
COMPENSATION COMMITTEE CHARTER

Purpose

The purpose of the Compensation Committee (the "Committee") of the Board of Directors of HealthStream, Inc. (the "Company") is to enable the Company to attract and retain high quality leadership and to assure that the executive officers and directors of the Company are compensated in a manner consistent with the compensation policies adopted by the Committee, internal equity considerations, competitive practice, the requirements of the appropriate regulatory bodies and to generally support organizational and shareholder interests. The Committee shall also produce an annual report on the Committee's compensation policies and executive compensation for inclusion in the Company's proxy statement as required by the Securities and Exchange Commission.

Powers and Duties

The function, powers and duties of the Committee are as follows:

- Review from time to time and approve the Company's compensation policies to ensure that management is rewarded appropriately for its contributions to Company growth and profitability and that the executive compensation strategy supports organization objectives and shareholder interests.
- Review and approve annually the corporate goals and objectives relevant to the chief executive officer of the Company, evaluate the chief executive officer's performance in light of these goals and objectives, and set the chief executive officer's compensation based on this evaluation and communicate in its annual Compensation Committee Report to shareholders the factors and criteria on which the chief executive officer's compensation for the last year was based, including the relationship of the Company's performance to the chief executive officer's compensation.
- Review and approve the compensation for all other officers (as that term is defined in Section 16 of the Exchange Act of 1934, as amended, and Rule 16a-1 thereunder) (referred to collectively herein as "executive officers") of the Company other than the chief executive officer and communicate in its annual Compensation Committee Report to shareholders the specific relationship of corporate performance to such executive compensation.
- Review and approve the Company's incentive compensation and equity plans and actual awards made to executive officers.
- Approve, subject, where appropriate, to submission to shareholders, all new equity-related incentive plans for executive officers.

- Review and approve compensation for the Board of Directors and committees of the Board and fix the terms and awards of any stock compensation for members of the Board.
- Review the Company's bonus, option and incentive plans and employee benefit programs and approve changes subject, where appropriate, to shareholder or Board of Director approvals.
- If appropriate, hire outside advisors at the Company's expense to assist the Committee with its work.
- Such other duties and responsibilities as may be assigned to the Committee, from time to time as documented in written minutes of the Board of Directors, by the Board of Directors of the Company and/or the Chairman of the Board of Directors, or as designated in plan documents.

Composition of Committee

The Committee shall be comprised of not less than three Board members, designated by the Board of Directors, including a Committee Chairman, each of whom shall be (a) “independent” within the meaning of the listing standards set forth by The Nasdaq Stock Market, Inc. and any other applicable laws, rules, or regulations, (b) a “non-employee director” as that term is defined by Rule 16b-3 of the SEC and (c) an “outside director” as that term is defined by the regulations applicable to Internal Revenue Code Section 162(m).

Meetings

The Committee shall meet at least annually and more frequently as necessary or appropriate, including teleconferences when appropriate. Only Committee members and invited advisors shall be present at any meeting at which the Committee determines the compensation of the chief executive officer of the Company or other executive officers of the Company; provided that the chief executive officer may be present during the Committee’s deliberation with respect to all other executive officers, but may not vote. Special meetings of the Committee may be called on one day notice by the Chairman of the Board or the Committee Chairman. A majority of the Committee shall constitute a quorum, and the Committee shall act only on the affirmative vote of a majority of the members present at the meeting. Attendance by the Chairman of the Board and by other members of management will be at the invitation of the Committee Chair. The Committee shall maintain minutes of all meetings documenting its activities and recommendations to the Board.