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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 14, 2015 (March 16, 2015)

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

Tennessee	**000-27701**	**62-1443555**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

209 10th Avenue South, Suite 450, Nashville, Tennessee 37203
(Address of principal executive offices) (Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

HealthStream, Inc. (the “Company”) hereby amends its Current Report on Form 8-K dated March 16, 2015, for the purpose of filing the financial statements and pro forma financial information required by Item 9.01 of Form 8-K with respect to the acquisition of HealthLine Systems, LLC, a California limited liability company, the legal successor to HealthLine Systems, Inc., “HLS”, within the time period permitted under Item 9.01 of Form 8-K. Except for the filing of the financial statements and pro forma financial information required by Item 9.01, and the consent of Lattimore Black Morgan & Cain, PC filed herewith as Exhibit 23.1, there are no changes to the initial Current Report on Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Business

The audited consolidated financial statements of HLS as of and for the years ended December 31, 2014 and 2013 and the notes related thereto are filed as Exhibit 99.1 and are hereby incorporated by reference.

(b) Pro Forma Financial Information

The unaudited pro forma combined condensed financial information of the Company and HLS as of and for the year ended December 31, 2014, including notes related thereto, are filed as Exhibit 99.2 and are hereby incorporated by reference.

(d) Exhibits

23.1	Consent of Lattimore Black Morgan & Cain, PC, Independent Auditor of HLS.
99.1	Audited Consolidated Financial Statements of HLS as of and for the years ended December 31, 2014 and 2013.
99.2	Unaudited pro forma combined condensed financial information of the Company and HLS as of and for the year ended December 31, 2014.

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 hereunto duly authorized.

HEALTHSTREAM, INC.

By: /s/ Gerard M. Hayden
Gerard M. Hayden
Chief Financial Officer
April 14, 2015

INDEX TO EXHIBITS

Exhibit Number	Description
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EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statement Nos. 333-167241 and 333-37440 on Forms S-8 of HealthStream, Inc. of our report dated April 7, 2015 relating to the consolidated financial statements of HealthLine Systems, Inc. and Subsidiaries, which appears in the Current Report on Form 8-K/A dated April 14, 2015.

/s/ Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
April 14, 2015

Exhibit 99.1

HEALTHLINE SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014 AND 2013

HEALTHLINE SYSTEMS, INC. AND SUBSIDIARIES

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December 31, 2014 and 2013

Independent Auditors’ Report

To the Board of Directors
HealthStream, Inc. and Subsidiaries
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of HealthLine Systems, Inc. and Subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in shareholders’ equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HealthLine Systems, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
April 7, 2015

HEALTHLINE SYSTEMS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

For the Years Ended December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash	$ 4,002,041	$ 909,122
Accounts receivable, net	3,241,896	3,312,831
Advances and prepaid expenses	19,439	147,914
Advances - Shareholder	18,517	16,536
Deferred tax asset	178,263	174,096
Total current assets	7,460,156	4,560,499
Property and equipment:		
Equipment	5,437,542	5,232,584
Leasehold improvements	212,867	212,867
Furniture and fixtures	131,621	131,621
	5,782,030	5,577,072
Less - Accumulated depreciation and amortization	(2,967,300)	(2,567,545)
	2,814,730	3,009,527
Capitalized software development, net	328,603	556,413
Intangible assets, net	79,167	91,222
Total assets	$10,682,656	$ 8,217,661
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Current portion of long-term debt	$ 249,996	$ 249,996
Accounts payable	348,578	325,799
Accrued expenses	2,173,510	1,776,742
Deferred revenue	12,170,716	11,815,286
Total current liabilities	14,942,800	14,167,823
Long-term debt	1,604,181	1,854,177
Deferred tax liability	29,294	36,036
Deferred revenue	2,015,122	2,147,665
Commitments and contingencies	—	—
	18,591,397	18,205,701
Shareholders' deficit:		
Common stock, no par value, 10,000 shares authorized; 2,941 shares issued and outstanding at December 31, 2014 and 2013	2,750	2,750
Accumulated deficit	(7,911,491)	(9,990,790)
Total shareholders' deficit	(7,908,741)	(9,988,040)
Total liabilities and shareholders' deficit	$10,682,656	$ 8,217,661

See independent auditors' report and accompanying notes to the consolidated financial statements.

HEALTHLINE SYSTEMS, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

For the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues, net	$18,947,113	$18,419,625
Operating costs and expenses:		
Cost of revenues (excluding depreciation and amortization)	2,442,824	2,374,900
Product development	1,769,132	1,762,253
Sales and marketing	2,052,112	2,191,562
Other general and administrative expenses	4,434,438	4,715,985
Depreciation and amortization	692,424	740,561
Total operating costs and expenses	11,390,930	11,785,261
Income from operations	7,556,183	6,634,364
Other income (expense), net	(37,124)	(51,684)
Income before income tax provision	7,519,059	6,582,680
Income tax provision	147,266	137,629
Net income	$ 7,371,793	$ 6,445,051

See independent auditors' report and accompanying notes to the consolidated financial statements.

HEALTHLINE SYSTEMS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the Years Ended December 31, 2014 and 2013

	Common Stock		Accumulated	Total Shareholders'
	Shares	Amount	Deficit	Equity (Deficit)
Balance, December 31, 2012	2,941	$2,750	$(9,523,211)	$ (9,520,461)
Net income	—	—	6,445,051	6,445,051
Dividends paid to shareholders	—	—	(6,912,630)	(6,912,630)
Balance, December 31, 2013	2,941	2,750	(9,990,790)	(9,988,040)
Net income	—	—	7,371,793	7,371,793
Dividends paid to shareholders	—	—	(5,292,494)	(5,292,494)
Balance, December 31, 2014	2,941	$2,750	$(7,911,491)	$ (7,908,741)

See independent auditors' report and accompanying notes to the consolidated financial statements.

HEALTHLINE SYSTEMS, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2014 and 2013

	2014	2013
Operating activities:		
Net income	$ 7,371,793	$ 6,445,051
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	694,424	742,561
Provision for doubtful accounts	(46,991)	147,775
Provision for deferred income taxes	(10,909)	8,819
Accounts receivable	117,926	(1,086,179)
Advances and prepaid expenses	128,475	(117,647)
Advances - Shareholder	(1,981)	(10,801)
Accounts payable	22,780	(38,022)
Accrued expenses	396,768	355,553
Deferred revenue	222,887	(30,132)
Net cash provided by operating activities	8,895,172	6,416,978
Investing activities:		
Purchases of property and equipment	(204,958)	(47,365)
Payments associated with capitalized software development	(54,805)	(44,839)
Net cash used in investing activities	(259,763)	(92,204)
Financing activities:		
Dividends paid to shareholders	(5,292,494)	(6,912,630)
Repayments of debt	(249,996)	(249,996)
Net cash used in financing activities	(5,542,490)	(7,162,626)
Net increase (decrease) in cash	3,092,919	(837,852)
Cash at beginning of the year	909,122	1,746,974
Cash at the end of year	$ 4,002,041	$ 909,122
Supplemental cash flow information:		
Interest paid	$ 70,618	$ 79,483
Income taxes paid	$ 109,683	$ 84,328

See independent auditors' report and accompanying notes to the consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

HealthLine Systems, Inc. (HealthLine) was incorporated in the State of California in 1985, and is headquartered in San Diego, California. HealthLine provides credentialing software, contact center software, and quality management software to hospitals and healthcare organizations in the United States, Mexico and Canada. HealthLine's mission is to provide peerless information management solutions and services that maximize the quality and delivery of healthcare.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of HealthLine Systems, Inc. and its subsidiaries, all of which are wholly-owned and are collectively referred to as the Company. All significant intercompany balances and transactions have been eliminated in consolidation.

(c) Accrual Basis

The consolidated financial statements of the Company are prepared using the accrual basis of accounting, under which revenue is recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

(d) Use of Estimates

Preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and such differences could be material to the consolidated financial statements.

(e) Revenue Recognition

The Company's revenue recognition policies are determined primarily through consideration of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 985-605, *Software Revenue Recognition*. Revenues are derived from both licensed and SaaS-based software offerings to customers. Initial software licensing agreements are typically provided under one (1) to five (5) year contracts. Renewal licensing agreements are typically for a one (1) year period. SaaS-based subscriptions are provided under annual or quarterly agreements.

The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when persuasive evidence of an arrangement exists, prices are fixed and determinable, services and products are provided to the customer, and collectability is probable or reasonably assured.

For initial licensed software offerings, the Company recognizes revenue from all elements, including license fees, services for data conversion, implementation and training, and customer support, ratably over the initial contract term because the relative fair values of the elements cannot be determined and because certain elements have no stand-alone fair value. Revenue recognition does not begin until the software is installed and available for use by the customer. License fees for software upgrades or enhancements after the initial contract is executed are recognized ratably over the longer of the remaining contract term or an estimated three-year use term. License renewal and customer support fees are recognized ratably over the renewal period, which is typically one year.

Revenues from services, other than those offered in connection with an initial customer contract, are recognized when the services are performed.

Revenues from all elements of SaaS-based software offerings are recognized ratably over the agreement term.

The Company accounts for all governmental taxes associated with revenue transactions on a net basis.

(f) Cash Equivalents

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

(g) Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management estimates the allowance for doubtful accounts using a specific identification method on a case-by-case basis, based on facts and circumstances surrounding each potentially uncollectable receivable. Uncollectible receivables are written-off in the period management believes it has exhausted every opportunity to collect payment from the customer. Bad debt expense is recorded when events or circumstances indicate an additional allowance is required based on the Company’s specific identification approach. At December 31, 2014 and 2013, the Company has established an allowance for doubtful accounts of $150,230 and $197,221, respectively. Bad debt expense for the years ended December 31, 2014 and 2013 was $65,430 and $193,361, respectively. Accounts receivable are considered delinquent after thirty days. Late fees and interest are not assessed on delinquent accounts.

(Continued)

(h) Deferred Revenue

Deferred revenue represents amounts which have been billed or collected in advance of revenue recognition, and is recognized as the revenue recognition criteria are met. The Company typically invoices customers in accordance with stipulated contract dates or in quarterly or annual installments.

(i) Property and Equipment

Property and equipment are stated on the basis of cost. Expenditures representing additions or improvements are capitalized. Maintenance and repairs are charged to expense as incurred. Upon retirement or disposition, costs and accumulated depreciation are removed from the accounts and resulting gain or loss is recognized in income.

Depreciation and amortization of assets are provided by the straight-line method over the assets' estimated useful lives, except for leasehold improvements, which are amortized over the shorter of the estimated useful life or their respective lease term. The estimated useful lives for significant property and equipment categories are as follows:

	Useful Lives
Equipment	5-15 years
Leasehold improvements	6-10 years
Furniture and fixtures	7-10 years
Computer software	3-5 years

Depreciation and amortization of property and equipment totaled $399,754 and $445,588 for the years ended December 31, 2014 and 2013, respectively.

(j) Capitalized Software Development

The Company accounts for costs incurred to develop computer software in accordance with FASB ASC 985-20, *Costs of Software to be Sold, Licensed, or Marketed*. As required by FASB ASC 985-20, the Company capitalizes the costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary project along with post-implementation stages of computer software are expensed as incurred. Costs incurred to maintain existing product offerings are expensed as incurred. The capitalization and on-going assessment of recoverability of development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. Amortization of all capitalized software development costs is by the straight-line method over an estimated useful life of the software. The Company capitalized approximately $54,800 and $44,800 during 2014 and 2013, respectively.

(Continued)

(k) Intangible Assets

The Company accounts for its intangible assets in accordance with FASB ASC 350, *Goodwill and Other Intangible Assets*, which requires intangible assets that have indefinite useful lives to be capitalized and tested annually for impairment. Intangible assets other than goodwill that have finite useful lives are to be amortized over their estimated useful lives.

Intangible assets subject to amortization are being amortized on the straight-line method over the weighted average useful lives of the assets. No residual value is estimated for these intangible assets.

(l) Long-Lived Assets

Long-lived assets to be held for use are reviewed for events or changes in facts and circumstances, both internally and externally, which may indicate that an impairment of long-lived assets held for use is present. The Company measures any impairment using observable market values or discounted future cash flows from the related long-lived assets. The cash flow estimates and discount rates incorporate management's best estimates, using appropriate and customary assumptions and projections at the date of evaluation. Management periodically evaluates whether the carrying value of long-lived assets, including property and equipment, capitalized software development costs and other intangible assets will be recoverable. At December 31, 2014 and 2013, there were no impairments recognized related to long-lived assets.

(m) Income Taxes

The Board of Directors of the Company has elected to operate the Company as a Sub-Chapter S under the Internal Revenue Code. As a Sub-Chapter S, the shareholders are taxed on their proportionate share of the Company's net income. Certain specific deductions and credits flow through the Company to its shareholders.

The Company follows the asset and liability method of accounting for state income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. The Company accounts for income tax uncertainties using a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not

(Continued)

recognition threshold are measured in order to determine the tax benefit recognized in the financial statements. Any interest and penalties recognized associated with a tax position are classified in operating expenses in the Company's financial statements.

(n) Fair Value Measurement

The Company follows FASB ASC 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. FASB ASC 820-10 defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles. The current practice includes: (1) the definition of fair value, which focuses on an exit price rather than on entry price; (2) the methods used to measure fair value, such as emphasis that fair value is a market-based measurement, not an entity-specific measurement, as well as the inclusion of an adjustment for risk, restrictions, and credit standing; and (3) the expanded disclosures about fair value measurements. The standard utilizes a fair value hierarchy which is categorized into three levels based on the inputs to the valuation techniques used to measure fair value.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Company's significant financial instruments are cash, accounts receivable, accounts payable, accrued expenses, deferred revenue, and notes payable. For these consolidated financial instruments, carrying values approximate fair value.

(o) Concentrations of Credit Risk and Significant Customers

The Company maintains cash accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. As of January 1, 2013, the standard FDIC insurance amount became limited to $250,000 per depositor, per insured bank. Excess amounts held by the Company during 2014 and 2013 were uninsured and uncollateralized.

The Company sells its products and services to various companies in the healthcare industry that are located in the United States, Mexico, and Canada. Credit evaluations are performed of customers' financial condition and generally the Company requires no collateral from customers. The Company did not have any single customer representing over 10% of net revenues during 2014 or 2013.

(p) Subsequent Events

The Company has evaluated subsequent events through April 7, 2015, the date which the consolidated financial statements were available to be issued.

(Continued)

(2) Capitalized Software Development

The following is a summary of capitalized software development costs at December 31, 2014 and 2013:

	Useful Life	2014	2013
Computer software	4-7 years	$1,791,803	$1,736,998
Less - Accumulated amortization		1,463,200	1,180,585
		$ 328,603	$ 556,413

Amortization expense related to capitalized software was $282,615 and $280,540 for the years ended December 31, 2014 and 2013, respectively.

(3) Intangible Assets

The following is a summary of intangible assets subject to amortization at December 31, 2014 and 2013:

	Useful Life	2014	2013
Intellectual property	3-15 years	$216,500	$217,250
Other	5 years	10,000	10,000
		226,500	227,250
Less - Accumulated amortization		147,333	136,028
		$ 79,167	$ 91,222

Intellectual property includes purchased client lists and a licensing agreement. Amortization expense for these intangible assets was $12,055 and $16,433 for the years ended December 31, 2014 and 2013, respectively. Included in these amounts is $2,000 for 2014 and 2013 related to the amortization of deferred financing costs that was recorded as interest expense. Estimated amortization expense for each of the ensuing years through December 31, 2019 and thereafter is as follows:

2015	$11,333
2016	11,333
2017	9,833
2018	9,333
2019	9,333
Thereafter	28,002
	$79,167

No intangible assets subject to amortization were acquired for the years ended December 31, 2014 and 2013.

(Continued)

(4) Accrued Expenses

A summary of accrued expenses follows:

	2014	2013
State income and other taxes (non-income)	$1,479,176	$1,096,176
Payroll and taxes	345,504	377,473
Discretionary time off	278,165	263,688
Commissions	38,534	39,405
Legal fees	32,131	—
	$2,173,510	$1,776,742

(5) Long-Term Debt

The Company has a promissory note to a financial institution issued in 2012 for an original amount of $2,500,000. Principal is payable in fifty-nine (59) consecutive installments of $20,833 and a final installment of the remaining unpaid balance due in June 2017. Interest is paid monthly at an annual rate of three and one-half percent (3.5%). The note is secured by aviation equipment with a net book value of approximately $2,352,000 and $2,618,000 at December 31, 2014 and 2013, respectively, and is guaranteed by the majority shareholder.

Principal payments required to be made for each of the ensuing years are summarized as follows:

2015	$ 249,996
2016	249,996
2017	1,354,185
	$1,854,177

Interest expense totaled $72,618 and $81,483 for the years ended December 31, 2014 and 2013, respectively.

(6) Advertising

The Company expenses advertising costs. Advertising related to product sales totaled approximately $102,100 and $129,600 for the years ended December 31, 2014 and 2013, respectively.

(Continued)

(7) State Income Taxes

The provisions for state income taxes are as follows:

	2014	2013
Current	$158,175	$128,810
Deferred	(10,909)	8,819
Total state income tax expense	$147,266	$137,629

Deferred income taxes are provided for the temporary differences between the financial reporting basis and tax basis of the Company's assets and liabilities. The net deferred state income taxes recognized on the consolidated balance sheets at December 31, 2014 and 2013 include the following components:

	2014	2013
Deferred tax assets:		
Differences due to accrual verses cash basis	$174,089	$170,141
Accrued vacation	4,174	3,955
	178,263	174,096
Deferred tax liabilities:		
Tax depreciation in excess of book	(29,294)	(36,036)
	$148,969	$138,060

There are no net operating loss carryforwards or investment tax credits available to offset current or future state income taxes at December 31, 2014

Management has analyzed the Company's tax positions and has recorded an accrual of approximately $469,000 and $352,000 at December 31, 2014 and 2013, respectively, for potential liabilities relating to state income/franchise taxes and non-resident income tax withholding in certain states. This liability increased by $117,000 and $99,000 during 2014 and 2013, respectively, for tax positions taken in those periods, of which $47,000 and $51,000, respectively, is included as a component of current income tax expense. These accruals include related estimated penalties and interest.

Management has concluded that no other liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2011 - 2013), or expected to be taken in the Company's 2014 tax returns.

The Company identifies its major tax jurisdictions as the U.S. Federal and the State of California. The Company's 2012 Federal Income Tax return is currently under audit by the Internal Revenue Service. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months, other than with respect to settlement of the amount accrued at December 31, 2014.

(Continued)

(8) Related Party

The Company leases office space through August 1, 2018 from an entity controlled by the majority shareholder. Under terms of the lease, the Company pays a sum of thirty-five thousand dollars ($35,000) per month. In addition to the rental amount, the Company is responsible for taxes, utilities, insurance, and repairs and maintenance related to the property.

The Company has entered into a sub-lease agreement for equipment storage rental through December 31, 2015 from an entity controlled by the majority shareholder. Under terms of the sub-lease, the Company pays a sum of three thousand five hundred dollars ($3,500) per month. In addition to the rental amount, the Company is responsible for taxes, utilities, insurance, and repairs and maintenance related to the property.

The following is a schedule by year of future minimum lease payments required under the operating lease agreements:

2015	$ 462,000
2016	420,000
2017	420,000
2018	280,000
	$1,582,000

Total lease expense recognized under the operating leases was $462,000 for each of the years ended December 31, 2014 and 2013.

(9) Employee Benefit Plan

The Company has established a 401(k) savings plan for all eligible employees. The Company provides matching of 25% of an employee's salary deferral contribution up to 10% and a discretionary contribution may also be made annually. Company contributions were approximately $94,400 and $98,400 for the years ended December 31, 2014 and 2013, respectively.

(10) Commitments and Contingencies

The Company maintains contracts with third party software companies for use of software that interfaces or runs concurrently with the Company's licensed software. The Company receives payment from customers and remits the contractual amounts to the third party software providers. Fees are typically stated amounts or based on a monthly fixed rate per facility. The contract terms typically are concurrent with the Company's customer contracts, but the third-party contracts can be cancelled with ninety (90) days' notice.

(Continued)

The Company maintains an accrual of approximately $1,010,000 and $744,000 at December 31, 2014 and 2013, respectively, for potential liabilities relating to uncollected sales taxes on historical sales to its customers in certain states. At this time, the Company believes it has adequately accrued for these tax liabilities; however, the settlement of these historical liabilities may differ significantly from the estimates depending on the outcome of future settlement processes.

On October 1, 2014, HealthLine entered into a non-binding letter of intent to be acquired by HealthStream, Inc. (HealthStream). Effective February 12, 2015, HealthLine finalized a purchase/sale agreement (the Agreement) with HealthStream that entitled HealthStream to acquire 100% of the outstanding stock of HealthLine for a total consideration of $88,000,000. The acquisition did not include the subsidiary operations which were not related to healthcare services provided by HealthLine. The acquisition of HealthLine by HealthStream closed on March 16, 2015. In connection with the transaction, HealthLine reorganized as a limited liability company.

HEALTHSTREAM, INC.
UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed financial information are based on the historical financial statements of HealthStream, Inc. (the "Company") and HealthLine Systems, LLC, the legal successor to HealthLine Systems, Inc., "HLS", after giving effect to the Company's acquisition of HLS on March 16, 2015 and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial information.

The unaudited pro forma combined condensed balance sheet as of December 31, 2014 is presented as if the acquisition of HLS had occurred on December 31, 2014.

The unaudited pro forma combined condensed statements of operations for the year ended December 31, 2014, are presented as if the acquisition of HLS had occurred on January 1, 2014.

The preliminary allocation of the purchase price used in the unaudited pro forma combined condensed financial information is based upon preliminary estimates. These preliminary estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date) as the Company finalizes the valuations of the net tangible and intangible assets acquired in connection with the acquisition of HLS. The Company based the unaudited pro forma combined condensed financial information on available information and on assumptions that management believes are reasonable under the circumstances. Refer to the accompanying "Notes to Unaudited Pro Forma Combined Condensed Financial Information" for a discussion of the assumptions made.

The unaudited pro forma combined condensed financial information has been prepared in conformity with Article 11 of Regulation S-X and is for informational purposes only and does not intend to represent what the Company's results of operations or financial position would have been had the acquisition of HLS occurred at the beginning of the period presented, or to project the results of operations for any future periods. The unaudited pro forma combined condensed financial information does not reflect any cost savings, synergies, or incremental investments which may result from the acquisition.

The unaudited pro forma combined condensed financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2014 as filed by the Company with the SEC on February 27, 2015 and the audited consolidated financial statements of HLS, included as Exhibit 99.1 within this Amendment No. 1 on Form 8-K/A.

HEALTHSTREAM, INC.
UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
DECEMBER 31, 2014
(in thousands)

	Historical				
	HealthStream	HealthLine Systems	Pro Forma Adjustments	Note 4	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 81,995	$ 4,002	(60,233)	(A)	$ 25,764
Marketable securities	38,973	—	—		38,973
Accounts receivable, net of allowance for doubtful accounts	33,167	3,242	—		36,409
Accounts receivable – unbilled	1,678	—	—		1,678
Related party receivable	—	19	(19)	(B)	—
Deferred tax assets	—	178	1,817	(R)	1,995
Prepaid royalties, net of amortization	13,030	—	—		13,030
Other prepaid expenses and other current assets	5,768	19	—		5,787
Total current assets	174,611	7,460	(58,435)		123,636
Property and equipment, net of accumulated depreciation and amortization	9,442	2,815	(2,615)	(C) (D)	9,642
Capitalized software feature enhancements, net of accumulated amortization	12,706	329	(329)	(E)	12,706
Intangible assets, net of accumulated amortization	14,795	79	42,521	(F)	57,395
Goodwill	41,914	—	44,022	(G)	85,936
Non-marketable equity investments	1,757	—	—		1,757
Other assets	2,037	—	—		2,037
Total assets	$ 257,262	$ 10,683	$ 25,164		$293,109
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 4,753	$ 349	$ —		$ 5,102
Accrued royalties	9,255	—	—		9,255
Accrued liabilities	7,224	2,173	3,499	(H)	12,896
Accrued compensation and related expenses	2,311	—	—		2,311
Note payable, current	—	250	(250)	(I)	—
Deferred revenue	53,716	12,171	(7,303)	(K)	58,584
Total current liabilities	77,259	14,943	(4,054)		88,148
Deferred revenue, noncurrent	3,657	2,015	(1,209)	(K)	4,463
Deferred tax liabilities, noncurrent	5,838	29	(359)	(R)	5,508
Other long term liabilities	2,649	—	—		2,649
Long term debt	—	1,604	26,396	(I) (J)	28,000
Commitments and contingencies	—	—	—		—
Total liabilities	89,403	18,591	20,774		128,768
Shareholders' equity (deficit):					
Common stock	174,926	3	(3)	(L)	174,926
Accumulated other comprehensive loss	(37)	—	—		(37)
Accumulated deficit	(7,030)	(7,911)	4,393	(L) (M)	(10,548)
Total shareholders' equity (deficit)	167,859	(7,908)	4,390		164,341
Total liabilities and shareholders' equity	$ 257,262	$ 10,683	$ 25,164		$293,109

See notes to the unaudited pro forma combined condensed financial information.

HEALTHSTREAM, INC.
UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2014
(in thousands, except per share data)

	Historical				
	HealthStream	HealthLine Systems	Pro Forma Adjustments	Note 4	Pro Forma Combined
Revenues, net	$ 170,690	$ 18,947	$ —		$189,637
Operating costs and expenses:					
Cost of revenues (excluding depreciation and amortization)	74,145	2,443	—		76,588
Product development	16,463	1,769	—		18,232
Sales and marketing	29,867	2,052	—		31,919
Other general and administrative expenses	22,909	4,435	(920)	(N) (O)	26,424
Depreciation and amortization	10,931	692	3,755	(D) (F) (P)	15,378
Total operating costs and expenses	154,315	11,391	2,835		168,541
Income from operations	16,375	7,556	(2,835)		21,096
Other income (expense), net	146	(37)	(424)	(J) (Q)	(315)
Income before income tax provision	16,521	7,519	(3,259)		20,781
Income tax provision	6,127	147	1,599	(R)	7,873
Net income	$ 10,394	$ 7,372	$ (4,858)		$ 12,908
Net income per share, basic	$ 0.38	$ 2,457			$ 0.47
Net income per share, diluted	$ 0.37	$ 2,457			$ 0.46
Weighted average shares of common stock outstanding:					
Basic	27,570	3			27,570
Diluted	28,023	3			28,023

See notes to the unaudited pro forma combined condensed financial information.

HEALTHSTREAM, INC.
NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

1. BASIS OF PRO FORMA PRESENTATION

The unaudited pro forma combined condensed balance sheet as of December 31, 2014 and the unaudited combined condensed statements of operations for the year ended December 31, 2014, are based on the historical financial statements of HealthStream, Inc. (the "Company") and HealthLine Systems, LLC, the legal successor to HealthLine Systems, Inc., "HLS", after giving effect to the Company's acquisition of HLS on March 16, 2015 and the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial information.

The Company accounts for business combinations pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification (ASC) 805, *Business Combinations*. In accordance with ASC 805, the Company uses its best estimates and assumptions to accurately assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. Goodwill as of the acquisition date is measured as the excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired.

The Company has made significant assumptions and estimates in determining the preliminary estimated purchase price and the preliminary allocation of the estimated purchase price in the unaudited pro forma combined condensed financial statements. These preliminary estimates and assumptions are subject to change during the measurement period (up to one year from the acquisition date) as we finalize the valuations of the net tangible assets, intangible assets and resultant goodwill. The final valuations of identifiable intangible and net tangible assets may change significantly from our preliminary estimates, which could result in material variances between our future financial results and the amounts presented in these unaudited pro forma combined condensed financial statements, including variances in fair values recorded, as well as expenses and cash flows associated with these items.

The unaudited pro forma combined condensed financial information is for informational purposes only and does not intend to represent what the Company's results of operations or financial position would have been had the acquisition of HLS occurred at the beginning of the periods presented, or to project the results of operations for any future periods. The unaudited pro forma combined condensed financial information does not reflect any cost savings, synergies, or incremental investments which may result from the acquisition. The unaudited pro forma combined condensed financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2014 as filed by the Company with the SEC on February 27, 2015 and the audited consolidated financial statements of HLS, included as Exhibit 99.1 within this Amendment No. 1 on Form 8-K.

The unaudited pro forma combined condensed balance sheet is presented to give effect to the acquisition of HLS as if it occurred on December 31, 2014. The unaudited pro forma combined condensed statements of operations for the year ended December 31, 2014 give effect to the acquisition of HLS as if it had occurred on January 1, 2014.

2. ACQUISITION OF HEALTHLINE SYSTEMS, LLC

On March 16, 2015, the Company acquired all of the issued and outstanding membership interests of HLS, a credentialing, privileging, and enrollment software provider, for approximately $88.1 million in cash (which included a working capital adjustment at the closing date of the acquisition), which the Company funded with cash on hand and borrowings under the Company's revolving credit facility. The Company acquired HLS to expand its suite of talent management product offerings and solutions to healthcare organizations.

HLS has approximately 70 employees and is headquartered in San Diego, California.

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

Cash paid at closing to the seller or other designated parties	$ 81,379
Cash held in escrow	6,750
Total consideration paid	$ 88,129

The following table summarizes the preliminary fair value of the assets acquired and liabilities assumed as of the date of acquisition:

(in thousands)	
Cash	$ 54
Accounts receivable, net	3,243
Prepaid assets	189
Property and equipment	200
Deferred tax assets	2,513
Goodwill	47,352
Intangible assets	42,600
Accounts payable and accrued liabilities	(1,890)
Deferred revenue	(6,132)
Preliminary net assets acquired	$88,129

The excess of preliminary purchase price over the preliminary fair values of net tangible and intangible assets will be recorded as goodwill. The preliminary fair values of tangible and identifiable intangible assets and deferred revenue are based on management's estimates and assumptions. The preliminary fair values of assets acquired and liabilities assumed are considered preliminary and are based on the information that was available at the time of the acquisition. The preliminary fair values of assets acquired and liabilities assumed are subject to change during the measurement period (up to one year from the acquisition date) as we finalize the valuation of these items. The goodwill balance is primarily attributed to the assembled workforce, additional market opportunities from offering HLS's products, and expected synergies from integrating HLS with other products or other combined functional areas within the Company. The goodwill balance is deductible for U.S. income tax purposes. The net tangible assets include deferred revenue, which was preliminarily adjusted down from a book value at the acquisition date of $15.3 million to an estimated fair value of $6.1 million. The preliminary $9.2 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 preliminary components of identifiable intangible assets and their estimated useful lives as of the acquisition date:

(in thousands)	Preliminary fair value	Useful life
Customer relationships	$ 38,000	12 years
Developed technology	3,700	5 years
Trade names	900	6 years
Total preliminary intangible assets subject to amortization	$ 42,600	

3. REVOLVING CREDIT FACILITY

In connection with the acquisition of HLS, the Company borrowed $28.0 million against its revolving credit facility. The revolving credit facility matures on November 24, 2017. 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%. The Company elected the one month Eurocurrency Rate for the $28.0 million borrowing. Principal is payable in full at maturity on November 24, 2017, and there are no scheduled principal payments prior to maturity.

4. PRO FORMA ADJUSTMENTS

The following pro forma adjustments are included in the Company's unaudited pro forma combined condensed financial information:

(A) To record the following adjustments to cash and cash equivalents:

(in thousands)	
To record cash paid for HLS membership interests (See Note 2)	$(88,129)
To record cash received from revolving credit facility borrowing	28,000
To eliminate cash from HLS subsidiaries not acquired by the Company	(104)
Total adjustment to cash and cash equivalents	$(60,233)

(B) To eliminate related party receivable from HLS not acquired by the Company.

(C) To eliminate property and equipment from HLS subsidiaries not acquired by the Company with a net book value of $2.4 million.

(D) To record the difference between the historical amounts of HLS's property and equipment and preliminary fair values of these assets and the related decrease in depreciation expense for the historical period presented.

(E) To record an adjustment to the historical amounts of HLS's capitalized software development to reflect the preliminary fair value of these assets.

(F) To eliminate historical intangible assets from HLS and record the preliminary fair values of the identifiable intangible assets acquired in connection with the Company's acquisition of HLS and associated amortization expenses.

(in thousands)	Preliminary fair values	Estimated useful life based on preliminary fair values	Annual amortization based on preliminary fair values
Customer relationships	$ 38,000	12 years	$ 3,167
Developed technology	3,700	5 years	740
Trade name	900	6 years	150
	$ 42,600		$ 4,057

(G) To record the preliminary estimate of goodwill from the Company's acquisition of HLS as if the acquisition occurred on December 31, 2014.

(H) To eliminate accrued liabilities from HLS subsidiaries not acquired by the Company of $19,000, and to accrue an additional $1.0 million in estimated acquisition related transaction costs incurred by the Company, and $2.5 million of estimated acquisition related transaction costs incurred by HLS, as of the acquisition date.

(I) To eliminate the note payable and long term debt from HLS subsidiaries not acquired by the Company.

4. PRO FORMA ADJUSTMENTS (continued)

(J) To reflect proceeds from borrowings under a revolving credit facility by the Company to fund the acquisition of HLS and the addition of interest expense of $468,000 based on an estimated rate of 1.67% on the $28.0 million borrowing assuming the borrowing was outstanding for the entire year of 2014. The estimated interest rate is based on 1-Month LIBOR rate of 0.17% plus a margin of 1.50%.

(K) To record the differences between the preliminary fair value and historical carrying amounts of HLS's deferred revenues. The preliminary fair values represent amounts equivalent to the estimated costs to fulfill the obligations assumed, plus an appropriate profit margin. The estimated amounts presented for purposes of the unaudited pro forma combined condensed balance sheet are based on the deferred revenue balances of HLS as of December 31, 2014 and do not reflect the actual fair value adjustments that were recorded as of March 16, 2015, (the acquisition date of HLS).

(L) To eliminate HLS's historical common stock and accumulated deficit.

(M) To record the acquisition related transaction costs of $3.5 million incurred by the Company and HLS as of the acquisition date (See Note 4(H)).

(N) To eliminate acquisition related expenses of $329,000 incurred by the Company and $158,000 incurred by HLS for the year ended December 31, 2014.

(O) To eliminate general and administrative expense from HLS subsidiaries not acquired by the Company of $433,000.

(P) To eliminate depreciation expense from HLS subsidiaries not acquired by the Company of $275,000.

(Q) To eliminate other income (expense) from HLS subsidiaries not acquired by the Company of $44,000.

(R) To record the pro forma provision for income taxes at the applicable statutory income tax rates related to the net income of HLS and the effects from the pro forma adjustments. To record adjustments to acquired deferred tax assets and deferred tax liabilities of HLS.