

## CODE OF ETHICS FOR EXECUTIVE OFFICERS AND DIRECTORS

This policy applies to all executive officers and directors of HealthStream, Inc. (“the Company”). The executive officers of the Company include the Chief Executive Officer, Chief Financial Officer, the General Counsel, the Controller and all Executive and Senior Vice Presidents (together with the directors of the Company, “Covered Persons”).

**1. Each Covered Person must avoid any transaction or arrangement that would create a conflict of interest or the appearance of a conflict of interest between personal and professional relationships.**

A conflict of interest may be generally defined as a conflict between the Covered Person’s private interests and his or her responsibilities to the Company or an entity with which the Company maintains a relationship. A conflict of interest can also arise when an immediate family member is involved in a transaction or arrangement that in any way casts doubt upon the Covered Person’s independence. An “immediate family member” includes a Covered Person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers-in-law and sisters-in-law, and anyone (other than domestic employees) who is residing in the Covered Person’s home.

**2. Covered Persons must not take for themselves opportunities that they discover while working for, or on behalf of, the Company, or use corporate property or information for personal gain.**

Covered Persons must not (a) take personal advantage of a situation or knowledge acquired through the use of his or her position or the Company’s property, if the situation or knowledge could be used for the Company’s benefit, (b) use his or her position or Company property or information for personal gain, or (c) compete with the Company. Covered Persons owe a duty to the Company to advance its interests whenever the opportunity arises.

**3. Covered Persons must promptly disclose to the Audit Committee, any material transaction or arrangement that reasonably could be expected to give rise to a conflict of interest between personal and professional relationships and obtain Audit Committee approval of the transaction.**

Covered Persons must evaluate any material conflict of interest transaction or arrangement and disclose it prior to the commencement of such transaction or arrangement. In the event that a Covered Person does not discover a potential conflict of interest until after the material transaction or arrangement has commenced, the Covered Person should immediately notify the Audit Committee. Except as otherwise provided in the Related-Party Transaction Policy of the Company, all such transactions require Audit Committee approval after full disclosure of the nature of any conflicting interest, the amounts involved and any other information deemed appropriate by the Audit Committee, and the Audit Committee shall consider whether the transaction is fair to the Company and on terms which are, in the aggregate, at least as beneficial to the Company as those terms which would be available from unaffiliated persons.

**4. Covered Persons may only accept items of nominal value as gifts from the Company or any individual or entity that is involved or seeks to become involved in a business relationship with the Company.**

Gifts to Covered Persons must be inexpensive, unsolicited and not given with the objective of influencing the Covered Person's judgment. It is acceptable for a Covered Person to accept modest meals or other inexpensive forms of entertainment from individuals or entities that are involved or seek to become involved in a business relationship with the Company as long as these items are not provided in order to influence the Covered Person's business judgment or decision. Under no circumstances is a Covered Person permitted to accept payments, loans, kickbacks, bribes, special privileges or services from anyone. If there are any questions or a potential borderline case, Covered Persons should discuss them with the General Counsel or designee of the General Counsel.

**5. All Covered Persons are responsible for maintaining accurate financial records for the Company.**

Covered Persons must closely adhere to the following accounting guidelines:

(i) All assets, liabilities and transactions of the Company should be accurately recorded in accordance with the Company's record keeping procedures and generally accepted accounting principles;

(ii) No false or misleading entries are permitted to be knowingly made or caused to be made in the Company's record books, even if such entries would not be material to the Company or its operations as a whole; and

(iii) Any entries that are inaccurate, false or irregular should be promptly reported to a member of the Audit Committee for an immediate corrective action.

**6. Covered Persons must recognize that confidential information is an asset of the Company, and must refrain from using inside information to their personal advantage.**

Covered Persons must maintain the confidentiality of information entrusted to them by the Company or its customers or suppliers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers or suppliers, if disclosed.

At its core, the prohibition against insider trading focuses on the buying, selling or trading in securities using non-public information. The prohibition applies to securities of the Company as well as to customers and suppliers of the Company, or any entity with which the Company has a business relationship. Covered Persons should refer to the applicable company's insider trading policy for further guidance.

Covered Persons are in a unique position to acquire non-public information about the Company, and such information might influence their decision to buy, sell or trade securities. In addition to refraining from using inside information in making their own investment decisions, Covered Persons should also avoid discussing the inside information with friends or immediate family members (whether at home or in the public) or mailing or faxing the inside information to outside sources unless appropriate confidentiality

agreements are in place to ensure that material, non-public information is not used improperly.

**7. The conduct of Covered Persons should be governed by the highest standards of integrity and fairness.**

Covered Persons should avoid those situations in which outside personal interests conflict with the Company's business unless the Audit Committee has approved the situation in advance. These situations may include:

- (i) Ownership by a Covered Person, or a member of his or her immediate family, of a material financial interest in any outside enterprise that is involved or seeks to become involved in a material business relationship with the Company;
- (ii) Ownership by a Covered Person, or a member of his or her immediate family, of a material financial interest in any outside enterprise that competes materially with the Company;
- (iii) Outside employment of a Covered Person, or a member of his or her immediate family, whether as a consultant, director, officer, employee or independent contractor, with an entity that is involved or seeks to become involved in a material business relationship with the Company; or
- (iv) Appointment of a Covered Person, or a member of his or her immediate family, to a public office, board or commission that may create an appearance of a material conflict of interest between the goals and purposes of that organization and the Company's business.

**8. In drafting periodic reports that are to be filed with the Securities and Exchange Commission, Covered Persons should take all steps necessary to ensure full, fair, accurate, timely and complete disclosure.**

(i) *Strive to Go Beyond the Minimum Disclosure Required by Law.* Covered Persons should strive to go beyond minimum disclosure requirements where additional disclosures are appropriate and convey a clearer financial picture of the Company to the public. Areas of special attention include: off-balance sheet structures, insider and affiliated party transactions, board relationships, accounting policies, and auditor relationships.

(ii) *Make Sure Material Relationships that Give Rise to Conflicts are Fully Disclosed.* It is important to ensure that any material transaction that creates a conflict of interest must be fully disclosed in the Company's filings with the Securities and Exchange Commission consistent with applicable legal requirements.

(iii) *Use the MD&A Section to Paint a Clear Picture of the Company's Financial Condition.* A well-written MD&A analysis should be used in order to clearly explain the key factors, risks and assumptions that support the Company's business model. While the analysis is far from being an exact science, the MD&A analysis should be used to apprise investors of the Company's financial condition.

(iv) *Use More Plain English.* Even though the "plain English" rules presently do not apply to periodic reports on Forms 10-K and 10-Q, the basic requirements, such as the use of active voice and avoidance of unnecessarily legalistic language, should nonetheless be utilized in

discussions of the Company's financial condition. Over the years, accounting rules have grown increasingly complex, and simple economic facts are often obscured with the use of complicated legal or technical terminology. Covered Persons should strive to present their analysis of the Company's financial condition in such a way that average investors could reasonably be expected to understand the importance of the information contained in the periodic reports.

**9. Covered Persons must comply with all laws and regulations that apply to the Company's business.**

All Covered Persons should understand those laws that apply to them in the performance of their duties and ensure that their decisions and actions are conducted in conformity with those laws. Any violation of the applicable laws can subject the Company or the implicated Covered Person to liability. Any inquiries relating to compliance with applicable laws and regulations should be directed to the General Counsel or designee of the General Counsel.

**10. Covered Persons must not directly or indirectly take any action, or encourage anyone to take an action, to improperly influence, coerce, manipulate, or mislead any independent public or certified public accountant engaged in the performance of an audit or review the Company's financial statements required to be filed with the Securities and Exchange Commission, if such action could result in rendering the Company's financial statements materially misleading.**

Some examples of improper action include any action causing the Company's independent auditors to (a) issue a report on the Company's financial statements that is not warranted in the circumstances (due to material violations of generally accepted accounting principles, generally accepted auditing standards, or other standards), (b) not perform audit, review or other procedures required by generally accepted auditing standards or other professional standards, (c) not to withdraw an issued report, or (d) not communicate matters to the Company's Audit Committee.

Improper action also includes: (a) offering or paying bribes or other financial incentives, including offering future employment or contracts for non-audit services, (b) providing an auditor with inaccurate or misleading legal analysis, (c) threatening to cancel or canceling existing non-audit or audit engagements if the auditor objects to the Company's accounting, (d) seeking to have a partner removed from the audit engagement because the partner objects to the Company's accounting, (e) blackmailing, or (f) making physical threats.

**11. The Audit and Compensation Committees shall regularly monitor all Covered Persons' compliance with this Code of Ethics.**

In addition to reviewing any reports of violations or potential conflicts of interest as required above, the Audit Committee must monitor all Covered Persons' adherence to this policy. In addition, the Compensation Committee shall take into consideration any reported violations as well as its assessment of a Covered Person's compliance with this policy in its determination of such Covered Person's compensation.

**12. The Audit Committee shall determine the penalty or other consequence of any violation or failure to adhere to this Code of Ethics. The Audit Committee may delegate this duty to the Compensation Committee if it deems such delegation appropriate.**

The Audit Committee shall make any penalty determination in light of the materiality of the violation and the magnitude of the potential and actual loss to the Company. Penalties may include termination of employment with the Company, demotion, reduction in compensation, fines, and fees. In addition, in the event of a legal violation, the Audit Committee may refer the matter to the General Counsel. The Audit Committee may disclose the violation to appropriate authorities and may pursue criminal or civil penalties against a Covered Person found to be in violation.