

HEALTHSTREAM INC  
Form DEF 14A  
April 12, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the Securities**  
**Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

**HEALTHSTREAM, INC.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
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**HEALTHSTREAM, INC.**

**209 10<sup>TH</sup> Avenue South, Suite 450**

**Nashville, Tennessee 37203**

**(615) 301-3100**

**NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held May 25, 2017**

Dear Shareholder:

On Thursday, May 25, 2017, HealthStream, Inc. will hold its 2017 Annual Meeting of Shareholders at 209 10<sup>th</sup> Avenue South, Suite 450, Nashville, Tennessee 37203. The meeting will begin at 2:00 p.m., Central Daylight Time. Directions to the meeting are provided on the back page of the proxy statement.

We welcome shareholders that owned our common stock at the close of business on March 31, 2017 to vote at this meeting. At the meeting, we will consider the following proposals:

1. to elect the three (3) persons nominated by the Board of Directors identified in this proxy statement as Class II directors to hold office for a term of three (3) years and until their respective successors have been duly elected and qualified;
2. to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017;
3. to approve, on an advisory basis, the compensation of the Company's named executive officers as described in the Company's proxy statement that accompanies this notice; and
4. to transact such other business as may properly come before the meeting.

In reliance on SEC rules which allow issuers to make proxy materials available to shareholders on the Internet, we are mailing our shareholders a notice instead of paper copies of our proxy statement and our annual report. The notice

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contains instructions on how to access those documents on the Internet. The notice also contains instructions on how shareholders can receive a paper copy of our proxy materials, including the proxy statement, our 2016 annual report and a form of proxy card.

Whether or not you plan to attend the meeting, we request that you vote as soon as possible.

By the Order of the Board of Directors,

Nashville, Tennessee  
April 12, 2017

Robert A. Frist, Jr.  
Chief Executive Officer

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**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders To Be Held on May 25, 2017:** The Company's Proxy Statement, Proxy Card and 2016 Annual Report to Shareholders are available to registered and beneficial shareholders at <http://www.edocumentview.com/HSTM>.

These materials were made available to shareholders on April 12, 2017.

**What is the Purpose of the Annual Meeting?**

At HealthStream's Annual Meeting, shareholders will act upon (i) the election of three (3) persons nominated by the Board of Directors (the Board) and identified in this proxy statement as Class II directors, (ii) the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017, (iii) the approval, on an advisory basis, of the compensation of the Company's named executive officers under applicable SEC rules (the Named Executive Officers) as described in this proxy statement; and (iv) any other matters that may properly come before the meeting. In addition, our management will respond to questions from shareholders. The Annual Meeting will be held on May 25, 2017 at the Company's offices located at 209 10 Ave. South, Suite 450, Nashville, TN 37203. The meeting will begin at 2:00 p.m., Central Daylight Time. Directions to the Annual Meeting are provided on the back page of the proxy statement.

**What are the Board's Recommendations?**

Our Board recommends that you vote:

FOR the election of each of the nominees set forth in this proxy statement to serve as Class II directors on our Board;

FOR the ratification of the appointment of Ernst & Young LLP; and

FOR the approval, on an advisory basis, of the compensation of the Company's Named Executive Officers as described in this proxy statement.

**What Happens if I Do Not Give Specific Voting Instructions?**

*Shareholders of Record.* If you are a shareholder of record and you:

Indicate when voting on the Internet or by telephone that you wish to vote as recommended by the Board; or

Sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this proxy statement.



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*Beneficial Owners of Shares Held in Street Name.* If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, see below under *How do I Vote My Shares if They are Held in the Name of My Broker (Street Name)* for information regarding the impact of not providing such voting instructions.

### **Who May Attend the Annual Meeting?**

Shareholders of record on March 31, 2017 may attend the meeting. Street name holders will need to bring a copy of a brokerage statement reflecting their ownership of our common stock as of the record date. Cameras and recording devices are not permitted at the meeting.

### **Who is Entitled to Vote at the Annual Meeting?**

The Board has fixed the close of business on Friday, March 31, 2017 as the record date. Shareholders of record of our common stock at the close of business on March 31, 2017 may vote at this meeting.

As of the record date, there were 31,839,776 shares of our voting common stock outstanding. These shares were held by approximately 10,547 holders. Every shareholder is entitled to one vote for each share of common stock the shareholder held of record on the record date.

### **Who is Soliciting My Vote?**

This proxy solicitation is being made and paid for by HealthStream. In addition, we have retained ComputerShare and Georgeson Shareholder Communications to assist in the solicitation. We will pay these entities an aggregate of approximately \$1,500 plus out-of-pocket expenses for their assistance. Our directors, officers and other employees not specially employed for this purpose may also solicit proxies by personal interview, mail, telephone or facsimile. They will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of the common stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses.

### **On What Matters May I Vote?**

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You may vote on (i) the election of the three (3) persons nominated by the Board and identified in this proxy statement to serve as Class II directors of our Board, (ii) the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017, (iii) the approval, on an advisory basis, of the compensation of the Company's Named Executive Officers as described in this proxy statement, and (iv) any other matters that may properly come before the meeting. In addition, our management will respond to questions from shareholders.

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**Why Did I Receive a One-Page Notice in the Mail Regarding the Internet Availability of Proxy Materials Instead of a Full Set of Proxy Materials?**

Pursuant to rules adopted by the SEC, the Company has elected to provide access to its proxy materials via the Internet. Accordingly, the Company is sending a Notice of Internet Availability of Proxy Materials (the "Notice") to the Company's shareholders. All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. In addition, shareholders may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

**I Share an Address With Another Shareholder, and We Received Only One Paper Copy of the Proxy Materials. How May I Obtain an Additional Copy of the Proxy Materials?**

The Company has adopted a procedure called "householding" in accordance with SEC rules. Under this procedure, the Company is delivering a single copy of the Notice and, if requested, this proxy statement and the Annual Report to multiple shareholders who share the same address unless the Company has received contrary instructions from one or more of the shareholders. This procedure reduces the Company's printing costs, mailing costs and fees. Shareholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, the Company will deliver promptly a separate copy of the Notice and, if requested, this proxy statement and the Annual Report to any shareholder at a shared address to which the Company delivered a single copy of any of these documents. To receive a separate copy of the Notice and, if requested, this proxy statement or the Annual Report, shareholders may write or call the Company at the following address and telephone number:

HealthStream, Inc.

Investor Relations Department

209 10<sup>th</sup> Avenue South

Suite 450

Nashville, Tennessee 37203

Telephone Number: (800) 845-1579

**How Do I Vote?**

Your vote is important. Whether or not you plan to attend the meeting in person, we urge you to submit your voting instructions to the Company as soon as possible by voting (1) via the Internet by following the instructions provided in the Notice, (2) by mail, if you requested printed copies of the proxy materials, by filling out the vote instruction form

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and sending it back in the envelope provided, (3) by telephone, if you requested printed copies of the proxy materials, by calling the toll free number found on the proxy card or (4) in person at the meeting. If you requested printed copies of the proxy materials, and properly sign and return your proxy card and return it in the prepaid envelope, your shares will be voted as you direct. If you requested printed copies of the proxy materials, and return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the proposals. You have the right to revoke your proxy at any time before the meeting by:

notifying our Vice President and General Counsel, Michael Collier, at 209 10<sup>th</sup> Avenue South, Suite 450, Nashville, TN 37203;

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voting in person; or

duly submitting a proxy bearing a later date.

The deadline for shareholders of record to submit voting instructions by telephone or the Internet is 11:59 p.m., Eastern Daylight Savings Time, on Wednesday, May 24, 2017.

If your shares are held by your broker, often referred to as in street name, your broker, bank, trustee or other nominee will provide you with materials and instructions for voting your shares, which may allow you to use the internet or a toll-free telephone number to vote your shares. The deadline for street name holders to submit voting instructions by telephone or the Internet is 11:59 p.m., Eastern Daylight Savings Time, on Wednesday, May 24, 2017.

## **How Can I Get Electronic Access to the Proxy Materials?**

The Notice will provide you with instructions regarding how to:

View on the Internet the Company's proxy materials for the Annual Meeting; and

Instruct the Company to send future proxy materials to you by email.

The Company's proxy materials are also available on the Company's website at [www.healthstream.com](http://www.healthstream.com).

Choosing to receive future proxy materials by email will save the Company the cost of printing and mailing documents to you and will reduce the impact of the Company's annual meetings on the environment. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by email will remain in effect until you terminate it.

## **How Will Voting on Any Other Business be Conducted?**

We do not know of any business to be considered at the 2017 Annual Meeting other than (i) the election of three (3) persons nominated by the Board and identified in this proxy statement as Class II directors, (ii) the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017, and (iii) the approval, on an advisory basis, of the compensation of the Company's Named Executive Officers as described in this proxy statement. Our Bylaws require shareholders of the Company to give advance notice of any proposal intended to be presented at any annual meeting. The deadline for this notice for the 2017 Annual Meeting has passed, and we did not receive any such notice made in compliance with our Bylaws. If any other business is presented at the Annual Meeting, your signed proxy card gives authority to Robert A. Frist, Jr., our

Chief Executive Officer, and Gerard M. Hayden, Jr., our Chief Financial Officer, or either of them, to vote on such matters at their discretion.

In addition, our management will respond to questions from shareholders at the 2017 Annual Meeting.

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### **What is a Quorum ?**

A quorum is a majority of our outstanding shares of common stock. The shares may be present at the meeting or represented by proxy. There must be a quorum for business to be conducted at the meeting. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

### **What Vote is Required to Approve Each Item?**

Each of the director nominees must receive affirmative votes from a plurality of the shares voting to be elected.

The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017 will be approved if the number of shares of Company common stock cast FOR such proposal exceed the number of shares of Company common stock cast AGAINST such proposal.

The approval, on an advisory basis, of the compensation of the Company's Named Executive Officers as described in this proxy statement will be approved if the number of shares of Company common stock voted FOR such proposal exceeds the number of shares of Company common stock voted AGAINST such proposal.

### **What are My Voting Options on the Proposals?**

With respect to Proposal 1, you have three choices. You may:

Vote for all of the nominees set forth in this proxy statement to serve as Class II directors of the Board;

Withhold your vote for all of the nominees set forth in this proxy statement to serve as Class II directors on our Board; or

Vote for all of such nominees except those nominees you specifically identify in respect of which you elect to withhold your vote.

With respect to Proposals 2 and 3, you may vote FOR the proposal, AGAINST the proposal or you may elect to ABSTAIN from voting.

**What is the Effect of Abstentions?**

If you attend the meeting or send in your signed proxy card but abstain from voting on the proposals, you will be counted for purposes of determining whether a quorum exists. So long as a quorum is present, abstaining from any of the matters being voted on at the 2017 Annual Meeting will have no effect on whether any such matter is approved.



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### **How do I Vote My Shares if They are Held in the Name Of My Broker (Street Name)?**

If your shares are held in the name of your broker, bank or other nominee, often referred to as in street name, you will receive a form from your broker, bank or other nominee seeking instruction as to how your shares should be voted. New York Stock Exchange ( NYSE ) Rule 452 ( Rule 452 ) provides that brokers, banks and other nominees may not exercise their voting discretion on specified non-routine matters without receiving instructions from the beneficial owner of the shares. Because Rule 452 applies specifically to securities brokers, virtually all of whom are governed by NYSE rules, Rule 452 applies to all companies listed on a national stock exchange including companies (such as the Company) listed on the NASDAQ Stock Market. Therefore, if you do not issue instructions to your broker, bank or other nominee, your broker, bank or other nominee will not be allowed to exercise his or her voting discretion on proposal one, the election of directors, or proposal three, the non-binding advisory vote on executive compensation, and will return a proxy card with no vote (the non-vote ) on those proposals. Broker non-votes will be counted for the purpose of determining the presence of a quorum, but will not impact the outcome of proposals one, three or four. For proposal two, the ratification of the independent registered public accounting firm, absent receiving instructions from you, your broker may vote your shares at his or her discretion on your behalf.

### **What is the Effect of a Broker Non-Vote?**

So long as a quorum is present, a broker non-vote will have no effect on whether proposals one or three are approved.

### **Can I Change My Vote?**

If you are a shareholder of record, you may revoke your proxy by doing one of the following:

If you requested printed copies of the proxy materials, by sending a written notice of revocation to the Secretary of the Company that must be received prior to the Annual Meeting, stating that you revoke your proxy;

If you requested printed copies of the proxy materials, by signing a later-dated proxy card and submitting it so that it is received prior to the Annual Meeting in accordance with the instructions included in the proxy card;

If you requested printed copies of the proxy materials and voted by telephone, by calling the toll free number found on the proxy card and submitting another vote by telephone;

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If you previously voted by internet pursuant to instructions set forth in the Notice, by submitting another vote over the internet pursuant to such instructions; or

By attending the Annual Meeting and voting your shares in person before your proxy is exercised at the Annual Meeting.

If you hold your shares in street name, your broker, bank or other nominee will provide you with instructions on how to revoke your proxy.

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### **Who Will Count the Votes?**

A representative of our transfer agent, ComputerShare, Canton, Massachusetts, will count the votes.

### **Where Can I Find the Voting Results?**

We will announce the voting results at the Annual Meeting. We also will report the voting results on Form 8-K, which we expect to file with the Securities and Exchange Commission, or the SEC, within four business days following the meeting.

### **When are Shareholder Proposals Due in Order to be Included in Our Proxy Statement for the 2018 Annual Meeting?**

Any shareholder proposals to be considered for inclusion in next year's proxy statement under Exchange Act Rule 14a-8 must be submitted in writing to Secretary, HealthStream, Inc., 209 10<sup>th</sup> Avenue South, Suite 450, Nashville, Tennessee 37203, prior to the close of business on December 13, 2017 and otherwise comply with the requirements of Rule 14a-8.

### **What is the Deadline for Submitting Other Business or Nominations for the 2018 Annual Meeting?**

If you bring business before the 2018 annual meeting which is not the subject of a proposal for inclusion in the proxy statement under Rule 14a-8, or if you want to submit a director nomination, our Bylaws require that you deliver notice in proper written form to our Secretary by February 24, 2018, but not before January 25, 2018 (or, if the 2018 annual meeting is called for a date not within 30 days of May 25, 2018, the notice must be received not earlier than the 120<sup>th</sup> day prior to such annual meeting and not later than the 90<sup>th</sup> day prior to such annual meeting or, if the first public disclosure of the date of such annual meeting is less than 100 days prior to such annual meeting, the 10<sup>th</sup> day following the day on which public disclosure of the date of the annual meeting is first made). If such notice is provided, a nominating shareholder must provide the information required by our Bylaws, including information regarding the nominating shareholder and affiliated persons, and otherwise comply with the terms of our Bylaws. In addition, if such notice is in relation to a proposed director nominee, the notice must include certain biographical information regarding the proposed nominee, a completed written questionnaire with respect to such proposed nominee regarding the background and qualifications of the proposed nominee (which questionnaire will be provided by the Secretary of the Company upon request), the proposed nominee's written consent to nomination and the additional information set forth in our Bylaws.



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**Who Should I Contact if I Have Questions?**

If you have any questions about the Annual Meeting or these proxy materials, please contact Michael Collier, our Vice President and General Counsel, or Mollie Condra, our Vice President of Communications, Research and Investor Relations, at 209 10<sup>th</sup> Avenue South, Suite 450, Nashville, Tennessee 37203, (615) 301-3100. If you are a registered shareholder and have any questions about your ownership of our common stock, please contact our transfer agent, ComputerShare, at 250 Royall Street, Canton, Massachusetts 02021 and (800) 962-4284. If your shares are held in a brokerage account, please contact your broker.

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You can access our Corporate Governance Principles, current committee charters, Lead Independent Director charter, Code of Conduct, Code of Ethics for executive officers and directors and other corporate governance-related information on our website, [www.healthstream.com](http://www.healthstream.com) (under the Corporate Governance section of the Investors page), or by addressing a written request to HealthStream, Inc., Attention: Secretary, 209 10<sup>th</sup> Avenue South, Suite 450, Nashville, Tennessee 37203.

We believe that effective corporate governance is important to our long-term success and our ability to create value for our shareholders. With leadership from our Nominating and Corporate Governance Committee, our Board regularly evaluates regulatory developments and trends in corporate governance to determine whether our policies and practices in this area should be enhanced. The Nominating and Corporate Governance Committee also administers an annual skills assessment process as well as an annual self and peer evaluation process for the Board. In addition, our directors are encouraged to attend director education programs.

**Directors**

The Board is divided into three classes (Class I, Class II and Class III). At each annual meeting of shareholders, directors constituting one class are elected for a three-year term. Directors who were elected by the Board to fill a vacancy in a class whose term expires in a later year are elected for a term equal to the remaining term for their respective class. The Fourth Amended and Restated Charter of the Company provides that each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board. The Board currently consists of ten members, of whom Mr. McLaren, Ms. Rebrovick, and Mr. Shmerling are standing for re-election as Class II Directors as set forth under Proposal One Election of Directors.

The names and certain information about members of the Board are set forth below.

<b>Name</b>	<b>Age</b>	<b>Positions with the Company</b>	<b>Director Since</b>	<b>Class and Year</b>
				<b>in Which Term Will Expire</b>
Robert A. Frist, Jr.	50	Chief Executive Officer, President, and Chairman of the Board	1990	Class III, 2018
Thompson S. Dent	67	Director	1995	Class I, 2019
Frank Gordon	54	Director	2002	Class III, 2018
C. Martin Harris, M.D.	60	Director	2010	Class III, 2018
Jeffrey L. McLaren	50	Director	1990	Class II, 2017
Dale Polley	67	Director	2006	Class I, 2019
Linda Rebrovick	61	Director	2001	Class II, 2017
Michael Shmerling	61	Director	2005	Class II, 2017
William W. Stead, M.D.	68	Director	1998	Class I, 2019
Deborah Taylor Tate	60	Director	2010	Class I, 2019

*Robert A. Frist, Jr.*, one of our co-founders, has served as our Chief Executive Officer and Chairman of the Board since 1990. Mr. Frist graduated with a Bachelor of Science in business with concentrations in Finance, Economics and Marketing from Trinity University.

The Company believes that Mr. Frist's experience managing the day-to-day operations of the Company's business, along with his active involvement with the Company since its inception and a comprehensive understanding of the Company's mission, give him the qualifications and skills to serve as a director.

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*Thompson S. Dent* is the Chief Executive Officer and Chairman of the Board of Directors of Urgent Team, LLC, an independent operator of urgent care centers. Mr. Dent is also the co-founder and Chairman of Re:Cognition Health, Ltd. London, England, a Centre of Excellence for neurological problems and with specific expertise in all causes of memory problems and cognitive impairment. He served as executive chairman and chief executive officer of MedTel International Corporation, an international diagnostic imaging company based in Nashville, TN, from 2004 to 2008. Mr. Dent holds a Masters in Healthcare Administration from The George Washington University and a Bachelor's degree in Business from Mississippi State University. He has served as our lead Independent Director since December 15, 2014.

The Company believes that Mr. Dent's more than thirty-five years of healthcare services industry expertise, including service on numerous healthcare company boards and committees, give him the qualifications and skills to serve as a director.

*Frank Gordon* has served as managing partner of Crofton Capital LLP, a private equity fund, since 2002. Mr. Gordon currently serves on the board of directors of a number of non-profit organizations. Mr. Gordon earned a Bachelor of Science from the University of Texas in Austin and a Masters in Business Administration from Georgia State University.

The Company believes that Mr. Gordon's extensive healthcare business experience including, but not limited to, service as a director, in a management capacity and as an investor, with both start-up and well established companies, gives him the qualifications and skills to serve as a director.

*C. Martin Harris, M.D.* is associate vice president of the Health Enterprise and chief business officer of Dell Medical School at the University of Texas at Austin. Dr. Harris previously served as the chief information officer of Cleveland Clinic Foundation in Cleveland, Ohio and also served as a staff physician for Cleveland Clinic Hospital, from June 1996 until November 2016. Dr. Harris received his undergraduate and medical degrees from the University of Pennsylvania. He also holds a Master's degree in Business Administration in Healthcare Management from The Wharton School of the University of Pennsylvania. Dr. Harris is a Director for Invacare Corporation (NYSE: IVC), a publicly registered leader of home and long-term care medical products, and for Thermo Fisher Scientific (NYSE: TMO), a publicly registered precision healthcare equipment company.

The Company believes that Dr. Harris' healthcare and business expertise, including his leadership in healthcare information technology, give him the qualifications and skills to serve as a director.

*Jeffrey L. McLaren* is the founder and chief executive officer of Medaxion, Inc., a provider of mobile anesthesia information solutions. Mr. McLaren served as the chief executive officer of SaferSleep, LLC, a provider of anesthesia information management systems from 2004 to 2007. He served as the chief executive officer of Southern Genesis, LLC, a management consulting company from 2003 to 2010. Mr. McLaren, one of our co-founders, served as our President from 1990 to 2000 and as our Chief Product Officer from 1999 to 2000. Mr. McLaren graduated from Trinity University with a Bachelor of Arts in both business and philosophy.

The Company believes that Mr. McLaren's extensive healthcare business expertise, along with his intimate knowledge of the Company's operations, give him the qualifications and skills to serve as a director.



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*Dale Polley* retired as a vice chairman and member of the board of directors of First American Corporation and First American National Bank in 2000. In the nine years preceding these positions, Mr. Polley served in various executive management positions at First American, which included serving as its president from 1997 to 1999. Mr. Polley serves on the board of directors of CapStar Bank (NASDAQ: CSTR), a public registered financial institution, headquartered in Nashville, Tennessee, as well as several non-profit organizations. Mr. Polley served as a director for Pinnacle Financial Partners, Inc., (NASDAQ: PNFP) a public registered financial institution, from 2000 to 2011 and for O Charley's, Inc., a publicly registered restaurant company from 2001 until its sale in 2012. Mr. Polley served as a director for the Federal Reserve Bank of Atlanta, Nashville branch, from 1995 to 2001. Mr. Polley earned a Bachelor of Business Administration in accounting from Memphis State University.

The Company believes that Mr. Polley's financial and business expertise, as well as a diversified background of service as a director on the boards of several other public companies, give him the qualifications and skills to serve as a director.

*Linda Eskind Rebrovick* is a Senior Client Partner and Leader, Healthcare Practice, at Morgan Samuels, and is responsible in this capacity for executive and director retained searches. She serves on the Board of Directors of Consensus Point and Tribridge Enterprises, and the advisory board of Western Express, Inc. (each of these companies is a private company).

Prior to joining Morgan Samuels in February 2016, Ms. Rebrovick was a candidate in 2015 for the office of Mayor, Metropolitan Nashville and Davidson County Government, and was CEO of Consensus Point, a global provider of innovative prediction market research technology solutions, from 2009 to 2014 when she began her mayoral campaign as noted above.

As Area Vice President of Dell Healthcare, and EVP and Managing Partner, Healthcare, at KPMG Consulting, she was responsible for full-service business consulting, including process improvement, organizational analysis, and implementation of healthcare technology solutions. As the Chief Marketing Officer of BearingPoint, Inc., she led the global marketing organization and managed the successful rebranding of the global consulting business in 40 countries. She began her career with IBM as a Marketing Representative, Marketing Manager, and Business Unit Executive.

Ms. Rebrovick holds a BS in Marketing from Auburn University and was selected as one of their Top 400 Women Graduates of the past 100 years. She serves as co-chair and cofounder, Women Corporate Directors, Tennessee; board member, the Nashville Entrepreneur Center; trustee of the board, Leadership Nashville, and she previously served as board chair, Nashville Technology Council.

The Company believes that Ms. Rebrovick's public and private company board and executive experience, technology, market research and sales expertise, and background as a healthcare executive with global management technology and consulting companies, give her the qualifications and skills to serve as a director.

*Michael Shmerling* is chairman of Clearbrook Holdings Corp, a diversified private investment firm. Mr. Shmerling formerly served as the chief operating officer, executive vice president and board member of Kroll, Inc. and, following its sale to Marsh Inc., as a senior advisor to Marsh Inc. Mr. Shmerling serves on the board of directors of Renasant Corporations (NASDAQ:RNST), the publicly registered parent of the financial institution Renasant Bank, as well as several non-profit organizations. Mr. Shmerling received a Bachelor of Accountancy from the University of Oklahoma. He is a licensed CPA (currently inactive).



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The Company believes that Mr. Shmerling's financial and business expertise, including a diversified background of managing and directing a variety of public and private companies, give him the qualifications and skills to serve as a director.

*William W. Stead, M.D.* has served as Chief Strategy Officer for Vanderbilt University Medical Center since 2016 when the Medical Center and University transitioned to independent governance structures. Under the previous structure, Dr. Stead served as associate vice chancellor for health affairs of Vanderbilt University from 1991 to 2016, as chief information officer for the Medical Center from 1991 to 2013, and as chief strategy officer for the Medical Center from 2009 to 2016. He is a founding fellow of the American College of Medical Informatics and the American Institute for Engineering in Biology and Medicine and a member of the National Academy of Medicine. He is Chair of the National Committee on Vital and Health Statistics. He served as a presidential appointee to the Systemic Interoperability Commission. He is past chairman, Board of Regents, National Library of Medicine, and past president of the American College of Medical Informatics. Dr. Stead earned a Bachelor of Arts in chemistry and an M.D. from Duke University.

The Company believes that Dr. Stead's service as chief strategy officer for Vanderbilt University Medical Center, plus memberships in organizations devoted to the study of medical information, give him the qualifications and skills to serve as a director.

*Deborah Taylor Tate* currently serves as the Director of the Administrative Office of the Courts for the State of Tennessee and a member of the American Judges Association and the Conference of State Court Administrators. She is a licensed attorney and Rule 31 mediator, who, in addition to her presently held office, also serves as Distinguished Scholar at the Free State Foundation, and Adjunct Lecturer at Vanderbilt School of Nursing. She also currently serves as vice-chairman of the executive committee for the Minority Media and Telecommunications Council. She was twice-nominated to the Federal Communications Commission (FCC) by President George W. Bush and unanimously confirmed by the U.S. Senate in 2005. She served as Commissioner of the FCC from 2006 to 2009, serving as chair of two Federal Joint Boards regarding advanced telecommunications services. At the time of her presidential appointment, Ms. Tate was serving as the chairman and director of the Tennessee Regulatory Authority. Her previous state positions also include serving as executive director of the Health Facilities Commission and as senior staff for then-Governor, Senator Lamar Alexander and a Senior policy advisor to Governor Don Sundquist. In addition, she was director of the State and Local Policy Center at Vanderbilt University Institute for Public Policy Studies. She served as chairman of the board of directors for Centerstone, Inc., the largest not-for-profit community mental health provider in the U.S., and presently serves on the national board of directors for the Centerstone Research Institute, the leading informatics, analytics and clinical research provider for behavioral healthcare. Ms. Tate also serves as the Judiciary appointee to numerous state boards and commissions, including the Tennessee Consolidated Retirement System board. Ms. Tate received both her undergraduate degree and Juris Doctorate (J.D.) from the University of Tennessee, and also attended Vanderbilt Law School.

The Company believes that Ms. Tate's extensive background in various legal, leadership and policymaking roles with both healthcare companies as well as state and federal regulatory agencies gives her the qualifications and skills to serve as a director.

## **Board Meetings and Committees**

Our business is managed under the direction of our Board. Our Board is responsible for establishing our corporate policies and strategic objectives, reviewing our overall performance and overseeing management's performance. The Board delegates the conduct of the business to our senior management team. Directors have regular access to senior management. They may also seek



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independent, outside advice. The Board oversees all major decisions to be made by the Company. The Board holds regular quarterly meetings, an annual strategic planning meeting, and meets on other occasions when required by special circumstances. The Board operates pursuant to our Corporate Governance Principles, a copy of which may be accessed in the Corporate Governance section of the Investors page of our website at [www.healthstream.com](http://www.healthstream.com).

During 2016, our Board held five meetings, the Audit Committee held eight meetings, the Compensation Committee held three meetings and the Nominating and Corporate Governance Committee held four meetings. Each director attended at least 89 percent of the 2016 meetings of the Board and the Board committees on which such director served. On a collective basis, the directors attended approximately 97% percent of the meetings of the Board and the Board committees on which such directors served. Our Board has adopted a policy strongly encouraging all of our directors to attend the annual meeting of shareholders. Eight directors attended the annual meeting of shareholders in May 2016.

Each of our directors also devotes his or her time and attention to the Board's standing committees. The Board has established three standing committees consistent with the rules of the Nasdaq Stock Market so that certain areas can be addressed in more depth than may be possible at a full Board meeting. Ad hoc task forces may also be formed from time to time to consider acquisitions or other strategic issues. Each standing committee has a written charter that has been approved by the committee and the Board and that is reviewed at least annually. The committees, their primary functions and memberships are as follows:

**Audit Committee.** The Audit Committee's primary duties and responsibilities are oversight of the integrity of HealthStream's financial reporting process; oversight of our system of internal controls regarding finance, accounting and legal compliance; oversight of the process utilized by management for identifying, evaluating and mitigating various risks inherent in the Company's business; selecting and evaluating the qualification, independence and performance of our independent registered public accounting firm; monitoring compliance with the Company's Code of Ethics for executive officers and directors and Code of Conduct; monitoring the reporting hotline; and providing an avenue of communication among the independent registered public accounting firm, management and the Board.

The Audit Committee operates pursuant to the terms of an Audit Committee Charter, a copy of which may be accessed in the Corporate Governance section of the Investors page of our website at [www.healthstream.com](http://www.healthstream.com). During 2016, the members of the Audit Committee were Dale Polley (chair), Michael Shmerling, and C. Martin Harris, M.D. See Audit Committee Report for 2016.

The Board has determined that all members of the Audit Committee are financially literate under the current listing standards of the NASDAQ and are independent within the meaning of the listing standards of NASDAQ and Rule 10A-3 of the Securities Exchange Act. The Board also determined that Dale Polley and Michael Shmerling each qualify as an Audit Committee Financial Expert as defined by the regulations of the SEC adopted pursuant to the Sarbanes-Oxley Act of 2002.

**Compensation Committee.** The Compensation Committee has responsibility for reviewing and approving the salaries, bonuses, and other compensation and benefits of our executive officers; evaluating the performance of the Chief Executive Officer; establishing and reviewing Board compensation; reviewing and advising management regarding benefits and other terms and conditions of compensation of management; reviewing the Compensation Discussion and Analysis section of this proxy statement; issuing the Compensation Committee report included in this proxy statement; and administering the Company's 2000 Stock Incentive Plan (the 2000 Plan), the Company's 2010 Stock Incentive Plan (the 2010 Plan), and the Company's 2016 Omnibus Incentive Plan (the 2016 Plan), and any other incentive plans for our Named Executive Officers. The Compensation Committee operates pursuant to the terms of a Compensation Committee Charter, a copy of which may be accessed in the Corporate



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Governance section of the Investors page of our website at [www.healthstream.com](http://www.healthstream.com). Members of the Compensation Committee during 2016 included Frank Gordon (chair), Linda Rebrovick, and Jeffrey McLaren, each of whom is independent within the meaning of the listing standards of NASDAQ. See Compensation Committee Report for 2016.

**Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee provides assistance to the Board in identifying and recommending individuals qualified to serve as directors of the Company, reviews the composition of the Board, reviews and recommends corporate governance policies for the Company, reviews the management succession plan of the Company and annually evaluates the skills and performance of the Board. The Nominating and Corporate Governance Committee operates pursuant to the terms of a Nominating and Corporate Governance Committee Charter, a copy of which may be accessed in the Corporate Governance section of the Investors page of our website at [www.healthstream.com](http://www.healthstream.com). Members of the Nominating and Corporate Governance Committee during 2016 included Thompson Dent (chair), William W. Stead, M.D., and Deborah Taylor Tate, each of whom is independent within the meaning of the listing standards of NASDAQ.

Our Chairman and Chief Executive Officer proposes the agenda for the Board meetings and presents the agenda to the Nominating and Corporate Governance Committee, which reviews the agenda with our Lead Independent Director and our Chairman and may raise other matters to be included in the agenda or at the meetings. All directors receive the agenda and supporting information in advance of the meetings. Directors may raise other matters to be included in the agenda or at the meetings. Our Chairman and Chief Executive Officer and other members of senior management make presentations to the Board at the meetings and a substantial portion of the meeting time is devoted to the Board's discussion of and questions regarding these presentations.

## **Executive Sessions**

The independent directors meet in executive session (i.e. with no members of management present) periodically, in at least two regularly scheduled meetings each year. The Lead Independent Director, or his or her designee, presides at these meetings.

## **Independent Directors**

The Board has determined that Thompson S. Dent, Frank Gordon, C. Martin Harris, M.D., Jeffrey L. McLaren, Dale Polley, Linda Rebrovick, Michael Shmerling, William W. Stead, and Deborah Taylor Tate do not have any relationship that, in the opinion of the Board, would interfere with the exercise of the director's independent judgment in carrying out the responsibilities of a director and that such directors are independent under the listing standards of NASDAQ. In addition, all of the standing committees of the Board are comprised solely of independent directors as set forth above. Robert Frist, Jr., our Chief Executive Officer and President, is not independent under the NASDAQ listing standards.

In making its independence determinations, the Board considered the following ordinary course, non-preferential relationships that existed during the preceding three years with HealthStream and determined that none of the relationships constituted a material relationship between the director and the Company:

HealthStream in the ordinary course of business has certain vendor agreements and a reseller and distributor agreement with entities where some of our directors serve as executive officers or board members (Dr. Harris, Dr. Stead, and Mr. Dent with regard to vendor agreements, and Ms. Rebrovick with regard to a reseller and distributor agreement). In each case, the Company considered the types and amounts of commercial dealings between the Company and the organizations with which the directors are affiliated in connection with reaching its conclusion that none of these relationships constituted a material relationship involving the director and the Company.





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### **Skills Assessment and Board Evaluation Process**

The Nominating and Corporate Governance Committee is responsible for assessing the Board's skills, evaluating director performance and providing feedback to directors for performance improvement. Further, the Nominating and Corporate Governance Committee annually assesses the skills required of the Board to support appropriate governance and corporate oversight. In connection with these responsibilities, the Nominating and Corporate Governance Committee annually conducts a board skills assessment as well as self and peer evaluations for the full Board. The Board evaluation process includes self and peer reviews, suggestions for individual improvement, and year to year comparison and trend analysis for both individual directors and the Board on a composite basis. The Board annually reviews the results to improve effectiveness of the Board as a whole. The skills assessment and Board evaluation processes are used to determine skill requirements for new director nominations, assess committee assignments, review the qualifications of incumbent directors to determine whether to recommend them to the Board as nominees for re-election and to facilitate improvement of the effectiveness of the Board.

### **Leadership Structure**

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interests of the Company to make that determination based on the position and direction of the Company, the membership of the Board and the background and knowledge of the Chief Executive Officer. The Board has determined that having the Company's current Chief Executive Officer serve as Chairman is in the best interest of the Company's shareholders at this time. This structure makes the best use of the Chief Executive Officer's extensive knowledge of the Company and its industry, and also facilitates effective communication between the Company's management and the Board. The Board also believes that, in light of the combined role of the Chairman and CEO at the Company, the appointment by the Board of a strong Lead Independent Director with clearly defined roles and responsibilities may benefit the Company and its investors.

Robert A. Frist, Jr., our Chief Executive Officer, currently serves as Chairman of the Board. The Board believes that Mr. Frist is best situated to serve as Chairman of the Board because of his extensive knowledge of our business and industry. The Board also believes that having the Chief Executive Officer serve as Chairman of the Board provides an efficient and effective leadership model for us by fostering clear accountability, effective decision making, and alignment of corporate strategy. The Board believes that its current management structure, together with the Lead Independent Director having the duties described below, is in the best interests of shareholders and strikes an appropriate balance for the Company.

Thompson S. Dent serves as Lead Independent Director a position that, at HealthStream, entails significant responsibility for independent Board leadership as noted in more detail below. During his tenure as a director, Mr. Dent has demonstrated strong leadership skills and independent thinking as well as a deep understanding of the Company's business.

### **Lead Independent Director**

The position of Lead Independent Director at HealthStream comes with a clear mandate and significant authority and responsibilities under a Board-approved charter. These responsibilities and authority include the following:

presiding at all meetings of the Board at which the Chairman and Chief Executive Officer is not present, including executive sessions of the independent Directors;



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having the authority to call meetings of the independent Directors;

servicing as a liaison between the independent Directors and the Chairman and Chief Executive Officer;

approving, in consultation with the Chairman and Chief Executive Officer, meeting agenda for the Board;

approving the type of information sent to the Board;

facilitating the Board's approval of the number and frequency of Board meetings, and approving meeting schedules to assure that there is sufficient time for discussion of all agenda items;

being regularly apprised of inquiries from shareholders and involved in correspondence responding to these inquiries, when appropriate; and

being available to meet with major shareholders, upon their reasonable request, to receive input and ensure that such input is communicated to the independent directors and, as appropriate, management.

The Charter of the Lead Independent Director can be found on our website at [www.healthstream.com](http://www.healthstream.com) (under the Corporate Governance section of the Investors page).

## **Risk Oversight**

The Board believes an effective risk management system will (1) timely identify the material risks that the Company faces, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board committee, (3) implement appropriate and responsive risk management strategies consistent with the Company's risk profile, and (4) integrate risk management into Company decision-making. The Board has designated the Audit Committee to take the lead in overseeing risk management, and the Audit Committee makes periodic reports to the Board regarding briefings and reports provided by management and advisors as well as the Audit Committee's own analysis and conclusions regarding the adequacy of the Company's risk management processes. In addition, the Board encourages management to promote a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations. The Board also works, with the input of the Company's executive officers, to assess and analyze the most likely areas of future risk for the Company. Additionally, on an annual basis the Nominating Governance Committee reviews and recommends an Incident Response Policy for the Board's approval. The Incident Response Policy is intended to categorize certain risk scenarios, designate members of senior management charged with addressing them, and provide for escalation of certain risk events from management to the appropriate Board Committee or the Board as a whole.

In addition to the Audit Committee, the other committees of the Board consider the risks within their areas of responsibility. In this regard, the Compensation Committee considers the risks that may be implicated by our executive compensation programs. Based upon the comprehensive review of the executive compensation programs, the Compensation Committee has concluded that the Company's executive compensation programs are not reasonably likely to have a material adverse effect on the Company as a whole.

