HEALTHSTREAM INC.

CORPORATE GOVERNANCE PRINCIPLES

The following principles have been approved by the Board of Directors and, along with the charters for each of the Board committees, provide the framework for the governance of HealthStream, Inc. These guidelines are intended to reflect the Board's commitment to monitor the effectiveness of policy and decision making at the Board and management levels, with a view to enhancing shareholder value over the long term.

1. Director Qualifications

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders.

The Nominating and Corporate Governance Committee is responsible for identifying qualified individuals to serve as members of the Company's Board of Directors as well as reviewing the qualifications and performance of incumbent directors to determine whether to recommend them to the Board of Directors as nominees for reelection. In identifying candidates for membership on the Board of Directors, the Nominating and Corporate Governance Committee shall take into account all factors it considers appropriate, which may include (a) ensuring that the Board of Directors, as a whole, is diverse and consists of individuals with various and relevant career experience, relevant technical skills, industry knowledge and experience, financial expertise (including expertise that could qualify a director as an "audit committee financial expert," as that term is defined by the rules of the Securities and Exchange Commission), local or community ties and (b) minimum individual qualifications, including strength of character, mature judgment, time availability, familiarity with the Company's business and industry, independence of thought and an ability to work collegially. The Nominating and Corporate Governance Committee also may consider the extent to which the candidate would fill a present need on the Board of Directors.

Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors are expected to limit their board participation to three (3) public company boards of directors.

Directors must notify the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another company's board of directors. The Nominating and Corporate Governance Committee may consider whether such service may negatively affect such director's ability to serve on the Board.

In order to attract qualified candidates, the Company may purchase reasonable directors' and officers' liability insurance on their behalf, to provide the benefits of indemnification to the fullest extent permitted by law and the Company's charter, bylaws

and any indemnification agreements, and to provide exculpation as provided by state law and the Company's charter.

2. Director Nomination

Nominees for directorship will be recommended to the Board by the Nominating and Corporate Governance Committee in accordance with the policies and principles in its charter. The Board will determine whether the recommended nominees will be part of the Company's nominees for director in each proxy statement for the annual meeting of shareholders and, between annual meetings, will elect new directors, upon recommendation by the Nominating and Corporate Governance Committee, to fill vacancies on the board. Shareholders may propose nominees for consideration by the Nominating and Corporate Governance Committee by submitting the names and supporting information to: Secretary, HealthStream, Inc., 209 10th Avenue South, Nashville, Tennessee 37203.

3. Board Composition

The Board will have a majority of directors who meet the criteria for independence required by NASDAQ.

The Board presently has eleven (11) members. The bylaws establish a range of 2 to 12 members. The Board believes that nine (9) to twelve (12) members is currently the optimal size to permit diversity of experience without hindering effective discussion or diminishing individual accountability. Pursuant to the Company's charter, the number of directors shall be set by the affirmative vote of a majority of the full Board, and the Board shall be divided into three classes. Any change in the range of Board members will be reflected in the Company's bylaws. The Nominating and Corporate Governance Committee shall recommend whether to increase the size of the Board or whether, in the event of a vacancy for any reason to fill such vacancy or to reduce the size of the Board.

4. Term Limits

The Board does not believe it should establish term limits. Term limits result in the loss of accumulated knowledge particular to the Company and its business. Additionally, term limits may result in the loss of the most qualified individuals. As an alternative to term limits, the Nominating and Corporate Governance Committee will review each director's qualifications and performance on the Board at least every three years in connection with determining Board composition and/or whether to renominate a director. The Board self-evaluation process described below will be an important determinant for board tenure.

5. Director Responsibilities

The Company's business is conducted by its employees and officers, under the direction of the Chief Executive Officer to enhance the long-term value of the Company

for its shareholders. The basic responsibility of the directors is to oversee management and to assure that the long-term interests of the shareholders are being served. In the performance of their duties, the directors will exercise their business judgment to act in what they reasonably believe to be in the best interest of the Company and its shareholders. Directors may seek information, advice or opinions from the Company's officers and employees and from other advisers, consultants and experts, and may rely in good faith upon information, advice or opinions provided by such persons.

It is generally the duty of management (i.e., the CEO or his designee) to speak for the Company. Absent unusual circumstances or as contemplated by the committee charters, Board members should communicate with third parties only at the request of management.

6. Meetings

It is expected that the Board of Directors will have at least four scheduled meetings per year at which it reviews and discusses reports by management on the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. Directors should seek to attend all Board meetings, meetings of committees on which they serve and the annual meeting of shareholders, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting.

The CEO will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free at any Board meeting to raise subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

7. Independent Director Meetings

The independent directors will meet in executive session periodically and at least in two regularly scheduled meetings. The director who presides at these meetings shall be chosen by the independent directors, will serve until the next regularly scheduled meeting and his or her name will be disclosed in the annual proxy statement.

8. Board Committees

The Board will have at all times an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee to assist the Board in discharging its duties. All of the members of these committees will be independent directors under the criteria established by NASDAQ and applicable law. Committee members will be appointed by the Board upon recommendation by the Nominating and

Corporate Governance Committee. Consideration should be given to rotating committee members periodically, but rotation should not be mandated as a policy.

Each committee will have its own written charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as committee structure and operations and committee reporting to the Board.

The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

The Board and each committee have the power to hire, and compensate, independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

9. Director Access to Officers and Employees

To the extent appropriate for the discharge of their oversight function, directors may have full and free access to officers and employees of the Company. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will copy the CEO on any written communications between a director and an officer or employee of the Company, unless the circumstances would render copying the CEO inappropriate. All information provided by the Company or Company personnel to a director should be considered confidential unless it has been publicly disclosed by the Company.

Executive officers of the Company are encouraged to regularly attend Board meetings. If the CEO wishes to have additional Company personnel attend on a regular basis, this suggestion should be brought to the Board for approval.

10. Shareholder Communications with the Board of Directors

Shareholders may communicate with any of the Company's directors by writing to them c/o HealthStream, Inc., 209 10th Avenue, Suite 450, Nashville, Tennessee 37203. Shareholders may also communicate with our directors by sending an email to boardofdirectors@healthstream.com. Shareholders may communicate with the chair of any board committee by sending an email to auditchair@healthstream.com (Audit Committee), nomgovchair@healthstream.com (Nominating and Corporate Governance Committee) or compchair@healthstream.com (Compensation Committee), or with our outside directors as a group by sending an email to outsidedirectors@healthstream.com.

11. Ethics and Conflicts of Interest

The Board expects directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's code of conduct. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the Chair of the Nominating and Corporate Governance Committee. If a significant conflict exists and cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests.

12. Director Compensation

The Company may compensate members of the Audit Committee only for services rendered as a member of the Board or as a Board committee member. The Company will not compensate employee members of the Board for service on the Board or a Board committee.

The form and amount of director compensation will be determined by the Compensation Committee in accordance with the policies and principles set forth in its charter. In discharging this duty, the Compensation Committee shall be guided by three goals: compensation should fairly pay directors for work required in a company of HealthStream's size and scope; compensation should align directors' interests with the long-term interests of shareholders; and the structure of the compensation should be simple, transparent and easy for shareholders to understand.

The Compensation Committee will review the form and amounts of Board compensation at least every three (3) years to ensure its competitiveness with other companies and its effectiveness in attracting qualified members.

13. Director Orientation and Continuing Education

All new directors must participate in the Company's director orientation program, which should be conducted promptly following the election of a new director. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct, its principal officers, and its internal and independent auditors. Directors are expected to meet any applicable requirements for continuing education promulgated by NASDAQ.

14. CEO Evaluation and Management Succession

The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Compensation Committee will consider, among other things, the goals set for the CEO and their achievement. The Board of Directors will review the Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Nominating and Corporate Governance Committee should make an annual report to the Board on succession planning. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

15. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are effective. The Nominating and Corporate Governance Committee will receive comments from all directors and will report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board annually. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

16. Maintenance of Principles

The Nominating and Corporate Governance Committee will review these Corporate Governance Principles at least annually and recommend changes to the Board. The Board will determine the changes to be made to these Corporate Governance Principles based upon those recommendations. In the case of any conflict between these Principles and the Charter, Bylaws, or Committee Charters of any Board Committee, the Charter, Bylaws, and/or Committee Charter, as the case may be, shall be controlling.

17. Publication of Corporate Governance Matters

The Company will publish on its web site (1) these Corporate Governance Principles, (2) the Audit Committee Charter, (3) the Compensation Committee Charter, (4) the Nominating and Corporate Governance Committee Charter, and (4) the Code of Conduct. In addition, these documents are available to any shareholder of the Company who makes a request to the Secretary of the Company.