed in "Critical Accounting Policies and Estimates." We undertake no obligation beyond that required by law to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur in the future. You should read this report and the documents that we reference in this report and have filed as exhibits to this report completely and with the understanding that our actual future results may be materially different from what we currently expect.

Overview

HealthStream provides workforce, patient experience, and provider solutions for healthcare organizations—all designed to assess and develop the people that deliver patient care which, in turn, supports the improvement of business and clinical outcomes. Our workforce products are used by healthcare organizations to meet a broad range of their training, certification, competency assessment, performance appraisal, and development needs. Our patient experience products provide our customers information about patients' experiences and how to improve them, workforce engagement, physician relations, and community perceptions of their services. Our provider products are used by healthcare organizations for provider credentialing, privileging, call center, and enrollment needs. HealthStream's customers include healthcare organizations, pharmaceutical and medical device companies, and other participants in the healthcare industry.

Key financial indicators for the first quarter of 2017 include:

- Revenues of $59.9 million in the first quarter of 2017, up 11% from $54.1 million in the first quarter of 2016
- Operating income of $1.8 million in the first quarter of 2017, compared to $2.5 million in the first quarter of 2016
- Net income of $1.3 million in the first quarter of 2017, compared to $1.5 million in the first quarter of 2016, and earnings per share (EPS) of $0.04 per share (diluted) in the first quarter of 2017, compared to $0.05 per share (diluted) in the first quarter of 2016
- Adjusted EBITDA(1) of $8.7 million in the first quarter of 2017, compared to $8.1 million in the first quarter of 2016

(1) Adjusted EBITDA is a non-GAAP financial measure. A reconciliation of adjusted EBITDA to net income, and disclosure regarding why we believe that Adjusted EBITDA provides useful information to investors is included later in this report.

Business Combination

We acquired Morrisey Associates, Inc. ("MAI"), a Chicago, Illinois based company which provides credentialing and privileging software to healthcare professionals, in August 2016. The results of operations for MAI have been included in our condensed consolidated financial statements from the date of acquisition, and are also included in the HealthStream Provider Solutions segment. The purchase price for MAI was approximately $48 million, payable in cash at closing. For additional information regarding this business combination, please see Note 7 in the Notes to Condensed Consolidated Financial Statements.

Critical Accounting Policies and Estimates

The Company's condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (US GAAP). These accounting principles require us to make certain estimates, judgments and assumptions during the preparation of our financial statements. We believe the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time they are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected.

The accounting policies and estimates that we believe are the most critical in fully understanding and evaluating our reported financial results include the following:

- Revenue recognition
- Accounting for income taxes
- Software development costs
- Goodwill, intangibles, and other long-lived assets
- Allowance for doubtful accounts
- Stock based compensation

In many cases, the accounting treatment of a particular transaction is specifically dictated by US GAAP and does not require management's judgment in its application. There are also areas where management's judgment in selecting among available alternatives would not produce a materially different result. See Notes to Consolidated Financial Statements in our 2016 Form 10-K, which contains additional information regarding our accounting policies and other disclosures required by US GAAP. There have been no changes in our critical accounting policies and estimates from those reported in our 2016 Form 10-K.

In addition, Note 2 in the Notes to Condensed Consolidated Financial Statements summarizes new accounting guidance issued by FASB that has been recently adopted by the Company, or not yet adopted by the Company, and our evaluation of such accounting guidance and the anticipated impact of such guidance (if known) on the Company

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Revenues, net. Revenues increased approximately $5.8 million, or 11%, to $59.9 million for the three months ended March 31, 2017 from $54.1 million for the three months ended March 31, 2016. A comparison of revenues by business segment is as follows (in thousands):

	Three Months Ended March 31,		
	2017	2016	Percentage Change
Revenues by Business Segment:			
Workforce	$43,701	$41,316	6%
Patient Experience	7,903	7,964	(1)%
Provider	8,266	4,798	72%
Total revenues, net	$59,870	$54,078	11%
% of Revenues			
Workforce	73%	76%	
Patient Experience	13%	15%	
Provider	14%	9%	

Revenues for HealthStream Workforce Solutions increased approximately $2.4 million, or 6%, over the first quarter of 2016. Revenues from our subscription-based workforce products increased approximately $2.3 million, or 6%, over the prior year first quarter due to a higher number of subscribers and more courseware consumption by subscribers. This revenue growth was partially offset by a decline in revenues from ICD-10 readiness training products, which approximated $0.5 million for the first quarter of 2017, compared to $3.9 million for the first quarter of 2016. Our Workforce Solutions annualized revenue per implemented subscriber metric increased by 4%, to $37.68 per subscriber for the first quarter of 2017 compared to $36.27 per subscriber for the first quarter of 2016. Our implemented subscriber base increased by 3% over the prior year first quarter to 4.47 million implemented subscribers at March 31, 2017 compared to 4.33 million implemented subscribers at March 31, 2016. Additionally, we had a 3% increase in total subscribers over the prior year first quarter, with 4.57 million total subscribers at March 31, 2017 compared to 4.46 million total subscribers at March 31, 2016.

Revenues for HealthStream Patient Experience Solutions decreased by $61,000, or 1%, compared to the first quarter of 2016. Revenues from Patient Insights™ surveys, our survey research product that generates recurring revenues were comparable between periods. Revenues from these products were impacted by increased adoption of our e-survey products and lower volumes of phone based surveys. Our e-survey products have both lower revenue and cost per survey than our traditional phone survey products. Revenues from other products, including surveys conducted on annual or bi-annual cycles and consulting/coaching services, collectively decreased modestly compared to the prior year first quarter due to the timing of engagements compared to the prior year period.

Revenues for HealthStream Provider Solutions increased approximately $3.5 million, or 72%, over the first quarter of 2016. Approximately $2.3 million of the increase resulted from the MAI acquisition which was consummated on August 8, 2016.

Cost of Revenues (excluding depreciation and amortization). Cost of revenues increased approximately $3.4 million, or 15%, to $26.3 million for the three months ended March 31, 2017 from $22.9 million for the three months ended March 31, 2016. Cost of revenues as a percentage of revenues was 44% and 42% of revenues for the three months ended March 31, 2017 and 2016, respectively. Cost of revenues for HealthStream Workforce Solutions increased approximately $2.2 million to $18.4 million and approximated 42% and 39% of revenues for HealthStream Workforce Solutions for the three months ended March 31, 2017 and 2016, respectively. The increase in amount and as a percentage of revenues is primarily associated with increased royalties paid by us resulting from growth in courseware subscription revenues and additions to personnel over the prior year period. Cost of revenues for HealthStream Patient Experience Solutions decreased approximately $424,000 to $5.1 million and approximated 65% and 70% of revenues for HealthStream Patient Experience Solutions for the three months ended March 31, 2017 and 2016, respectively. The decrease in both amount and as a percentage of revenue is primarily the result of lower costs associated with declines in phone based survey volume compared to the prior year first quarter. Cost of revenues for HealthStream Provider Solutions increased approximately $1.6 million to $2.8 million and approximated 33% and 24% of HealthStream Provider Solutions revenues for the three months ended March 31, 2017 and 2016, respectively. The increase in both amount and as a percentage of revenue is primarily associated with the MAI business and additions to personnel over the prior year period.

Product Development. Product development expenses decreased approximately $419,000, or 6%, to $6.6 million for the three months ended March 31, 2017 from $7.0 million for the three months ended March 31, 2016. Product development expenses as a percentage of revenues were 11% and 13% of revenues for the three months ended March 31, 2017 and 2016, respectively.

Product development expenses for HealthStream Workforce Solutions decreased approximately $242,000 and approximated 11% and 12% of revenues for HealthStream Workforce Solutions for the three months ended March 31, 2017 and 2016, respectively. The decrease in both amount and as a percentage of revenues is primarily due to lower outsourced labor expenses. Product development expenses for HealthStream Patient Experience Solutions decreased approximately $362,000 and approximated 10% and 15% of revenues for HealthStream Patient Experience Solutions for the three months ended March 31, 2017 and 2016, respectively. The decrease in both amount and as a percentage of revenue is primarily due to lower personnel expenses and outsourced labor expenses. Product development expenses for HealthStream Provider Solutions increased approximately $186,000 and approximated 13% and 19% of revenues for HealthStream Provider Solutions for the three months ended March 31, 2017 and 2016, respectively. The increase in amount is primarily associated with additions to personnel over the prior year period.

Sales and Marketing. Sales and marketing expenses, including personnel costs, increased approximately $2.3 million, or 27%, to $10.8 million for the three months ended March 31, 2017 from $8.5 million for the three months ended March 31, 2016. Sales and marketing expenses were 18% and 16% of revenues for the three months ended March 31, 2017 and 2016, respectively.

Sales and marketing expenses for HealthStream Workforce Solutions increased approximately $1.2 million and approximated 17% and 16% of revenues for HealthStream Workforce Solutions for the three months ended March 31, 2017 and 2016, respectively. The increase in amount and as a percentage of revenues is primarily due to additions to personnel and higher sales commissions. Sales and marketing expenses for HealthStream Patient Experience Solutions increased approximately $327,000, and approximated 16% and 12% of revenues for HealthStream Patient Experience Solutions for the three months ended March 31, 2017 and 2016, respectively. The increase in both amount and as a percentage of revenues is primarily due to higher sales commissions and marketing expenses. Sales and marketing expenses for HealthStream Provider Solutions increased approximately $684,000, and approximated 20% of revenues for HealthStream Provider Solutions for both the three months ended March 31, 2017 and 2016 respectively. The increase in amount is primarily associated with additions to personnel, higher sales commissions, and increased marketing expenses.

Other General and Administrative Expenses. Other general and administrative expenses decreased approximately $37,000 to $7.9 million for the three months ended March 31, 2017 from $8.0 million for the three months ended March 31, 2016. Other general and administrative expenses as a percentage of revenues were 13% and 15% of revenues for the three months ended March 31, 2017 and 2016, respectively.

Other general and administrative expenses for HealthStream Workforce Solutions increased approximately $508,000 and approximated 4% and 3% of HealthStream Workforce Solutions revenues for the three months ended March 31, 2017 and 2016, respectively. The increase in amount and as a percentage of revenues is primarily due to higher facility costs and increases in other general expenses. Other general and administrative expenses for HealthStream Patient Experience Solutions decreased approximately $8,000 compared to the prior year first quarter and approximated 8% of HealhtStream Patient Experience Solutions revenues for both the three months ended March 31, 2017 and 2016. Other general and administrative expenses for HealthStream Provider Solutions increased approximately $638,000 and approximated 17% and 16% of HealthStream Provider Solutions revenues for the three months ended March 31, 2017 and 2016, respectively. The increase in amount and as a percentage of revenues is primarily associated with the MAI business and bad debt expense. The unallocated corporate portion of other general and administrative expenses decreased approximately $1.2 million compared to the prior year first quarter primarily due to lower professional services associated with the implementation of a new financial systems platform during the prior year period, and reductions of other general expenses.

Depreciation and Amortization. Depreciation and amortization increased approximately $1.3 million, or 24%, to $6.4 million for the three months ended March 31, 2017 from $5.1 million for the three months ended March 31, 2016. The increase primarily resulted from amortization of capitalized software development, amortization of intangible assets from the MAI acquisition, and depreciation expense associated with capital expenditures.

Other Income, Net. Other income, net was approximately $130,000 for the three months ended March 31, 2017 compared to $18,000 for the three months ended March 31, 2016. This increase is primarily a result of interest income from investments in marketable securities.

Income Tax Provision. The Company recorded a provision for income taxes of approximately $0.7 million for the three months ended March 31, 2017 compared to $1.0 million for the three months ended March 31, 2016. The Company's effective tax rate was 35% for the three months ended March 31, 2017 compared to 40% for the three months ended March 31, 2016. The decrease in the effective tax rate was influenced by lower state taxes, research and development tax credits, and excess tax benefits from stock-based awards.

Net Income. Net income decreased approximately $0.2 million, or 14%, to $1.3 million for the three months ended March 31, 2017 from $1.5 million for the three months ended March 31, 2016. Earnings per diluted share were $0.04 and $0.05 per share for the three months ended March 31, 2017 and 2016, respectively.

Adjusted EBITDA (which we define as net income before interest, income taxes, stock based compensation, and depreciation and amortization) increased by 7% to approximately $8.7 million for the three months ended March 31, 2017 compared to $8.1 million for the three months ended March 31, 2016. See Reconciliation of Non-GAAP Financial Measures below for our reconciliation of this calculation to measures under US GAAP.

Reconciliation of Non-GAAP Financial Measures

This report contains certain non-GAAP financial measures, including non-GAAP net income, non-GAAP operating income, and adjusted EBITDA, which are used by management in analyzing its financial results and ongoing operational performance. These non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance which are prepared in accordance with US GAAP and may be different from non-GAAP financial measures used by other companies.

In order to better assess the Company's financial results, management believes that adjusted EBITDA is an appropriate measure for evaluating the operating performance of the Company and provides useful information to investors because adjusted EBITDA reflects net income adjusted for certain non-cash and non-operating items. We believe that adjusted EBITDA is also used by many investors and securities analysts to assess the Company's results from current operations. Adjusted EBITDA is a non-GAAP financial measure and should not be considered as a measure of financial performance under US GAAP. Because adjusted EBITDA is not a measurement determined in accordance with US GAAP, it is susceptible to varying calculations. Accordingly, adjusted EBITDA, as presented, may not be comparable to other similarly titled measures of other companies.

The Company understands that, although adjusted EBITDA is frequently used by investors and securities analysts in their evaluation of companies, this measure has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for an analysis of the Company's results as reported under US GAAP.

In recent years, including the August 2016 acquisition of Morrisey Associates, Inc., the Company has acquired businesses whose net tangible assets include deferred revenue. In accordance with GAAP reporting requirements, following the completion of any such acquisition, the Company may record a write-down of deferred revenue to fair value as defined in GAAP. If the Company is required to record a write-down of deferred revenue, it may result in lower recognized revenue, operating income, and net income in subsequent periods.

In connection therewith, this report presents below non-GAAP operating income and non-GAAP net income, which in each such case reflects the corresponding GAAP figures adjusted to exclude the impact of the deferred revenue write-down associated with fair value accounting for acquired businesses as referenced above. Management believes that the presentation of these non-GAAP financial measures assists investors in understanding the Company's performance between periods by excluding the impact of this deferred revenue write-down and provides a useful measure of the ongoing performance of the Company. Both on a quarterly and year-to-date basis, the revenue for the acquired business is deferred and typically recognized over a one-to-two year period following the completion of any particular acquisition, so our GAAP revenues (and, thus, our GAAP operating income and net income) for this one-to-two year period will not reflect the full amount of revenues that would have been reported if the acquired deferred revenue was not written down to fair value. A reconciliation of these non-GAAP financial measures to the corresponding GAAP measures is set forth below.

	Three Months Ended March 31,	
	2017	2016
GAAP net income	$1,285	$1,501
Interest income	(160)	(98)
Interest expense	25	25
Income tax provision	678	1,004
Stock based compensation expense	441	500
Depreciation and amortization	6,387	5,140
Adjusted EBITDA	$8,657	$8,072
GAAP operating income	$1,833	$2,487
Adjustment for deferred revenue write-down	844	955
Non-GAAP operating income	$2,677	$3,442
GAAP net income	$1,285	$1,501
Adjustment for deferred revenue write-down, net of tax	553	572
Non-GAAP net income	$1,838	$2,073

Liquidity and Capital Resources

Net cash provided by operating activities increased by $10.8 million, or 189%, to $16.5 million during the three months ended March 31, 2017 from $5.7 million during the three months ended March 31, 2016. The number of days sales outstanding (DSO) was 63 days for the first quarter of 2017 compared to 58 days for the first quarter of 2016. The increase in DSO primarily relates to higher accounts receivable balances and slower collections in the Provider Solutions segment as compared to the prior year period. The Company calculates DSO by dividing the average accounts receivable balance for the quarter by average daily revenues for the quarter. The Company's primary sources of cash were receipts generated from the sales of our products and services. The primary uses of cash to fund operations included personnel expenses, sales commissions, royalty payments, payments for contract labor and other direct expenses associated with delivery of our products and services, and general corporate expenses.

Net cash used in investing activities was approximately $12.9 million and $4.7 million for the three months ended March 31, 2017 and 2016, respectively. During the three months ended March 31, 2017, the Company purchased $1.0 million of property and equipment, spent $3.0 million for capitalized software development, and invested $28.2 million in marketable securities. These uses of cash were partially offset by maturities of marketable securities of $19.3 million. During the three months ended March 31, 2016, the Company purchased $2.7 million of property and equipment, spent $2.0 million for capitalized software development, and invested $41.9 million in marketable securities. These uses of cash were partially offset by maturities of marketable securities of $41.0 million and proceeds of $975,000 from the sale of long-lived assets.

Net cash used in financing activities was approximately $268,000 and $233,000 for the three months ended March 31, 2017 and 2016, respectively. The primary sources of cash from financing activities for both 2017 and 2016 resulted from the exercise of employee stock options. The primary uses of cash for both 2017 and 2016 resulted from the payment of employee payroll taxes in relation to the vesting of RSUs. The Company net-share settled the employee RSUs by withholding shares with value equivalent to the employee's minimum statutory obligation for the applicable income and other employment taxes.

Our balance sheet reflects positive working capital of $85.9 million at March 31, 2017 compared to $82.5 million at December 31, 2016. The Company's primary source of liquidity is $115.3 million of cash and cash equivalents and marketable securities. The Company also has a $50.0 million revolving credit facility, all of which was available for additional borrowing at March 31, 2017.

We believe that our existing cash and cash equivalents, marketable securities, cash generated from operations, and available borrowings under our revolving credit facility will be sufficient to meet anticipated working capital needs, new product development and capital expenditures for at least the next 12 months.

The Company's growth strategy includes acquiring businesses that provide complementary products and services. It is anticipated that future acquisitions, if any, would be effected through cash consideration, stock consideration, or a combination of both. The issuance of our stock as consideration for an acquisition or to raise additional capital could have a dilutive effect on earnings per share and could adversely affect our stock price. The revolving credit facility contains financial covenants and availability calculations designed to set a maximum leverage ratio of outstanding debt to adjusted EBITDA and an interest coverage ratio of adjusted EBITDA to interest expense. Therefore, the maximum borrowings against our revolving credit facility would be dependent on the covenant values at the time of borrowing. As of March 31, 2017, we were in material compliance with all covenants. There can be no assurance that amounts available for borrowing under our revolving credit facility will be sufficient to consummate any possible acquisitions, and we cannot assure you that if we need additional financing that it will be available on terms favorable to us, or at all. Failure to generate sufficient cash flow from operations or raise additional capital when required in sufficient amounts and on terms acceptable to us could harm our business, financial condition and results of operations.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

The Company is exposed to market risk from changes in interest rates. We do not have any foreign currency exchange rate risk or commodity price risk. As of March 31, 2017 and during the three months then ended, the Company had no outstanding debt. We may become subject to interest rate market risk associated with any future borrowings under our revolving credit facility. The interest rate under the revolving credit facility varies depending on the interest rate option selected by the Company plus a margin determined in accordance with a pricing grid. We are also exposed to market risk with respect to our cash and investment balances, which approximated $115.3 million at March 31, 2017. Assuming a hypothetical 10% decrease in interest rates for invested balances, interest income from cash and investments would decrease on an annualized basis by approximately $90,000.

The Company's investment policy and strategy is focused on investing in highly rated securities, with the objective of minimizing the potential risk of principal loss. The Company's policy limits the amount of credit exposure to any single issuer and sets limits on the average portfolio maturity.

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.

Item 4. ***Controls and Procedures***

Evaluation of Controls and Procedures

HealthStream's chief executive officer and principal financial officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Quarterly Report. Based on that evaluation, the chief executive officer and principal financial officer have concluded that HealthStream's disclosure controls and procedures were effective to ensure that the information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and the information required to be disclosed in the reports the Company files or submits under the Exchange Act was accumulated and communicated to the Company's management, including its chief executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in HealthStream's internal control over financial reporting that occurred during the first quarter of 2017 that has materially affected, or that is reasonably likely to materially affect, HealthStream's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. ***Exhibits***

(a) Exhibits

10.1^ – Form of HealthStream, Inc. Restricted Share Unit Agreement (Officers) under 2016 Omnibus Incentive Plan
10.2^ – Form of HealthStream, Inc. Restricted Share Unit Agreement (Non-Employee Director) under 2016 Omnibus Incentive Plan
31.1 – Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 – Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2 – Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1 INS – XBRL Instance Document
101.1 SCH – XBRL Taxonomy Extension Schema
101.1 CAL – XBRL Taxonomy Extension Calculation Linkbase
101.1 DEF – XBRL Taxonomy Extension Definition Linkbase
101.1 LAB – XBRL Taxonomy Extension Label Linkbase
101.1 PRE – XBRL Taxonomy Extension Presentation Linkbase

^ - Management contract or compensatory plan or arrangement.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HEALTHSTREAM, INC.

May 1, 2017

By: /S/ GERARD M. HAYDEN, JR.
Gerard M. Hayden, Jr.
Chief Financial Officer

Table of Contents

HEALTHSTREAM, INC.

EXHIBIT INDEX

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101.1 PRE	XBRL Taxonomy Extension Presentation Linkbase

^ Management contract or compensatory plan or arrangement.

EXHIBIT 10.1

HEALTHSTREAM, INC.
RESTRICTED SHARE UNIT AGREEMENT

This RESTRICTED SHARE UNIT AGREEMENT (this "Agreement") is made and entered into as of the [•] day of [•] (the "Grant Date"), between HealthStream, Inc., a Tennessee corporation (together with its Subsidiaries and Affiliates, the "Company"), and [•] (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the HealthStream, Inc. 2016 Omnibus Incentive Plan (the "Plan").

WHEREAS, the Company has adopted the Plan, which permits the issuance of Restricted Share Units; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company, including any subcommittee formed pursuant to Section 3.3 of the Plan (the "Committee") has determined that it would be to the advantage and best interest of the Company and its shareholders to grant an award of the Restricted Share Units provided for herein to the Grantee as an incentive for increased efforts during his or her term of service or employment with the Company or its Subsidiaries or Affiliates, and has advised the Company thereof and instructed the undersigned officers to award said Restricted Share Units;

NOW, THEREFORE, the parties hereto agree as follows:

RESTRICTED SHARE UNIT GRANT

Grantee:	[•]
Aggregate number of Restricted Share Units Granted hereunder:	[•]
Grant Date:	[•]

1. Grant of Restricted Share Unit Award.

1.1 The Company hereby grants to the Grantee the award ("Award") of Restricted Share Units ("RSUs") set forth above on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU shall have a value equal to the Fair Market Value of one Share. A bookkeeping account will be maintained by the Company to keep track of the RSUs.

1.2 The Grantee's rights with respect to the Award shall remain forfeitable at all times prior to the dates on which the RSUs shall vest in accordance with Section 2 hereof.

This Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Grantee other than by will or the laws of descent and distribution.

2. Vesting and Payment.

2.1 Vesting. Except as provided in Section 2.2, the RSUs subject to this Award shall vest as follows:

(i) 15% of the RSUs shall vest on the first anniversary of the Grant Date;

(ii) An additional 20% of the RSUs shall vest on the second anniversary of the Grant Date;

(iii) An additional 30% of the RSUs shall vest on the third anniversary of the Grant Date; and

(iv) The remaining 35% of the RSUs shall vest on the fourth anniversary of the Grant Date.

2.2 Change in Control. Notwithstanding the foregoing, upon the occurrence of a Change in Control, this Award shall become vested immediately prior to a Change in Control as to 100% of the RSUs (but only to the extent such Award has not otherwise terminated or become vested).

2.3 Settlement. The Grantee shall be entitled to settlement of the RSUs subject to this Award at the time that such RSUs vest pursuant to Section 2.1 or Section 2.2, as applicable. Such settlement shall be made as promptly as practicable thereafter (but in no event after the fifteenth day following the applicable vesting date, or in the case of a Change in Control, the Change in Control) through the issuance of Shares equal to the number of such vested RSUs. Any settlement of RSUs granted pursuant to this Award shall be made in Shares as evidenced by a “book entry” (i.e., a computerized or manual entry) in the records of the Company or its designated agent in the name of the Grantee who has become vested in such Shares (or, if requested by Grantee, a stock certificate evidencing such Shares). Notwithstanding the foregoing, if this Award vests in connection with a Change in Control and the Shares issuable in connection with such vesting subsequently have been converted into or have other been transferred in exchange for other consideration in connection with such Change in Control, Grantee will be entitled to receive such other consideration in lieu of the converted or transferred Shares. The Grantee will not be entitled to any dividend equivalent or voting rights with regard to the RSUs.

2.4 Termination. Except as otherwise provided by the Committee, this Award shall not become vested as to any RSUs that have not vested as of the time of the Grantee’s termination of employment with the Company for any reason, and Grantee shall forfeit any unvested RSUs as of the date of such termination of employment.

2.5 Withholding Obligations. Prior to the settlement of any RSUs subject to this Award, Grantee shall provide (i) full payment (in cash or by check or by a combination thereof) to satisfy the Withholding Tax Obligation (as defined below) with respect to which the Award or portion thereof shall settle or (ii) subject to compliance with applicable Legal Requirements, indication that the Grantee elects to tender to the Company Shares owned by the Grantee (or by the Grantee and his or her spouse jointly) and purchased and held for the requisite period of time as may be required to avoid the Company's incurring an adverse accounting charge, based on the Fair Market Value of such Shares on the payment date necessary to satisfy the Withholding Tax Obligation that would otherwise be required to be paid by the Grantee to the Company pursuant to clause (i) of this Section 2.5, or (iii) notwithstanding the foregoing and unless notice to the contrary is given to the Grantee by the Company, the number of Shares that would otherwise be issued to the Grantee upon settlement of the Award (or portion thereof) reduced by a number of Shares having an aggregate Fair Market Value, on the date of such issuance, equal to the payment to satisfy the Withholding Tax Obligation that would otherwise be required to be made by the Grantee to the Company pursuant to clause (i) of this Section 2.5. Any social security calculation or other adjustments discovered after the net Share payment described in clause (iii) of this Section 2.5 hereof will be settled in cash, not in Shares. For the avoidance of doubt, the Company may satisfy the Grantee's withholding obligation from the Grantee's other compensation which may be payable by the Company, including any withholding obligation which may not be satisfied though the procedures identified in this Section 2.5. For purposes hereof, the "Withholding Tax Obligation" means the minimum amount necessary to satisfy Federal, state, local or foreign withholding tax requirements, if any, in connection with vesting of the Award; provided, however, that, in the discretion of the Company, the Company may allow the Grantee to withhold an additional amount or additional number of Shares to satisfy an additional amount of withholding taxes up to the maximum individual statutory tax rate in the applicable jurisdiction, but only if such additional withholding, or the discretion to elect such additional withholding, does not result in adverse accounting treatment of this Award to the Company. Vesting of the Award (or portion thereof) will result in taxable compensation reportable on the Grantee's W-2 in year of vesting.

3. No Right to Continued Service. Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right to continue service as an officer or employee of the Company.

4. Adjustments. The provisions of Section 4.2 and Section 14.3 of the Plan are hereby incorporated by reference, and the RSUs are subject to such provisions. Any determination made by the Committee pursuant to such provisions shall be made in accordance with the provisions of the Plan and shall be final and binding for all purposes of the Plan and this Agreement.

5. Administration Subject to the Plan. The Grantee hereby acknowledges receipt of a copy of (or an electric link to) the Plan and agrees to be bound by all the terms and provisions thereof. The terms of this Agreement are governed by the terms of the Plan, and in the case of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Grantee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award.

6. Modification of Agreement. Subject to the restrictions contained in the Plan and applicable law (including compliance with Section 409A of the Code), the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the RSU, prospectively or retroactively.

7. Section 409A. Notwithstanding anything herein to the contrary, to the maximum extent permitted by applicable law, the settlement of the RSUs to be made to the Grantee pursuant to this Agreement is intended to qualify as a "short-term deferral" pursuant to Section 1.409A-1(b)(4) of the Regulations and this Agreement shall be interpreted consistently therewith. However, in any circumstances where the settlement of the RSUs may not so qualify, the Committee shall administer the grant and settlement of such RSUs in strict compliance with Section 409A of the Code. Further, notwithstanding anything herein to the contrary, to the extent that this Award constitutes deferred compensation for purposes of Section 409A of the Code (i) no RSU payable upon the Grantee's termination of service shall be issued, unless Grantee's termination of service constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Treasury Regulations and (ii) if at the time of a Grantee's termination of employment with the Company and all "service recipients" (as defined in the applicable provision of the Treasury Regulations), the Grantee is a "specified employee" as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Grantee) to the minimum extent necessary to satisfy Section 409A of the Code until the date that is six months and one day following the Participant's termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of employment. Each payment of RSUs constitutes a "separate payment" for purposes of Section 409A of the Code. Notwithstanding any other provision of this Agreement or the Plan to the contrary, to the extent that this RSU Agreement constitutes deferred compensation for purposes of Section 409A of the Code, a "Change in Control" for purposes of this Agreement shall mean "change in the ownership of the Company," a "change in the effective control of the Company," or a "change in the ownership of a substantial portion of the Company's assets," as such terms are defined in Section 1.409A-3(i)(5) of the Treasury Regulations. Notwithstanding the foregoing, Company does not warrant that this RSU will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to Grantee for any tax, interest, or penalties that the Grantee might owe as a result of the grant, holding, vesting, exercise, or payment of the RSUs.

8. No Right to Continued Employment. The grant of the RSU shall not be construed as giving the Grantee the right to be retained in the service of the Company, and the Company may at any time dismiss the Grantee from service, free from any liability or any claim under the Plan.

9. Severability. If any provision of this Agreement is, or becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or the Award, or would disqualify the Plan or Award under any laws deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan and Award shall remain in full force and effect.

10. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee without giving effect to the conflicts of law principles thereof, except to the extent that such laws are preempted by Federal law.

11. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee's heirs, executors, administrators and successors.

12. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee and the Company for all purposes.

13. Notices. All notices required to be given under this Award shall be deemed to be received if delivered or mailed as provided for herein to the parties at the following addresses, or to such other address as either party may provide in writing from time to time.

To the Company:	HealthStream, Inc. Cummins Station, Suite 450 209 10th Avenue South Nashville TN 37203
To the Grantee:	The address then maintained with respect to the Grantee in the Company's records.

IN WITNESS WHEREOF, the parties have caused this Restricted Share Unit Agreement to be duly executed effective as of the day and year first above written.

HEALTHSTREAM, INC.:

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

GRANTEE:

____

EXHIBIT 10.2

HEALTHSTREAM, INC.
RESTRICTED SHARE UNIT AGREEMENT

This RESTRICTED SHARE UNIT AGREEMENT (this “Agreement”) is made and entered into as of the [•] day of [•] (the “Grant Date”), between HealthStream, Inc., a Tennessee corporation (together with its Subsidiaries and Affiliates, the “Company”), and [•] (the “Grantee”). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the HealthStream, Inc. 2016 Omnibus Incentive Plan (the “Plan”).

WHEREAS, the Company has adopted the Plan, which permits the issuance of Restricted Share Units; and

WHEREAS, the Compensation Committee of the Board of Directors of the Company, including any subcommittee formed pursuant to Section 3.3 of the Plan (the “Committee”) has determined that it would be to the advantage and best interest of the Company and its shareholders to grant an award of the Restricted Share Units provided for herein to the Grantee as an incentive for increased efforts during his or her term of service or employment with the Company or its Subsidiaries or Affiliates, and has advised the Company thereof and instructed the undersigned officers to award said Restricted Share Units;

NOW, THEREFORE, the parties hereto agree as follows:

RESTRICTED SHARE UNIT GRANT

Grantee:	[•]
Aggregate number of Restricted Share Units Granted hereunder:	[•]
Grant Date:	[•]

1. Grant of Restricted Share Unit Award.

1.1 The Company hereby grants to the Grantee the award (“Award”) of Restricted Share Units (“RSUs”) set forth above on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each RSU shall have a value equal to the Fair Market Value of one Share. A bookkeeping account will be maintained by the Company to keep track of the RSUs.

1.2 The Grantee’s rights with respect to the Award shall remain forfeitable at all times prior to the dates on which the RSUs shall vest in accordance with Section 2 hereof.

This Award may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by Grantee other than by will or the laws of descent and distribution.

2. Vesting and Payment.

2.1 Vesting. Except as provided in Section 2.2, the RSUs subject to this Award shall vest as follows:

(i) 1/3 of the RSUs shall vest on the first anniversary of the Grant Date;

(ii) An additional 1/3 of the RSUs shall vest on the second anniversary of the Grant Date; and

(iii) The remaining 1/3 of the RSUs shall vest on the third anniversary of the Grant Date.

2.2 Change in Control. Notwithstanding the foregoing, upon the occurrence of a Change in Control, this Award shall become vested immediately prior to a Change in Control as to 100% of the RSUs (but only to the extent such Award has not otherwise terminated or become vested).

2.3 Settlement. The Grantee shall be entitled to settlement of the RSUs subject to this Award at the time that such RSUs vest pursuant to Section 2.1 or Section 2.2, as applicable. Such settlement shall be made as promptly as practicable thereafter (but in no event after the fifteenth day following the applicable vesting date, or in the case of a Change in Control, the Change in Control) through the issuance of Shares equal to the number of such vested RSUs. Any settlement of RSUs granted pursuant to this Award shall be made in Shares as evidenced by a "book entry" (i.e., a computerized or manual entry) in the records of the Company or its designated agent in the name of the Grantee who has become vested in such Shares (or, if requested by Grantee, a stock certificate evidencing such Shares). Notwithstanding the foregoing, if this Award vests in connection with a Change in Control and the Shares issuable in connection with such vesting subsequently have been converted into or have other been transferred in exchange for other consideration in connection with such Change in Control, Grantee will be entitled to receive such other consideration in lieu of the converted or transferred Shares. The Grantee will not be entitled to any dividend equivalent or voting rights with regard to the RSUs.

2.4 Termination. Except as otherwise provided by the Committee, this Award shall not become vested as to any RSUs that have not vested as of the time of the Grantee's termination of service with the Company for any reason, and Grantee shall forfeit any unvested RSUs as of the date of such termination of service.

3. No Right to Continued Service. Nothing in this Agreement or the Plan shall be interpreted or construed to confer upon the Grantee any right to continue service as a member of the Board.

4. Adjustments. The provisions of Section 4.2 and Section 14.3 of the Plan are hereby incorporated by reference, and the RSUs are subject to such provisions. Any determination made by the Committee pursuant to such provisions shall be made in accordance with the provisions of the Plan and shall be final and binding for all purposes of the Plan and this Agreement.

5. Administration Subject to the Plan. The Grantee hereby acknowledges receipt of a copy of (or an electric link to) the Plan and agrees to be bound by all the terms and provisions thereof. The terms of this Agreement are governed by the terms of the Plan, and in the case of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern. The Committee shall have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Grantee, the Company and all other interested persons. No member of the Committee shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Award.

6. Modification of Agreement. Subject to the restrictions contained in the Plan and applicable law (including compliance with Section 409A of the Code), the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the RSU, prospectively or retroactively.

7. Section 409A. The Grantee shall be responsible for all taxes due in connection with the grant or vesting or any payment or transfer with respect to the RSUs and Shares (and cash, if applicable) payable hereunder. Notwithstanding anything herein to the contrary, to the maximum extent permitted by applicable law, the settlement of the RSUs to be made to the Grantee pursuant to this Agreement is intended to qualify as a “short-term deferral” pursuant to Section 1.409A-1(b)(4) of the Regulations and this Agreement shall be interpreted consistently therewith. However, in any circumstances where the settlement of the RSUs may not so qualify, the Committee shall administer the grant and settlement of such RSUs in strict compliance with Section 409A of the Code. Further, notwithstanding anything herein to the contrary, to the extent that this Award constitutes deferred compensation for purposes of Section 409A of the Code (i) no RSU payable upon the Grantee’s termination of service shall be issued, unless Grantee’s termination of service constitutes a “separation from service” within the meaning of Section 1.409A-1(h) of the Treasury Regulations and (ii) if at the time of a Grantee’s termination of employment with the Company and all “service recipients” (as defined in the applicable provision of the Treasury Regulations), the Grantee is a “specified employee” as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Grantee) to the minimum extent necessary to satisfy Section 409A of the Code until the date that is six months and one day following the Participant’s termination of employment with the Company (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of employment. Each payment of RSUs constitutes a “separate payment” for purposes of Section 409A of the Code. Notwithstanding any other provision of this Agreement or the Plan to the contrary, to the extent that this RSU Agreement constitutes deferred compensation for purposes of Section 409A of the Code, a “Change in Control” for

purposes of this Agreement shall mean “change in the ownership of the Company,” a “change in the effective control of the Company,” or a “change in the ownership of a substantial portion of the Company’s assets,” as such terms are defined in Section 1.409A-3(i)(5) of the Treasury Regulations. Notwithstanding the foregoing, Company does not warrant that this RSU will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to Grantee for any tax, interest, or penalties that the Grantee might owe as a result of the grant, holding, vesting, exercise, or payment of the RSUs.

8. No Right to Continued Service. The grant of the RSU shall not be construed as giving the Grantee the right to be retained in the service of the Company, and the Company may at any time dismiss the Grantee from service, free from any liability or any claim under the Plan.

9. Severability. If any provision of this Agreement is, or becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or the Award, or would disqualify the Plan or Award under any laws deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan and Award shall remain in full force and effect.

10. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee without giving effect to the conflicts of law principles thereof, except to the extent that such laws are preempted by Federal law.

11. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Grantee’s legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee’s heirs, executors, administrators and successors.

12. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee and the Company for all purposes.

13. Notices. All notices required to be given under this Award shall be deemed to be received if delivered or mailed as provided for herein to the parties at the following addresses, or to such other address as either party may provide in writing from time to time.

To the Company:	HealthStream, Inc. Cummins Station, Suite 450 209 10th Avenue South Nashville TN 37203
To the Grantee:	The address then maintained with respect to the Grantee in the Company’s records.

IN WITNESS WHEREOF, the parties have caused this Restricted Share Unit Agreement to be duly executed effective as of the day and year first above written.

HEALTHSTREAM, INC.:

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

GRANTEE:

____

Exhibit 31.1

I, Robert A. Frist, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of HealthStream, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2017

/S/ ROBERT A. FRIST, JR.

Robert A. Frist, Jr.
Chief Executive Officer

I, Gerard M. Hayden, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of HealthStream, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2017

/S/ GERARD M. HAYDEN, JR.

Gerard M. Hayden, Jr.
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HealthStream, Inc. (the “Company”) on Form 10-Q for the period ending March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Robert A. Frist, Jr., Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT A. FRIST, JR.
Robert A. Frist, Jr.
Chief Executive Officer
May 1, 2017

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HealthStream, Inc. (the “Company”) on Form 10-Q for the period ending March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Gerard M. Hayden, Jr., Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GERARD M. HAYDEN, JR.
Gerard M. Hayden, Jr.
Chief Financial Officer
May 1, 2017