

HEALTHSTREAM INC  
Form 10-Q/A  
August 13, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q/A  
(Amendment No. 1 to FORM 10-Q)  
Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act  
of 1934  
For the quarterly period ended **June 30, 2008**  
Commission File No.: 000-27701  
**HealthStream, Inc.**  
(Exact name of registrant as specified in its charter)**

**Tennessee**  
(State or other jurisdiction of  
incorporation or organization)

**62-1443555**  
(I.R.S. Employer Identification No.)

**209 10th Avenue South, Suite 450**  
**Nashville, Tennessee**  
(Address of principal executive offices)

**37203**  
(Zip Code)

**(615) 301-3100**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 6, 2008, 21,528,728 shares of the registrant's common stock were outstanding.

**Explanatory Note**

This amendment of the HealthStream, Inc. Form 10-Q for the quarter ended June 30, 2008, is to correct a typo in Note 7. Business Segments of the Notes to Condensed Consolidated Financial Statements.

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**HEALTHSTREAM, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. NET INCOME PER SHARE (continued)**

The following table sets forth the computation of basic and diluted net income per share for three and six months ended June 30, 2008 and 2007:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Numerator:				
Net income	\$ 739,441	\$ 424,709	\$ 805,125	\$ 469,258
Denominator:				
Weighted average shares outstanding:				
Basic	21,961,252	21,970,364	22,024,098	21,953,075
Employee stock options and escrowed shares	617,573	811,198	628,862	739,253
Diluted	22,578,825	22,781,562	22,652,960	22,692,328
Net income per share:				
Basic	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.02
Diluted	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.02

**7. BUSINESS SEGMENTS**

We provide our services to healthcare organizations, pharmaceutical and medical device companies, and other members within the healthcare industry. Our services are primarily focused on the delivery of education and training products and services (HealthStream Learning), as well as survey and research services (HealthStream Research). The accounting policies of the segments are the same as those described in the summary of significant accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2007.

We measure segment performance based on operating income (loss) before income taxes and prior to the allocation of certain corporate overhead expenses, interest income, interest expense, and depreciation. We have revised our measure of segment performance and are now allocating building and utility expenses to Learning, which had previously been included in Unallocated. We have also restated historical periods for both Learning and Unallocated to reflect the allocation of these corporate overhead expenses. The following is our business segment information as of and for the three and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues				
Learning	\$ 8,172,642	\$ 6,497,960	\$ 15,669,348	\$ 12,976,519
Research	4,840,353	5,548,608	8,765,347	7,171,388
Total net revenue	\$ 13,012,995	\$ 12,046,568	\$ 24,434,695	\$ 20,147,907

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Income (loss) from operations				
Learning	\$ 1,665,897	\$ 560,484	\$ 3,325,529	\$ 1,968,507
Research	972,534	1,564,405	1,001,478	1,521,423
Unallocated	(1,914,175)	(1,716,932)	(3,558,801)	(3,172,909)
Total income from operations	\$ 724,256	\$ 407,957	\$ 768,206	\$ 317,021

	June 30, 2008	December 31, 2007
Segment assets		
Learning *	\$ 15,241,897	\$ 17,270,540
Research *	26,053,572	26,284,097
Unallocated	11,614,521	9,806,820
Total assets	\$ 52,909,990	\$ 53,361,457

\* Segment assets include accounts and unbilled receivables, goodwill, intangible assets, capitalized software feature enhancements, restricted cash, prepaid and other current assets, other assets, and certain property and equipment. Cash and cash equivalents are not allocated to individual segments, and are included within Unallocated. A significant portion of property and equipment assets are included within Unallocated.

**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 thereunto duly authorized.

HEALTHSTREAM, INC.

By: /s/ Gerard M. Hayden, Jr.  
Gerard M. Hayden, Jr.  
Chief Financial Officer

August 12, 2008

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**HEALTHSTREAM, INC.**  
**EXHIBIT INDEX**

- 31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002