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): March 29, 2005 (March 28, 2005)

HEALTHSTREAM, INC.

(Exact name of registrant as specified in its charter)

Tennessee	001-8833	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):

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

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

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

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

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Item 9.01 Financial Statements and Exhibits.

On March 28, 2005, HealthStream, Inc., a Tennessee corporation (the "Company"), entered into a Stock Purchase Agreement with Data Management & Research, Inc., a Tennessee corporation ("DMR"), and Mel B. Thompson (the "Seller"), the owner of 100% of the stock of DMR. On the same day and in accordance with the terms of the Stock Purchase Agreement, the Company acquired 100% of the stock of DMR from the Seller for $10.6 million resulting in DMR becoming a wholly-owned subsidiary of the Company.

The disclosure of the DMR acquisition was reported in the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 29, 2005. Since the historical financial statements of DMR and related pro forma financial information were not available at the time of our initial filing on Form 8-K, we are filing such information within the time allowed for such filing as Amendment No. 1 to Form 8-K.

1. Financial Statements of Business Acquired

The audited financial statements of DMR for the year ended December 31, 2004 are filed as Exhibit 99.2 and are hereby incorporated by reference.

2. Pro Forma Financial Information

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2004 and for the three months ended March 31, 2005 are filed as Exhibit 99.3 and are hereby incorporated by reference.

3. Exhibits

*2.1	Stock Purchase Agreement, dated as of March 28, 2005, by and among HealthStream, Inc., Mel B. Thompson and Data Management & Research, Inc. (Pursuant to Item 601(b)(2) of Regulation S-K, the schedules and exhibits to this agreement are omitted, but will be provided supplementally to the Securities and Exchange Commission upon request).
23.1	Consent of Ernst & Young LLP
*99.1	Press Release dated March 29, 2005.
99.2	Audited Financial Statements of Data Management & Research, Inc. for the year ended December 31, 2004.
99.3	Unaudited pro forma financial information of HealthStream, Inc. for the year ended December 31, 2004 and for the three months ended March 31, 2005.

* Exhibit has been previously filed on the Company's Form 8-K dated March 29, 2005.

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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/ Arthur E. Newman
Arthur E. Newman
Chief Financial Officer
June 10, 2005

INDEX TO EXHIBITS

Exhibit Number	Description
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* Exhibit has been previously filed on the Company's Form 8-K dated March 29, 2005

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-37440) pertaining to the (1) HealthStream, Inc. 1994 Employee Stock Option Plan; (2) HealthStream, Inc. 2000 Stock Incentive Plan; and (3) HealthStream, Inc. Employee Stock Purchase Plan, of our report dated March 9, 2005 (except for Note 7 as to which the date is March 28, 2005) with respect to the financial statements of Data Management & Research, Inc. appearing in this Current Report on Form 8-K/A of HealthStream, Inc.

/s/ Ernst & Young LLP

Nashville, Tennessee
June 7, 2005

EXHIBIT 99.2

DATA MANAGEMENT & RESEARCH, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2004

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITOR

The Board of Directors of
Data Management & Research, Inc.

We have audited the accompanying balance sheet of Data Management & Research, Inc. as of December 31, 2004, and the related statements of operations, shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Data Management & Research, Inc. at December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Nashville, Tennessee
March 9, 2005,
except for Note 7, as to which the date is
March 28, 2005

DATA MANAGEMENT & RESEARCH, INC.
BALANCE SHEET
DECEMBER 31, 2004

ASSETS	
Current assets:	
Cash and cash equivalents	$ 93,741
Accounts and unbilled receivables	417,720
Prepaid expenses and other current assets	25,841
Total current assets	537,302
Property and equipment:	
Furniture	124,309
Equipment	244,828
Leasehold improvements	10,326
	379,463
Less accumulated depreciation and amortization	(209,326)
	170,137
Capitalized software costs, net of accumulated amortization of $45,688	1,491
Total assets	$ 708,930
LIABILITIES AND SHAREHOLDER'S EQUITY	
Current liabilities:	
Accounts payable	$ 67,357
Accrued compensation	115,481
Deferred revenue	165,894
Deferred tax liability, current portion	7,501
Other current liabilities	92,762
Total current liabilities	448,995
Deferred tax liability	13,113
Commitments and contingencies	--
Shareholder's equity:	
Common stock, no par value, 1,000 shares authorized; 100 shares issued and outstanding	1,000
Retained earnings	245,822
Total shareholder's equity	246,822
Total liabilities and shareholder's equity	$ 708,930

See accompanying notes to the financial statements.

DATA MANAGEMENT & RESEARCH, INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2004

Revenues	$ 5,172,579
Operating costs and expenses:	
Cost of revenues	1,556,143
Product development	359,734
Sales and marketing	612,909
Depreciation	35,136
Amortization of capitalized software	24,527
Other general and administrative expenses	2,696,125
Total operating costs and expenses	5,284,574
Loss from operations	(111,995)
Other income	6,259
Provision for taxes	6,606
Net loss	$ (99,130)
Net loss per share:	
Basic and diluted net loss per share	$ (991.30)
Weighted average shares of common stock outstanding:	
Basic and diluted	100

See accompanying notes to the financial statements.

DATA MANAGEMENT & RESEARCH, INC.
STATEMENT OF SHAREHOLDER'S EQUITY
YEAR ENDED DECEMBER 31, 2004

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	RETAINED EARNINGS	TOTAL SHAREHOLDER'S EQUITY
Balance at December 31, 2003	100	$ 1,000	$ 344,952	$ 345,952
Net loss	--	--	(99,130)	(99,130)
Balance at December 31, 2004	100	$ 1,000	$ 245,822	$ 246,822

See accompanying notes to the financial statements.

DATA MANAGEMENT & RESEARCH, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

OPERATING ACTIVITIES:	
Net loss	$ (99,130)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	35,136
Amortization of capitalized software	24,527
Changes in operating assets and liabilities:	
Accounts and unbilled receivables	109,629
Prepaid expenses and other current assets	(9,237)
Accounts payable	19,000
Deferred revenue	15,710
Accrued pension expense	24,167
Deferred taxes	(6,606)
Other current liabilities	21,368
Net cash provided by operating activities	134,564
INVESTING ACTIVITIES:	
Investment in capitalized software	(21,994)
Purchase of property and equipment	(79,826)
Net cash used in investing activities	(101,820)
FINANCING ACTIVITIES:	
Net cash provided by (used in) financing activities	--
Net increase in cash and cash equivalents	32,744
Cash and cash equivalents at beginning of period	60,997
Cash and cash equivalents at end of period	$ 93,741

See accompanying notes to the financial statements.

DATA MANAGEMENT & RESEARCH, INC.
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Data Management & Research, Inc. ("the Company") was incorporated in 1992 as a Tennessee corporation and is located in Franklin, Tennessee. The Company provides physician, employee and patient survey services to meet the ongoing information and business needs of the healthcare industry.

BUSINESS SEGMENT

The Company operates primarily in one business segment, services provided to healthcare organizations.

RECOGNITION OF REVENUE

Revenues are derived from survey and reporting services provided through our information products.

Revenues recognized from our survey related services are determined using the proportional performance method. Revenues are earned over the estimated survey cycle, which typically ranges from less than one month to up to four months. The survey cycle is generally initiated based on the receipt of the first survey response and runs through provision of related survey reports to the customer. All other revenues are recognized as the related services are performed or products are delivered to the customer.

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements.

CASH AND CASH EQUIVALENTS

We consider cash and cash equivalents to be unrestricted, highly liquid investments with initial maturities of less than three months.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at the invoiced amount and do not bear interest. Accounts receivables from customers are typically due within 30 days and are unsecured.

UNBILLED RECEIVABLES

Unbilled receivables represent revenue earned for contracts accounted for using the proportional performance method for which invoices have not been generated or billing milestones have not been reached.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

We believe that no accounts receivable are doubtful for collection at December 31, 2004. The Company has experienced few historical write-offs. Management reviews its accounts receivable portfolio on a regular basis to determine if any amounts are potentially uncollectible. Write-offs are made in the period management determines a balance will not be collected.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT

Property and equipment are stated on the basis of cost. Depreciation is provided using the straight-line method over the following estimated useful lives, except for leasehold improvements, which are amortized over the shorter of the estimated useful life or their respective lease term.

	YEARS
Furniture	10
Equipment	3

PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of deferred expenses associated with delivering survey services, prepaid insurance, warranty maintenance and technical support, and other assets expected to benefit future periods.

The Company defers certain direct, incremental costs associated with delivering survey services, such as postage and materials. These costs are charged to cost of revenues proportionally as revenues are recognized.

LONG-LIVED ASSETS

We account for assets of a long term nature ("long-lived assets") in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("Statement 144"), which requires that companies consider whether events or changes in facts and circumstances, both internally and externally, may indicate that an impairment of long-lived assets held for use are present. We measure any impairment based on discounted future cash flows from the 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.

DEFERRED REVENUE

Deferred revenue represents amounts, which have been billed or collected, but not yet recognized in revenue.

ADVERTISING

We expense the costs of advertising in accordance with SOP 93-7, "Reporting on Advertising Costs." Advertising expense for the year ended December 31, 2004 was approximately $6,600.

SHIPPING AND HANDLING COSTS

Shipping and handling costs are included in cost of revenues.

INCOME TAXES

The Company has elected to be taxed as an S-Corporation, and as such, the Company's income tax obligations pass through to its shareholder. No income tax liability or expense is recorded in these financial statements, except for certain state income taxes in states which do not recognize S-Corporations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITALIZED SOFTWARE COSTS

Capitalized software costs includes internal and external costs to develop our survey tools and reporting products. We capitalize the cost of software where the life expectancy is greater than one year and the anticipated cash flows from such software is expected to exceed its cost. During 2004, capitalized software was $21,994. Such amounts are included in the accompanying balance sheet under the caption "Capitalized software costs." We amortize capitalized software over its expected useful life, which is generally one to three years. Software costs that have been capitalized are subject to a periodic impairment review in accordance with our policy. Management did not identify any impairments of capitalized software during the year ended December 31, 2004.

NET LOSS PER SHARE

Net loss per share is determined following SFAS No. 128, "Earnings Per Share," ("Statement 128"). Under the provisions of Statement 128, basic net loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted average number of common and common equivalent shares outstanding during the period. The Company did not have any common stock equivalents as of December 31, 2004.

CONCENTRATIONS OF CREDIT RISK AND SIGNIFICANT CUSTOMERS

We place our temporary excess cash investments in high quality, short-term money market instruments. At times, such investments may be in excess of the FDIC insurance limits.

Our services are provided to various companies in the healthcare industry that are located in the United States. We perform ongoing credit evaluations of our customers' financial condition and generally require no collateral from customers. A significant portion of our revenues are generated from a relatively small group of customers. Customers representing more than ten percent of net revenues during 2004 were as follows: HCA, Inc. - 17%, Community Health - 13%, and Vanguard Health - 11%. Total accounts receivable from these significant customers at December 31, 2004 were as follows: HCA, Inc.: $16,974, Community Health: $-0-, and Vanguard Health: $32,352.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used in estimating fair value for financial instruments:

Cash and cash equivalents: The carrying amounts approximate the fair value because of the short-term maturity or short-term nature of such instruments.

Accounts receivable, accounts receivable-unbilled, accounts payable, accrued liabilities and deferred revenue: The carrying amounts, net of any allowances, approximate the fair value because of the short-term nature of such instruments.

2. SHAREHOLDER'S EQUITY

COMMON STOCK

We are authorized to issue up to 1,000 shares of common stock. As of December 31, 2004 one shareholder owned all issued and outstanding shares of the Company's common stock.

3. EMPLOYEE BENEFIT PLANS

401(K) PLAN

We have a defined-contribution employee benefit plan ("401(k) Plan") incorporating provisions of Section 401(k) of the Internal Revenue Code. Our employees must have attained the age of 21 and have completed one continuous year of service to be eligible to participate in the 401(k) Plan. Under the provisions of the 401(k) Plan, a plan member may make contributions, on a tax-deferred basis, not to exceed the maximum amount allowed by the IRS. The Company has not provided matching contributions through December 31, 2004.

PROFIT SHARING PLAN

We have an employee profit sharing plan (the "Plan"). Our employees must have attained the age of 21, have completed one continuous year of service, completed 1,000 hours of service during each Plan year, and must be employed on December 31st in order to be eligible for a contribution during the year. Contributions vest 20% per year, and employees become fully vested after five eligible years of service. Forfeited, unvested balances are redistributed to employees remaining in the Plan. For the year ended December 31, 2004, the Company contributed $115,481 on behalf of the employees in the Plan.

On January 1, 2005, the 401(k) Plan and the Plan were merged to become the Data Management & Research, Inc. 401(k) Profit Sharing Plan.

4. LEASE COMMITMENTS

We lease office facilities in Franklin, TN, under an agreement that expires on August 31, 2007 and provides for two one-year renewal options. Our office lease agreement contains a provision for escalating rent payments over the initial term of the lease. We account for this lease by recognizing rent expense on the straight-line basis and adjusting the deferred rent expense liability for the difference between the straight-line rent expense and the amount of rent paid. The Company also leases certain office equipment under a non-cancelable operating lease. Total rent expense under all operating leases was approximately $102,000 for the year ended December 31, 2004.

Future rental payment commitments at December 31, 2004 under non-cancelable operating leases, with initial terms of one year or more, are as follows:

2005	$ 110,112
2006	98,796
2007 and thereafter	67,346
Total minimum lease payments	$ 276,254

5. NET LOSS PER SHARE

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

	YEAR ENDED DECEMBER 31, 2004
Numerator:	
Net loss	$ (99,130)
Denominator:	
Weighted-average shares outstanding	$ 100
Net loss per share, basic and diluted	$ (991.30)

6. RELATED PARTY TRANSACTIONS

The Company has one shareholder who owns all issued and outstanding shares of the Company's common stock. The shareholder holds the title of President and Chief Executive Officer. For the year ended December 31, 2004, the Company paid the shareholder approximately $2.0 million in compensation.

7. SUBSEQUENT EVENTS

On March 28, 2005, the Company and its sole shareholder entered into a stock purchase agreement with HealthStream, Inc. in which HealthStream, Inc. acquired 100% of the Company's common stock from the shareholder, for consideration of $9.1 million in cash and 479,234 shares of Healthstream, Inc. common stock.

In connection with the stock purchase agreement with HealthStream, Inc., the Data Management & Research, Inc. 401(k) Profit Sharing Plan was terminated.

EXHIBIT 99.3

PRO-FORMA FINANCIAL INFORMATION
UNAUDITED PRO-FORMA COMBINED CONDENSED FINANCIAL INFORMATION

HealthStream, Inc. (the "Company") acquired all of the issued and outstanding common stock of Data Management & Research, Inc. ("DMR") on March 28, 2005 for approximately $10.6 million, consisting of approximately $9.1 million in cash and 479,234 shares of HealthStream, Inc. common stock. A portion of the common stock, 319,489 shares, will be held in an escrow account until September 28, 2006, subject to any claims for indemnification pursuant to the stock purchase agreement. The Company also incurred approximately $0.2 million of direct, incremental expenses associated with the acquisition of DMR. DMR provides healthcare organizations a wide range of quality and satisfaction surveys, data analyses of survey results, and other research-based measurement tools.

The unaudited pro forma financial information is presented to combine the historical results of operations of HealthStream and DMR. The unaudited pro forma combined statements of operations for the year ended December 31, 2004 and for the three months ended March 31, 2005 give effect to the acquisition of DMR as if it had occurred at the beginning of the earliest period presented. A pro forma combined balance sheet is not presented within this Current Report on Form 8-K/A, since the transaction was reflected in the Company's consolidated balance sheet filed on Form 10-Q for the period ended March 31, 2005, filed with the Securities and Exchange Commission ("SEC") on May 13, 2005.

The unaudited pro forma financial information is for informational purposes only and does not intend to represent what the Company's results of operations would have been had the acquisition of DMR occurred at the beginning of the period presented, or intend to project the results of operations for any future periods. The unaudited pro forma financial information does not reflect any cost savings or synergies which may result from the acquisition, other than the reduction in DMR's sole shareholder's compensation based on a new employment agreement in connection with the acquisition. The unaudited pro forma financial information should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2004 as filed by the Company with the SEC on March 18, 2005 and the audited financial statements of DMR, included as Exhibit 99.2 within this Current Report on Form 8-K/A.

HEALTHSTREAM, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2004

	HISTORICAL		PRO FORMA		
	HEALTHSTREAM	DMR	ADJUSTMENTS		COMBINED
Revenues, net	$ 20,057,308	$ 5,172,579	$ --		$ 25,229,887
Operating costs and expenses:					
Cost of revenues	7,277,173	1,556,143	--		8,833,316
Product development	2,531,177	359,734	--		2,890,911
Sales and marketing	4,798,687	612,909	--		5,411,596
Depreciation	1,366,216	35,136	21,576	(1,2)	1,422,928
Amortization	740,542	24,527	540,297	(1,3)	1,305,366
Other general and administrative expenses	4,634,377	2,696,125	(1,910,550)	(4,5)	5,419,952
Total operating costs and expenses	21,348,172	5,284,574	(1,348,677)		25,284,069
Loss from operations	(1,290,864)	(111,995)	1,348,677		(54,182)
Other income	242,484	6,259	(136,168)	(6)	112,575
Provision for taxes	--	6,606	--		6,606
	242,484	12,865	(136,168)		119,181
Net (loss) income	$ (1,048,380)	$ (99,130)	$ 1,212,509		$ 64,999
Basic net (loss) income per share	$ (0.05)				$ 0.00
Diluted net (loss) income per share	$ (0.05)				$ 0.00
Weighted average shares of common stock outstanding:					
Basic	20,585,825		159,745	(7)	20,745,570
Diluted	20,585,825		962,324	(8)	21,548,149

PRO FORMA STATEMENT OF OPERATIONS ADJUSTMENTS

(1) Reflects the elimination of historical depreciation and amortization.
(2) Reflects depreciation based on the fair value of fixed assets of $170,137 over an average three year life.
(3) Reflects the amortization of capitalized software over a one year life, the amortization of non-compete agreement of $250,000 over an estimated three year life and the amortization of remaining definite lived intangibles of $2.4 million over an estimated five year life.
(4) Reflects the elimination of DMR's sole shareholder's compensation, less the expected replacement salary based on the employment agreement in connection with the acquisition.
(5) Reflects the elimination of personal charitable donation's made on behalf of the sole DMR shareholder.
(6) Reflects the elimination of a portion of HealthStream's interest income resulting from cash paid in connection with the acquisition of DMR.
(7) Reflects the issuance of 479,234 shares issued in connection with the acquisition of DMR, less the 319,489 shares that were placed in escrow.
(8) Reflects the issuance of 479,234 shares issued in connection with the acquisition of DMR, and the assumed conversion of 483,090 HealthStream common stock equivalent shares that were "in-the-money" at December 31, 2004.

HEALTHSTREAM, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2005

	HISTORICAL		PRO FORMA		
	HEALTHSTREAM	DMR	ADJUSTMENTS		COMBINED
Revenues, net	$ 5,682,402	$ 1,410,203	$ --		$ 7,092,605
Operating costs and expenses:					
Cost of revenues	2,035,765	508,639	(88,014)	(1)	2,456,390
Product development	636,518	174,212	(131,073)	(1)	679,657
Sales and marketing	1,190,262	311,368	(193,016)	(1)	1,308,614
Depreciation	408,161	16,772	--	(2)	424,933
Amortization	209,820	517	140,833	(3)	351,170
Other general and administrative expenses	1,155,929	382,169	(237,969)	(1,4, 5,6)	1,300,129
Total operating costs and expenses	5,636,455	1,393,677	(509,239)		6,520,893
Income from operations	45,947	16,526	509,239		571,712
Other income	98,219	503	(52,907)	(7)	45,815
Net income	$ 144,166	$ 17,029	$ 456,332		$ 617,527
Basic net income per share	$ 0.01				$ 0.03
Diluted net income per share	$ 0.01				$ 0.03
Weighted average shares of common stock outstanding:					
Basic	20,685,786		154,420	(8)	20,840,206
Diluted	21,772,332		154,420	(8)	21,926,752

PRO FORMA STATEMENT OF OPERATIONS ADJUSTMENTS

(1) Reflects the elimination of payments to DMR employees paid prior to the acquisition, triggered as a result of the acquisition transaction.
(2) No adjustment for depreciation is required as the historical results of DMR for the three months ended March 31, 2005 reflect the depreciable lives consistent with HealthStream's policies.
(3) Reflects the amortization of non-compete agreement of $250,000 over an estimated three year life and the amortization of remaining definite lived intangibles of $2.4 million over an estimated five year life.
(4) Reflects the elimination of DMR's sole shareholder's compensation, less the expected replacement salary based on the employment agreement in connection with the acquisition.
(5) Reflects the elimination of personal charitable donation's made on behalf of the sole DMR shareholder.
(6) Reflects the elimination of direct, incremental expenses paid by DMR related to the acquisition.
(7) Reflects the elimination of a portion of HealthStream's interest income resulting from cash paid in connection with the acquisition of DMR.
(8) Reflects the impact on the weighted average shares related to the issuance of 479,234 shares issued in connection with the acquisition of DMR, less the 319,489 shares that were placed in escrow.