



FORM 10-K

SKILLSOFT PUBLIC LIMITED CO - SKIL

Filed: April 29, 2003 (period: January 31, 2003)

Annual report which provides a comprehensive overview of the company for the past year

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTIONS 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JANUARY 31, 2003
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE: 0-25674

SKILLSOFT PUBLIC LIMITED COMPANY
(Exact name of registrant as specified in its charter)

REPUBLIC OF IRELAND
(State or other jurisdiction of
incorporation or organization)
107 NORTHEASTERN BOULEVARD
NASHUA, NEW HAMPSHIRE
(Address of principal executive offices)

NONE
(I.R.S. Employer
Identification No.)
03062
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(603) 324-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

TITLE OF CLASS
Ordinary Shares, E0.11
Subscription Rights

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 if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K.

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

The approximate aggregate market value of voting shares held by
non-affiliates of the registrant as of June 28, 2002 was \$173,566,073.

On April 11, 2003 the registrant had outstanding 99,608,695 Ordinary Shares
(issued or issuable in exchange for the registrant's outstanding American
Depository Shares ("ADSs")).

Pursuant to Rule 12b-25, this Form 10-K does not include disclosures for
Items 6, 7, 7a, 8 and 14. These items and the complete certifications by the
chief executive officer and chief financial officer pursuant to Rule 13a-14 will
be filed by amendment.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file with the Securities and Exchange Commission
a definitive proxy statement with respect to the Annual General Meeting of
Shareholders to be held on July 17, 2003. Portions of such proxy statement are
incorporated by reference into Part III of this Form 10-K.

SKILLSOFT PUBLIC LIMITED COMPANY

FORM 10-K

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PART I

Any statements in this Form 10-K about future expectations, plans and prospects for SkillSoft, including statements containing the words "believes," "anticipates," "plans," "expects," "will" and similar expressions, constitute forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including those set forth in Item 7 under the heading "Future Operating Results".

As used in this Form 10-K, "we", "us", "our", "SkillSoft" and "the Company" refer to SkillSoft Public Limited Company and its subsidiaries.

ITEM 1. BUSINESS

GENERAL

On September 6, 2002, we completed a merger with SkillSoft Corporation, a Delaware corporation, and, on November 19, 2002, changed our corporate name from SmartForce PLC to SkillSoft PLC.

We are a leading global provider of comprehensive, multi-modal e-Learning content and software products for business and information technology (IT) professionals. Multi-modal learning (MML) solutions offer powerful tools to support and enhance the speed and effectiveness of both formal and informal learning processes. MML solutions integrate our in-depth courseware, learning management platform technology and support services to meet our customers' learning needs.

We focus on a variety of IT, professional effectiveness and business topics that we believe represent the critical skills required of employees in increasingly dynamic and complex work environments. We partner with some of the world's technology leaders to co-develop sound, standardized content that delivers rich, comprehensive learning and performance support experiences. Our IT skills courses give learners the ability to gain the technical knowledge they need to perform their jobs. Our business skills (also known as soft skills) courses concentrate on the skills and knowledge that are relevant to the various areas of functional responsibility in today's business organizations. These skills are important to a business professional's ability to work better with business associates and customers, make better business decisions, and more effectively achieve his most important work-related and career oriented objectives. Our products and services are designed to accelerate the ability of today's workforce to master the business and technology skills required for competitive success, enable our customers to address training and performance support issues that support their business objectives and provide a system of continuous support to working employees. Our solutions are based on open standards Web technologies and flexible, low bandwidth architecture, enabling users to access the material they need via computer, with the specificity or breadth that they require, anytime or anywhere that they may need it.

We currently have thousands of customers worldwide spanning business, government and education, and more than 4.5 million licensed users. We focus on meeting the comprehensive business skills and IT learning needs of professionals in Global 5000 organizations through a comprehensive range of content-centered, e-Learning solutions. The integration of our e-Learning offerings delivers a comprehensive MML solution that includes the following major content modalities:

Business Skills Library: This includes more than 1,875 courseware titles and simulations encompassing professional effectiveness, management/leadership, project management, sales and customer-facing skills, business strategy/operations, finance, human resources, safety/health and financial services. Our courses feature strong visual design; a focus on instructional objectives at the application and analysis levels; and learner interactivity and reinforcement through RolePlays, SkillSimulations, and case studies.

IT Skills and Certification Library: This includes more than 1,900 courseware titles encompassing software development, operating systems and server technologies, Internet and network technologies,

enterprise database systems, Web design, and desktop computer skills. Our IT skills library also supports more than 70 current industry certification exams.

Online Mentoring: This service is offered for over 70 current major certification exams for IT professionals, end user technologies and project management skills. Our approximately 50 on-staff mentors, averaging over 20 certifications each, are available 24 hours a day, 7 days a week. Through online chats and e-mail, learners can ask questions, receive clarification, and request additional information to help them get the answers and understanding they need.

Books24x7 Referenceware(SM): This includes more than 4,000 unabridged IT and business books and reports that are available to online subscribers through our subsidiary, Books24x7. A unique, patent-pending search engine gives subscribers the ability to perform multi-level searches to pinpoint information needed for on-the-job performance support and problem-solving.

We were incorporated in Ireland on August 8, 1989. Our registered office is located at Belfield Office Park, Clonskeagh, Dublin 4, Ireland, and our telephone number at that address from the United States is (011) 353-1-2181000. Our principal office in the United States is located at 107 Northeastern Boulevard, Nashua, New Hampshire 03062, USA, and our telephone number at that address is (603) 324-3000.

We maintain a Web site with the address www.skillsoft.com. We are not including the information contained in our Web site as part of, or incorporating it by reference into, this annual report on Form 10-K. We make available free of charge through our Web site our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file these materials with, or otherwise furnish them to, the Securities and Exchange Commission.

INDUSTRY BACKGROUND

The corporate training market is large. We believe that a substantial majority of the corporate training market is comprised of soft skills and IT skills training. We believe that the growth in corporate training in general and soft skills training in particular is being driven by:

- the evolution of our economy to a service-based and knowledge-based economy, in which the skills of the workforce often represent the most important corporate assets;
- the increasing recognition by businesses that it is imperative to continually improve the skills of their employees in order to remain competitive;
- the rapidly evolving business environment, which necessitates continual training and education of the employee base; and
- the increased competition in today's economy for skilled employees and the recognition that effective training can be used to recruit and retain employees.

Although corporate training has historically been dominated by traditional classroom instruction, e-Learning solutions are changing the manner in which business enterprises improve the skills of their workforce. By providing real-time accessibility and user-focused specificity, we believe that e-Learning is changing the training and education process from a distinct event -- often off-site and limited in scope -- to a process of continuous learning for employees. With the rising needs for training in increasingly complex working environments, we believe that properly designed and deployed e-Learning solutions can effectively address the needs of companies seeking to provide comprehensive, enterprise-wide learning resources to their employees. These solutions can support both the planned formal learning priorities and the day-to-day informal learning activities that comprise the primary means by which business professionals learn the skills needed to do their job and grow their careers.

We believe that e-Learning solutions present a significant opportunity for corporations to effectively train and support the productivity of their workforce. Like traditional technology-based training solutions, such as CD-ROMs and client/server applications, e-Learning solutions alleviate the inefficiencies associated with

classroom training, including travel costs, scheduling difficulties and the opportunity costs of employees' time. In addition, e-Learning provides benefits beyond other technology-based training methods that make it more flexible, effective and cost-efficient. For example, e-Learning solutions provide more timely and simplified deployment, the flexibility of self-directed and personalized learning, improved ease of use, and enhanced product/user support and administrative functionality. Furthermore, through the use of object-oriented database technologies, e-Learning solutions provide access via computer to content anytime, anywhere over the Internet and in the exact amount required.

PRODUCTS

PRODUCT LIBRARY OVERVIEW

With over 3,700 courses spanning IT, cross-functional soft skills, functional area expertise and workplace compliance subjects, we are an industry leader in e-Learning content solutions for today's critical business and IT skills. Through our focus on these critical skills and our track record in fast and effective execution, we strive to deliver e-Learning content that excels in terms of depth, breadth, up-to-date relevance, interactive learning design and Web deployment flexibility. Also, through our Books24x7 professional Referenceware offering, we offer users over 4,000 unabridged IT and business titles from 80 of the world's best-known publishing companies. Together, these multi-modal e-Learning components offer organizations an array of both formal and informal learning based on user needs -- whether students need to immerse themselves in the subject matter or need to quickly reference content for five to ten minutes of on-the-job performance support.

We regularly add new courses to cover new technologies and new subjects requested by our customers or that we believe our customers will want. We also regularly retire courses from our active library as certain technologies become outdated or used less frequently by our customers, and as we replace older courses with newer and higher quality versions. This combination of adding and retiring courses, which is part of our continuous effort to ensure the currency and highest quality of our active library, will cause the overall active library size to fluctuate.

IT SKILLS COURSEWARE

Our comprehensive IT skills library of e-Learning courses and learning objects (a topic within a course) encompasses a wide array of the technologies used by IT professionals and business end users. As of January 31, 2003, our IT skills library included over 1,900 courseware offerings that are divided into six major Solution Areas:

Software Development
Internet & Network Technologies
Web Design

Operating Systems & Server Technologies
Enterprise Database Systems
Desktop Computer Skills

The courseware in these Solution Areas address over 70 of the current technical certification programs sought by technical professionals and enterprises providing technical products and services to their customers, including:

MICROSOFT	COMPTIA	LOTUS NOTES	ORACLE
MOS	A+	R5 CLS Admin	OCA 8i
MCP	Net+	R5 CLS Developer	OCA 9i
MCSA 2000	INet+	R5 CLP Admin.	OCP 8i
MCSE 2000	IT Project+	R5 CLP Developer	OCP 9i
MCSA VB 6.0	Linux+		
MCSA .NET (VB)	Severt+		
MCDBA			
JCERT	CICSO	SECURITY	CIW
Jcert Web Programmer	CCNA	Sans Geac	CIW Associate
Jcert Web Developer	CCDA	CompTIA Security+	Master Enterprise Developer
	CCNP	CISSUP (ICS2)	CIW Site Designer
MACROMEDIA	ECDL		
Coldfusion MX Developer	ECDL		
Dreamweaver MX Developer	ICDL		
Flash MX Developer			

In addition to our more than 900 current English language IT skills courses, over 1,000 of our IT skills course titles have been localized into a number of languages including German, French, Spanish, Italian, Japanese, Dutch, Greek, Portuguese and Korean to support other geographic markets.

CRITICAL BUSINESS SKILLS COURSEWARE AND SIMULATIONS

Our comprehensive business skills library of e-Learning courses, simulations and learning objects encompasses a wide array of professional effectiveness skills and business topics. As of January 31, 2003, our library included over 1,875 business skills course and simulation offerings. Our business skills courses and simulations are divided into the following major Solution Areas:

Professional Effectiveness	Business Strategy & Operations
Management & Leadership	Safety & Health
Project Effectiveness	Workplace Compliance
Sales & Customer-Facing Skills	Financial Services Industry
Finance, HR & Administration	

In addition to the more than 750 business skills courses in our North American English library, over 1,130 have been localized into a number of languages including UK English, Italian, German, French, Castilian Spanish, Japanese, Mandarin Chinese, Traditional Chinese, Simplified Chinese and Latin American Spanish to support other geographic markets.

BOOKS24X7.COM GROUP

Books24x7, a SkillSoft company, offers a suite of core, unabridged and topically organized Referenceware collections that provide online subscribers the ability to perform multi-level searches to pinpoint information needed for on-the-job performance support and problem-solving. Referenceware products draw upon leading professional reference books, journals, research reports and documentation. Books24x7 delivers Referenceware

via a Web-based platform that enables paying subscribers to browse, read, search, and collaborate anytime, anywhere with a simple Web connection. The Referenceware collections include:

ITPRO COLLECTION is geared toward technology professionals including developers, network administrators, technology executives, information services managers and technical support representatives. This collection consists of content from dozens of IT publishers including industry leaders such as Apress, Microsoft Press, MIT Press, Osborne/McGraw-Hill, Sybex and Wiley.

BUSINESSPRO COLLECTION is geared toward professionals whose role requires exercising strong business judgment. This collection contains over 30 business skills and professional development publishers including industry leaders such as AMACOM, ASTD, Berrett-Koehler, Harvard Business School Press, Jossey-Bass, Oxford University Press, and Wiley.

OFFICEESSENTIALS COLLECTION is a specialty collection geared toward non-technical users who require occasional real-time assistance with common office applications. This collection contains award winning content, including the "for Dummies(TM)" series, is written in a comfortable, easy-to-understand tone and can be deployed to desktops to relieve Help Desk congestion, or provided as an end-user "safety-net" during migration to new platforms such as Windows 2K or XP.

FINANCEPRO COLLECTION is a collection that offers professionals access to relevant information on a variety of financial and accounting topics. FinancePro delivers fully searchable, online content from popular publishers such as AMACOM, John Wiley & Sons, McGraw-Hill and Oxford University Press, and is an essential tool for anyone needing immediate access to financial reference materials including such topics as GAAP, International Accounting Standards, operations management, planning and taxation.

THE SKILLSOFT INSTRUCTIONAL DESIGN MODEL

Our instructional design model, which we have used in designing our business skills courses and will use for the development of our new IT skills courses, is based primarily on the concepts of performance-oriented instruction, mastery and the sequencing of instructional activities and strategies. The model draws heavily from adult learning principles that emphasize learner initiative, self-management and experiential learning. The design of each of our courses starts with the definition of user-focused performance objectives and then proceeds to the selection and implementation of instructional strategies and learning activities appropriate for those objectives. Frequent practice questions or exercises along with assessments measure users' achievement of those objectives. This robust, yet flexible, design methodology creates an instructionally sound framework for the design and development of highly interactive, engaging and instructionally effective courses -- regardless of the content focus or level of learning.

Our instructional design model is intended to meet the challenge of creating effective and engaging instruction that is easily deployed on our corporate customers' global computer networks or over the Internet. Our design, development and quality assurance standards and processes are all geared toward insuring each course meets our expectations for the best instruction possible.

Our post-merger instructional design initiatives are focused on producing courses in all content areas with:

- learning outcomes specified by performance goals and objectives;
- content and learning activities based on specified objectives;
- assessment based on the knowledge and skills specified in the objectives;
- options to take assessments in either pre- or post-test mode;
- instructional strategies and multimedia elements tailored to the specific course content;

- instructional strategies appropriate for the content and learning level, such as examples, behavior modeling, guided practice, and simulations; and
- levels of learning appropriate for the content and the target audience.

The theories and principles embedded within our instructional design model are actualized via:

- friendly, intuitive graphical user interface;
- course structure and interface that supports self-paced, user-controlled instruction;
- unlimited access to instruction and mastery assessments;
- standardized templates to create unified and predictable functionality;
- a variety of presentation, practice, and assessment templates supporting high levels of user interactivity and engagement; and
- standardized, yet flexible, flow of instruction.

Starting from this set of common elements and attributes, our courses then include the instructional strategies most suitable for the content and specified objectives. For instance, the approach to teaching communication skills is different from the approach to teaching finance or accounting skills and the strategies used to teach these two business content areas differ from those used to teach computer and software skills.

LEARNING DESIGN FOR BUSINESS SKILLS

Our business skills courses cover a broad range of business and professional effectiveness curriculum areas. Some are very straightforward, such as finance; others are "softer", or more behavioral, such as communication skills, calling for a different set of instructional presentation and practice strategies. In addition, we have a strong commitment to reach the highest possible levels of learning in each course -- including as much application and analysis level as possible supported by strong foundational learning at the knowledge and comprehension levels.

The key instructional features and strategies in our business skills courses are:

ROLEPLAY(TM) EXERCISES -- RolePlay exercises present users with opportunities for realistic practice of varying aspects of course content within everyday workplace scenarios. RolePlay exercises have multiple possible outcomes based on users' responses to the simulation's interactions. When integrated into course topics, RolePlay exercises allow users to freely explore the impact of handling realistic work situations in different ways. SkillSoft's RolePlay design allows users to experience the exercise in "score" mode or "explore" mode. Using score mode lets learners assess their level of skill within the targeted content area. Using explore mode allows the learner to dynamically explore alternative responses to see the impact of those choices. This user-driven exploration is key to real learning. People learn as much, or more, from their mistakes as from the things they do correctly. RolePlay brings this principle home to e-Learning. With over 1,300 RolePlay simulations integrated into our courseware library, we are an industry leader in delivering simulation-enriched e-Learning solutions.

AUDIO-ENABLED LEARNING -- Another key feature in our business skills instruction is audio-enabled learning. This feature, which can easily be turned on or off based on user preference, greatly enhances engagement and retention for many users. Audio can be especially key to the instructional effectiveness of behavior modeling, RolePlay exercises and SkillSimulations.

SIMULATED DIALOGS -- The ability to observe behaviors and their outcomes (positive and negative) is a key strategy for teaching professional and behavioral skills. The simulated dialog strategy gives users an opportunity to observe and listen to the conversations of two or more people. The inclusion of "character" audio enhances the emotional and tonal qualities of the conversation, while the varying facial expressions and body language offer another layer of interpretation. These features, combined with the spoken words of the characters, provide realistic vignettes or scenarios in which varying aspects of a behavioral skill can be presented.

CASE STUDIES -- A case study strategy describes a complex situation, often in the form of a story or scenario, and then asks the user to explore its characteristics and possible resolutions. Complexity is the primary difference between case studies and examples that can be easily presented and practiced through other types of strategies, such as multiple choice and matching. Case studies are used to achieve learning at the application and analysis levels and to present examples of content within appropriate business contexts.

ANIMATIONS -- Animations are an important extension of our leading visual design. We use animations when movement is an important part of the teaching point and when the content requires that the user's eye be drawn to a specific area of the screen. Examples of content areas where animations can enhance learning effectiveness include instruction on process and dataflow diagrams, hierarchical and dependency relationships and changes in state or perspective. Our animations, as is true with all our courses and simulation products, require no plug-in technologies or special servers to deliver.

ONLINE JOB AIDS -- All of our business skills courses include online job aids that help transfer newly learned skills back to the job or serve as a "refresher" course on a previously learned skill. Job aids are courseware "take-aways" that can be used as-is, or tailored to meet a user's needs. Each job aid can easily be edited to reflect a user's organization-specific information, and users can add organization-specific job aids that they have independently developed.

LEARNING AIDS -- Learning aids are tools or documents used in support of course content presentation and practice. They are designed to support specific course context or content, and, therefore, are not available for use outside of the course. Learning aids could appear as worksheets (interactive or passive), reference documents too large to include in a standard template, complex charts or graphs or a variety of other formats. Only the content and the chosen instructional strategies limit the variations.

ACCELERATED PATH(TM) -- This feature uses assessment results to help learners eliminate instruction on topics for which they've already demonstrated mastery. Based on a user's assessment results, our courses provide guidance to the user to help him bypass content that he already knows. With employee time away from the job widely recognized as the dominant expense in any business training effort, the savings offered by Accelerated Path can be very compelling.

SKILLSIMULATIONS -- SkillSimulations are instructional strategies that extend the learning advantages of RolePlay into larger, more complex e-Learning experiences. SkillSimulations are designed to give users an opportunity to practice new skills in realistic work situations. Each SkillSimulation, typically 20-to-40 minutes in duration, provides users with an opportunity to practice application level skills based on content drawn from multiple courses within one of our learning paths or series (a collection of related courses). Users practice these skills by navigating through different scenarios in which they encounter a variety of business problems. As in real life, users have the opportunity to select different courses of action, and the scenario unfolds according to the users' choice of actions. Events such as telephone calls, meetings and interruptions add to the reality of each scenario.

SkillSimulations, with integrated links to their corresponding SkillSoft course series, provide a powerful learning experience that allows the user to immediately apply newly gained knowledge to challenging business situations. This results in engaging learning experiences and real skill transfer.

BLENDED LEARNING TOOLKIT -- Blended Learning Toolkits are our latest product offering in the business skills curriculum. Like SkillSimulations, the Blended Learning Toolkits are based on content drawn from multiple courses within a single learning path or series. However, this product is designed to provide our customers with tools for blending e-Learning into the workplace as well as the classroom. Each Blended Learning Toolkit consists of a Users Guide, approximately 30 activities or tools, PowerPoint presentations that summarize the key teaching points from each lesson in all the courses within the learning path, and short text-based summaries (SkillBriefs) of all the topic content. Blended Learning Toolkits are delivered electronically and can be used "as is" or customized to meet individual customer requirements. Customers have the freedom to "blend" the tools into traditional classroom settings, instructional events delivered via e-Learning platforms like WEBEX or Centra, or to hand them over to managers, supervisors, facilitators, and anyone else interested in transferring learning into the workplace. The Blended Learning

Toolkit provides multi-layered content with many options for use and implementation. It is adaptable and flexible to support a variety of audiences, content areas, and implementation environments and platforms. The goal of the Blended Learning Toolkit is to effectively reinforce the application of knowledge and skills from our courses. Most of all, it provides our customers with another opportunity to enhance and leverage their investment in e-Learning.

LEARNING DESIGN FOR IT SKILLS

Like our business skills courses, the instructional strategies chosen for use in an IT skills course are largely dependent on the course content and objectives. Learning the use or function of buttons, menu items and other familiar software elements is largely a knowledge and comprehension task. Learning the steps to complete a specific task is very procedural and best achieved via observation, followed by practice, with varying degrees of guidance, feedback and support. In support of these and other IT skills-related learning goals, our IT skills courses include static and interactive explanations, step-by-step demonstrations of how to perform specific procedures, guided practice activities, and sample coding solutions. Most importantly, our IT skills courses also include reinforcing optional practice activities designed to be used by the course user in the "real" or "live" software application environment. Topic-level review questions and the inclusion of mastery assessments at the end of each course are designed to further reinforce the learning.

The key instructional features and strategies in the IT skills courses are:

INTERACTIVE TEXT AND GRAPHICS -- Our IT skills courses use a variety of interactive lists and graphics to present and explain software features and functions, such as buttons, menu items, coding or tagging parameters, and syntax. This strategy is also an effective method to break down complex concepts into smaller, graphically represented parts, or to separate lines of code into smaller sections. Clicking or selecting graphically portrayed "parts" produces additional information or explanation about that specific part. Another feature, "drill-downs", allow learners to navigate vertically in a topic by clicking meaningful graphics and icons, are a useful departure from the "page turning" linear approach to representation that characterizes much e-Learning. All these features allow learners to review information as often as they want and to ignore something if they choose to.

INTERACTIVE DEMOS -- "Demos" in our IT skills courses are demonstrations of software procedures and tasks. Most typically, the demonstration will divide the procedure or task into specific steps and then sequentially "show" those steps to the user. As the Demo moves from one step to the next, a simulated representation of the software shows what happens next and additional text provides commentary. In addition, learners are given the option of performing the salient steps of the procedure. The user is prompted to perform specific steps, or enter code that achieves a specified end result.

PROMPTED ANIMATIONS -- The purpose of these is to help the learner visualize processes - to draw his attention to an area on an interface or conceptual graphic. Because these animations are prompted (that is, after the learner is told about a process, he is prompted to launch an animation of it), they help to avoid split attention, which occurs when text displays and an animation initiates at the same time, with the result that the learner doesn't know what to concentrate on.

INTERACTIVE EXERCISES -- There are many types of interactive exercises used in our IT skills courses.

Interface Questions invite learners to recall a step from a procedure that has already been outlined, on a simulated interface. If the learner performs the step correctly, the interface responds as it would in the real application. In this way, it offers a simulated experience of an application. If learners decide not to perform the question, they can click forward or click a "Show-me" button, both of which launch an animated sequence of the correct step.

User-input questions enable learners to complete a statement or segment of code by typing the answer into a blank area in the code or statement.

Multiple-choice, matching, and ranking questions are interactive problem-solving activities that give learners the opportunity to evaluate and/or apply their knowledge before taking a test. Learners are "debriefed" on their progress via detailed reinforcement, regardless of whether they got the question right or wrong. Additional functionality includes hints that the learner can access, and additional presentation and reinforcement information.

SIMULATIONS -- Our IT skills courses contain standalone topics that give learners the opportunity to independently practice or consolidate the most critical procedures and learning taught in the preceding instruction. There are four types of simulations, each focused on developing different skills:

- Software simulations, which consist of a series of tasks that learners perform in a simulated version of the application being discussed in the course.
- Coding simulations, which give learners the opportunity to analyze and write code or commands.
- Hardware simulations, which simulate hardware setup problems.
- Case-Studies, which consist of an interactive review of concepts and information, presented in a "real-world" scenario.

All of these exercises provide the learner with opportunity to practice his skills at higher learning levels. All types of exercises typically build on skills practiced previously in the course and are designed to cover multiple learning objectives.

MENTORED EXERCISES AND SELF-ASSESSMENT EXERCISES. These exercises are designed to provide the user with an opportunity to apply new knowledge and skills within a live software application. Mentored exercises are designed to allow learners to carry out complex tasks and exercises and submit them to a mentor for review. Self-assessment exercises allow learners the opportunity to carry out similar tasks and exercises, on which they can then assess themselves from a provided solution. Both of these exercises involve the presentation of a real-world scenario requiring the learner to provide a solution or complete a series of tasks. After completing a series of these activities, users will have a set of documents or products demonstrating proficiency with the skills taught by the course.

WEB-BASED ARCHITECTURE AND DEPLOYMENT

Our Web-based architecture and deployment strategy enables us to provide a number of features to support users in their learning. Examples include:

- Learning Management Platforms that permit users to access a wide variety of e-Learning resources over the Web, including courseware, simulations, Referenceware, online mentoring, SkillBrief articles, job aids and TestPrep certification practice exams. We currently support two major learning management platforms that each supports several hundred of our Global 5000 customers: SkillPort and MySmartForce. We are developing a future unified Learning Management Platform with the intention of combining certain of the key features of these two existing platforms.
- Search-and-Learn(TM) technology, a key component of SkillPort, which adapts search engine technologies to the object-oriented nature of our content architecture. Using Search-and-Learn technology, users can perform keyword-based, intelligent searches covering their company's entire library of licensed SkillSoft courses. Our search technology presents users with a list of the specific courses, topics, online job aids and SkillBrief articles that match their identified training needs, enabling them to directly access that information -- when and where they need it.
- Online Mentoring, a service that is available for over 70 current major certification exams for IT professionals, end user technologies and project management skills. We have approximately 50 on-staff mentors, averaging over 20 certifications apiece, that are available 24 hours a day, 7 days a week. Through on-line chats and e-mail, learners can ask questions, receive clarification, and request additional information to help them get the answers and understanding they need.

- TestPrep Certification Practice Exams, addressing over 45 of the most popular current certification exams from Microsoft, Cisco, Oracle and CompTIA. TestPrep practice exams allow learners to test their knowledge in a simulated certification-testing environment. Tests can be taken in two modes -- study and certification. The un-timed study mode is designed to maximize learning by providing feedback and mapping back to appropriate SkillSoft courses for further study, while the against-the-clock certification mode is designed to mimic a certification exam.
- SkillBrief Articles, which are one-page summaries of over 5,500 topics and offer on-the-job performance support. They can be used while taking a course, as a 5-minute learning event or anytime a student needs a refresher.
- Course Customization Toolkit, which offers a simple and comprehensive method of individually customizing our business skills courses by organizing specific content and examples, or combining topics or learning objects from different courses using a user-friendly template.
- Assistive Technology Support, which is designed to address the requirements of Section 508 of the Rehabilitation Act of 1973, which provides that as of June 2001, computer software applications purchased or developed by federal agencies must be designed for accessibility by people who are blind, deaf or have poor motor skills. We have aggressively worked to adapt our online business skills courseware to meet the requirements established by Section 508. This development work is consistent with our general corporate philosophy to help organizations "democratize" training and give all employees accessibility to training and development opportunities anywhere, anytime through computers. Our North American English business skills courseware now provides any user in a government or commercial organization with sight, hearing and/or mobility limitations, equal access to our courses through the use of assistive technologies such as screen readers. We are currently working to bring this same level of Assistive Technology Support to our English-language IT skills courseware library, and anticipate completing that work during the current fiscal year.

Our products incorporate high performing Web technologies that we believe substantially improve our product performance. Our courses and support tools are developed using cross-platform technologies such as HTML, XML, Java, JavaScript, Flash and ColdFusion. Our products employ advanced compression and database management techniques, which allow our products to deliver high-quality performance within our customers' bandwidth constraints. This enables us to provide our e-Learning solutions to most users, not just those with the most powerful computers, quickest modems and highest resolution monitors.

We also offer a fully hosted model as a deployment option for companies that prefer to have users access courses from SkillSoft-managed servers via the Internet rather than host the courses on the customer's own intranet. For many customers, this option can significantly simplify and shorten the implementation process.

PRODUCT PRICING

The pricing for our courses varies based upon the number of course titles or the courseware bundle licensed by a customer, the number of users and the length of the license agreement (generally one, two or three years). Our license agreements permit customers to exchange course titles, generally on the contract anniversary date. Some product features, such as SkillPort, the Course Customizing Toolkit, and course hosting, are separately licensed for an additional fee.

The pricing for our MML license varies based on the content offering selected by the customer, the number of users within the customer's organization and the length of the license agreement. Our MML license provides customers access to a full range of learning products including courseware, Referenceware, simulations, mentoring and prescriptive assessment.

A Referenceware license gives users access to the full library within one or more collections (ITPro, BusinessPro, FinancePro and OfficeEssentials) from our Books24x7.com Group. The pricing for our Referenceware licenses varies based on the collections specified by a customer, the number of users within the customer's organization and the length of the license agreement.

SALES AND MARKETING

In the fiscal year ended January 31, 2003, our products were sold in over 45 countries. We use a multi-prong sales strategy, consisting of

- a direct sales force for larger accounts;
- a telesales force to support the field sales organization and a telesales organization for selling directly to consumers; and
- resellers for small and mid-sized accounts and some international markets.

We believe this strategy enables us to focus our resources on the largest sales opportunities, while simultaneously leveraging the contacts and employees of our resellers to address opportunities that may not be cost-effective for us to pursue directly.

As of January 31, 2003, we employed 265 sales professionals, sales operations, telesales (not including SmartCertify), and sales management personnel. Each account executive reports to either a regional sales director or a regional sales vice president who is responsible for revenue growth and expense control for his or her area. Our sales professionals have significant sales experience, as well as extensive contacts at the corporate customers that we target. The sales process for an initial sale to a large customer typically ranges from three to twelve months and often involves a coordinated effort among a number of groups within our organization.

In addition to the telesales personnel located in Nashua and the United Kingdom, we also engage in selling efforts through our telesales organization located in Clearwater, Florida, SmartCertify Direct, Inc. As of January 31, 2003, SmartCertify Direct employed 199 people in telesales, sales management and marketing.

Our direct sales force uses sophisticated salesforce automation software to track each prospect and customer through a sales cycle covering the following seven stages: prospect, qualify, discovery, evaluation, proposal, negotiate and close. Each step of the sales cycle has certain exit criteria that must be satisfied before the prospect can progress to the next stage. Our senior sales executives hold review meetings throughout each quarter with our regional sales vice presidents and in some cases their account executives to assess their 90-day forecast, 120-day pipeline development and longer term territory strategy. Our regional sales vice presidents, regional sales directors and their account executives typically confer regularly throughout the quarter to review progress toward quarterly goals and longer term business objectives and for coaching sessions.

Our products are resold by a number of leading education technology vendors.

We have an office in the United Kingdom that serves as the hub of our Europe and the Middle East operations. We also have an office in Sydney, Australia that serves as the hub for our Asia-Pacific operations. In order to accelerate our worldwide market penetration, our sales strategy includes developing relationships to access indirect sales channels such as reseller and distributor partners. Our indirect sales channels give us access to a more diverse client base, which we otherwise would not be able to reach in a cost-effective manner through our direct sales force. At January 31, 2003, we employed 21 indirect sales channel employees. Our development and marketing partners also generally have the right to resell products developed under their alliances with us.

Our marketing organization utilizes a variety of programs to support our global sales team. As of January 31, 2003, our marketing organization consisted of 23 employees. Our marketing programs include:

- telemarketing;
- product and strategy updates with industry analysts;
- articles in the trade press;
- public relations activities and speaking engagements;
- printed promotional materials;

- promotional materials on our Web site;
- "roadshow" tours, seminars and trade shows; and
- quarterly online discussions, using "chat room" technology, on subjects such as the successful implementation of Web-based training programs.

No customer accounted for more than 10% of our revenue for the fiscal year ended January 31, 2003.

CUSTOMER SERVICE AND SUPPORT

We offer a broad range of support and services to our customers through our professional services organization. We believe that providing a high level of customer service and technical support is necessary to achieve rapid product implementation, customer satisfaction and continued revenue growth.

Installation support -- We have application engineers available to assist customers with the technical aspects of installing and deploying our products. These engineers test the software and courses within the customer's network to ensure that they run successfully both on the network and at employees' computers.

Account consulting -- We employ account consultants to assist customers in planning and implementing best practices for e-Learning program success. These individuals offer expertise in establishing training success criteria, planning internal marketing programs and communicating with e-Learning end users. Our account consultants work in close coordination with our application engineers and sales representatives and are an important component of our efforts to monitor and ensure customer satisfaction and success.

Customer support. We also provide telephone, e-mail and chat support to our customers through our customer support organization. They are available to assist customers 7 days per week, 24 hours per day.

As of January 31, 2003, our customer service and support organizations consisted of 231 people globally.

STRATEGIC ALLIANCES

We have entered into, and will continue to expand, our relationships with leading content partners, vendors of software products and learning partners in the markets of e-Business, business, interpersonal and professional skills, vertical education, training and IT.

We have entered into alliances with, Cisco, PeopleSoft, Oracle, and the jCert consortium which is a collaboration between BEA Software, Hewlett-Packard, IBM, Oracle, Sun Microsystems, Sybase and iPlanet E-Commerce solution, Qwest and Akamai. These alliances encompass content co-development arrangements, platform integration programs and distribution partnerships through complimentary channels. We formed the Internet Security Training Consortium to develop and market training content which addresses the Internet security training needs of enterprises worldwide with leading technology companies including Check Point, Cisco, IBM, Intel, the Javasoftware business unit of Sun Microsystems, Lotus, Netscape, Network Associates, RSA Security, Security Dynamics, Hewlett-Packard and VeriSign.

We believe our development alliances offer a number of advantages, which may include early access to business and IT content and partners pre-released products as well as software engineers and technical advisors for assistance in developing our learning solutions. With the approval of the development partner, products developed under the relationship can be identified as authorized by that content partner, which we believe may improve the marketability of such courses. In addition, these alliances may result in additional distribution channels for us by allowing each party to distribute courses to its respective customer base. In some of these alliances, the software vendor has contributed financial resources toward the development of specified courses. We believe that these alliances also provide significant benefits to the content partner by allowing them to achieve additional market penetration generated by increasing the base of trained users. We also have partnered with major system integration and consulting companies, including Deloitte Consulting and IBM BCS (formerly PricewaterhouseCoopers Consulting) as well as important business process outsourcing organizations such as Exult, Inc. We believe these relationships may be important contributors to our distribution channel because these partners are investing resources in developing e-Learning practices.

COMPETITION

The market for corporate education and training products is fragmented and highly competitive. We expect that competition in this market will increase substantially in the future for the following reasons:

- The expected growth of this market.
- The low barriers to entry. In particular, we do not believe that proprietary technology is an important competitive factor in this market.
- Our course content providers are often not prohibited from developing courses on similar topics for other companies, provided that they do not use our toolkit or templates.
- The fragmented nature of the competitive landscape, including many small competitors in the technology-based segment of the market.

One source of competition for our products is the internal educational and technological personnel of our potential customers. If an organization decides to use external providers to supply some or all of its training, our principal sources of competition in the corporate education and training market are:

- Providers of traditional classroom instruction. Many of the companies in this category are attempting to adapt their courses to e-Learning formats suitable for access via Web browsers.
- Providers of CD-ROM training courses.
- Suppliers of online corporate education and training courses, including Thomson Learning (through subsidiaries such as NETg and Course Technologies), Element K, KnowledgeNet and MindLeaders. Our Books24x7.com Group competes with companies such as Safari, a joint venture between Pearson Technology Group and O'Reilly & Associates, which offers aggregated content primarily restricted to its own titles on a subscription basis.

We believe that the principal competitive factors in the corporate education and training market include:

- the breadth, depth and currency of the course content;
- performance support and other features of the training solution;
- adaptability, flexibility and scalability of the training products offered;
- the deployment options offered to customers, in particular, low bandwidth access;
- customer service and support;
- price/value relationship;
- relationships with the customer; and
- corporate reputation.

Although we believe that we currently compete favorably with respect to those factors, we may not be able to maintain or improve our competitive position. Some of our current and potential competitors have greater financial resources than we do. Increased competition may result in lost sales and may force us to lower prices, which may adversely affect our business and financial performance.

PRODUCT DEVELOPMENT

We believe that the development of an effective training product requires the convergence of source material, instructional design and computer technology. When developing a new learning path or product, we first obtain content from our content partners and other subject matter experts, existing courses and product reference materials. Our design and development teams then define the user-focused performance objectives and select the content, instructional strategies, learning activities, and assessments appropriate for the intended learning outcomes. This process includes the creation of design documents, scripts, and in some cases storyboards to document the planned content sequence, instructional flow, and interactive presentation and

practice strategies. The design and development team includes subject matter experts, learning designers, technical writers and developers, graphic designers, animators, and content editors and quality assurance reviewers. After final assembly or integration of all course components into a completed course, we test to ensure all functional capabilities work as designed and deliver the desired learning experience and result.

The core element of our learning solution development process is our design and development process and the tools we use to support that process. Our design, development and production tools are comprised of our own proprietary software and off-the-shelf tools. Our combination of development toolsets allows us to quickly and efficiently create and continually update modular learning events and enhance, on an ongoing basis, the multimedia content of such learning events. Our research and development goal is to further enhance our product development process and tools to facilitate the continual evolution of our offerings and ensure that our instructional products incorporate a wide variety of meaningful and effective instructional elements. We use internal developers as well as external content development partners to produce content for our business and IT skills curriculums. The six current external content development partners use the same methods, processes, and tools to develop content as our internal developers, and are held to the same set of instructional design and content quality standards. Course content is supplied by us, by other companies from which we have licensed content, or by the developer, based on an outline jointly defined by us and the developer.

Our research and development efforts also include a focus on the design, development and integration of other key product elements, including Online IT Mentoring by certified content experts 24 hours a day, 7 days a week, task-based IT simulations and labs, business skills focused SkillSimulations, Certification TestPrep for IT, and Online Referenceware (Books24x7) for Business and IT skills.

Our approach to technology begins with the understanding that the ability of our customers to deploy our e-Learning applications and content is a critical factor in their success with our products. To meet our customers' varied needs, we strive to enable our courses to be able to be delivered on-line, using standard Web browsers downloaded for off-line usage, or distributed via CDROM.

Through careful technology selection, product design, and exhaustive compatibility testing, we ensure our products can be deployed on the vast majority of corporate desktop computers and without requiring the installation of specialized plug-ins whenever possible, and can be delivered over the varied and complex network infrastructures in existence today. As technologies and standards evolve, we continuously review those changes and consider adapting our products when possible to ensure compatibility.

We employ compression technologies for our media components and design our products to operate effectively over low bandwidth network environments. In this way, we reach a broader number of users with our products and minimize the load on our customers' networks.

Deployment flexibility is also achieved by adhering to industry standards such as AICC and SCORM. Our e-Learning course content is designed for integration with third party learning management systems as well as with our e-Learning platform products.

The majority of the content for our Referenceware is licensed from third party publishers.

Most of our research and development activities are conducted by internal teams located in our main product development centers in Dublin, Ireland, Nashua, New Hampshire, Belfast, Northern Ireland, and Fredericton, New Brunswick, Canada.

As of January 31, 2003, the number of employees in our product development organization totaled 454. We intend to continue to make substantial investments in research and development.

PROPRIETARY RIGHTS

We do not believe that proprietary technology forms an important or valuable part of most of our business skills and IT skills courseware offerings. We believe that the creative skills of our personnel in developing new products and technologies, our ability to develop and introduce new products rapidly and our responsiveness to customer demands are more important than the availability of legal protections for proprietary rights. We nonetheless protect our technology by various means, including entering into agreements with employees to

protect against disclosure of sensitive business information. We have one United States patent and 22 foreign patents with respect to computer-based training technologies and methods and 19 United States and foreign patent applications pending with respect to computer-based training technologies and methods. In addition, we currently have one patent application pending with respect to our Books24x7.com product offerings.

We attempt to avoid infringing upon intellectual property and proprietary rights of third parties in our product development efforts. However, we do not conduct comprehensive patent searches to determine whether the technology used in our products infringes patents held by third parties. In addition, product development is inherently uncertain in a rapidly evolving technological environment in which there may be numerous patent applications pending, some of which are confidential when filed, with regard to similar technologies. If our products violate third-party proprietary rights, we could be liable for substantial damages. In addition, we may be required to reengineer our products or seek to obtain licenses to continue offering the products, and those efforts may not be successful.

We currently license from Agere Systems, Inc., Macromedia, Inc. (formerly Allaire Corporation) and other third parties some technology -- including data compression technologies and tools for developing Web applications -- and some course content that we incorporate into our products. We also license content for our Referenceware from third party publishers. This technology and content may not continue to be available to us on commercially reasonable terms. The loss of this technology or content could result in delays in development and introduction of new products or product enhancements, which could have a material adverse effect on our business and financial performance. Moreover, we may face claims from others that the third-party technology or content incorporated in our products violates proprietary rights held by those claimants. We may also face claims for indemnification from our customers resulting from infringement claims against them based on the incorporation of third-party technology or content in our products. Although we are generally indemnified against such claims, in some cases the scope of that indemnification is limited. Even if we receive broad indemnification, third party indemnitors are not always well capitalized and may not be able to indemnify us in the event of infringement. In addition, such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources in addition to potential product redevelopment costs and delays, all of which could materially adversely affect our business.

SkillSoft, SkillPort, RolePlay, Search-and-Learn, e-Learning for the Knowledge Economy, NetUniversity and Accelerated Path are registered trademarks or servicemarks of SkillSoft.

EMPLOYEES

As of January 31, 2003, we employed 1,364 people. Of these employees, 487 were engaged in sales, sales operations, sales management, alliances and marketing, 179 in management, MIS, administration and finance, 244 in customer service and support and 454 in product development and fulfillment. As of January 31, 2003, 741 employees were located in the United States and 623 in our international locations. None of our employees are subject to a collective bargaining agreement and we have not experienced any work stoppages. We believe that our employee relations are good.

Our future success will depend in large part on the continued service of our key management, sales, product development and operational personnel and on our ability to attract, motivate and retain highly qualified employees. We also depend on writers, programmers and graphic artists. We expect to continue to hire additional product development, sales and marketing, information services, accounting staff and other resources as we deem appropriate to meet our business objectives.

ITEM 2. PROPERTIES

Our United States headquarters are located in an aggregate of 49,183 square feet of office space in Nashua, New Hampshire, of which 23,783 square feet of space is subject to a lease that currently runs on a month-to-month basis and 25,400 square feet of space is subject to a lease that expires in June 2006. In addition, we conduct our operations primarily out of facilities located in Dublin, Ireland, Norwood, Massachusetts; Fredericton, New Brunswick, Canada; and Clearwater, Florida.

In Ireland, we currently lease and occupy a 68,034 square foot facility in Dublin, which primarily houses our main product development center. Our SmartCertify direct sales group also leases a sales office in Dublin. In addition, we currently lease three other facilities in Dublin, Ireland totaling 32,326 square feet. These spaces have been vacated and the operations previously performed in these facilities have been consolidated into the 68,034 square foot facility.

In Norwood and Clearwater, we currently lease and occupy 10,137 square feet and 22,129 square feet, respectively. The Clearwater facility houses our SmartCertify direct telesales operation and the lease expires in June 2004. The operations of our Books24x7.com subsidiary are located in Norwood under a lease that expires in December 2005. In addition, we currently lease 41,000 square feet in Redwood City, California that we are in the process of closing. Operations previously performed in this location have been consolidated with our Nashua operations.

In Canada, we currently lease 47,906 square feet in Fredericton, New Brunswick. The Fredericton facility primarily houses our mentoring operations and certain customer service and support personnel and expires in August 2008.

We also lease sales offices in a number of other countries including the United Kingdom, Australia, the Benelux and Scandinavian countries, and Germany. We believe that our existing facilities are adequate to meet our current needs and that suitable additional or substitute space will be available on commercially reasonable terms when needed.

ITEM 3. LEGAL PROCEEDINGS

SEC INVESTIGATION

On or about February 4, 2003, the Securities Exchange Commission (SEC) informed us that we are the subject of a formal order of private investigation relating to our November 19, 2002 announcement that we would restate the financial statements of SmartForce PLC for the period 1999 through June 2002. We understand that the SEC's investigation concerns SmartForce's financial disclosure and accounting during that period, other related matters, compliance with rules governing reports required to be filed with the SEC, and the conduct of those responsible for such matters. We continue to cooperate with the SEC in this matter.

CLASS ACTION LAWSUITS

Six class action lawsuits have been filed against us and certain of our current and former officers and directors captioned: (1) Gianni Angeloni v. SmartForce PLC d/b/a SkillSoft, William McCabe and Greg Priest; (2) Ari R. Schloss v. SkillSoft PLC f/k/a SmartForce PLC, Gregory M. Priest, Patrick E. Murphy, David C. Drummond and William G. McCabe; (3) Joseph J. Bish v. SmartForce PLC d/b/a SkillSoft, Gregory M. Priest, William G. McCabe, David C. Drummond, John M. Grillos, John P. Hayes and Patrick E. Murphy; (4) Stacey Cohen v. SmartForce PLC d/b/a SkillSoft, William G. McCabe and Greg Priest; (5) Daniel Schmelz v. SmartForce PLC d/b/a SkillSoft, William G. McCabe and Greg Priest; and (6) John O'Donoghue v. SmartForce PLC d/b/a SkillSoft, William G. McCabe and Greg Priest. Each lawsuit was filed in the United States District Court for the District of New Hampshire; the first action was filed on November 22, 2002, the second action was filed on December 4, 2002 and the third and fourth actions were filed on December 11, 2002, the fifth action was filed on December 23, 2002, and the sixth action was filed on January 16, 2003. These lawsuits allege that we misrepresented or omitted to state material facts in our SEC filings and press releases regarding our revenues and earnings and failed to correct such false and misleading SEC filings and press releases, which are alleged to have artificially inflated the price of our ADSs. These lawsuits seek unspecified monetary damages, including punitive damages together with interest, costs, fees and expenses. These lawsuits have all been assigned to Chief Judge Paul J. Barbadoro. On March 26, 2003, Judge Barbadoro consolidated the lawsuits under the caption "In re SmartForce Securities Litigation," Civil Action No. 02-544-B, appointed as lead plaintiffs the Teacher's Retirement System of Louisiana and the Louisiana Sheriff's Pension & Relief Fund, and approved the lead plaintiffs' choice of lead counsel and local counsel. We are awaiting plaintiffs' consolidated amended complaint. We believe that we have meritorious defenses to these actions and intend to defend ourselves vigorously.

At the end of our fiscal third quarter of 1998, several purported class action lawsuits were filed in the United States District Court for the Northern District of California against us, one of our subsidiaries and certain of our former and current officers and directors alleging violations of the federal securities laws. It has been alleged in these lawsuits that we misrepresented or omitted to state material facts regarding our business and financial condition and prospects in order to artificially inflate and maintain the price of our ADSs, and misrepresented or omitted to state material facts in our registration statement and prospectus issued in connection with our merger with ForeFront, which also is alleged to have artificially inflated the price of our ADSs. The court has set a trial date of September 2003. We believe that we have meritorious defenses to these actions and intend to vigorously defend ourselves against them. Although we cannot presently determine the outcome of these actions, an adverse resolution of these matters could significantly negatively impact our financial position and results of operations.

NETG LITIGATION

Our subsidiary, SkillSoft Corporation, several of its executive officers and key employees, and a former major investor of SkillSoft Corporation are named as defendants in a lawsuit pending in the Circuit Court of Cook County, Illinois filed by National Education Training Group, Inc. ("NETg"), the former employer of several of those individuals.

NETg's most recent complaint alleges in substance that:

- Charles E. Moran, as the former President of NETg, breached his fiduciary duty to NETg by usurping NETg's corporate opportunities, by commencing a rival business while still employed by NETg and by soliciting NETg personnel to join his rival business while still employed by NETg;
- Jerald A. Nine, as the former Vice President of Sales and Marketing of NETg, breached his fiduciary duty to NETg by assisting Mr. Moran in the creation, commencement and operation of the rival concern prior to Mr. Nine's resignation from NETg, by assisting Mr. Moran in the usurpation of corporate opportunities, by failing to inform his superiors at NETg of Mr. Moran's plans to form a rival business and by otherwise failing to use his best efforts on behalf of NETg while still employed there;
- SkillSoft Corporation, Mr. Moran, Mr. Nine, Mark A. Townsend, Dennis E. Brown, Lee A. Ritze and Sally Hovis misappropriated trade secrets of NETg, and SkillSoft Corporation and Mr. Moran tortiously interfered with NETg's "prospective economic advantage;"
- Mr. Moran, Mr. Townsend, Mr. Nine, Mr. Ritze, Mr. Brown and Ms. Hovis breached certain confidentiality and proprietary matters policies of NETg by misappropriating trade secrets and disclosing confidential and proprietary information during and after their employment with NETg;
- Mr. Moran, Mr. Townsend, Mr. Nine, Mr. Ritze and Mr. Brown breached the conflict of interest policy of NETg's former corporate parent, National Education Corporation, by failing to disclose that Mr. Moran formed and solicited funding for SkillSoft Corporation, that Messrs. Townsend, Nine, Ritze and Brown had employment-related discussions with SkillSoft Corporation, and that Mr. Nine participated in forming and soliciting funding for SkillSoft Corporation, during their employment with NETg;
- SkillSoft Corporation and Mr. Moran tortiously interfered with NETg's contractual relations with Mr. Townsend, Mr. Nine, Mr. Brown, Mr. Ritze and Ms. Hovis by offering them employment and inducing them to breach their confidentiality and trade secret obligations to NETg;
- SkillSoft Corporation breached provisions of a license agreement with NETg relating to the use of NETg's software; and
- Warburg Pincus Ventures, L.P., a former major investor in SkillSoft Corporation, tortiously interfered with Mr. Moran's and Mr. Nine's fiduciary duties to NETg.

NETg maintains that the trade secrets allegedly misappropriated by the other defendants and SkillSoft Corporation include, among other things:

- various aspects of the design and functionality of its education and training software and products;
- customer lists and information;
- relationships with service providers; and
- NETg's soft skills product line business plan.

The claims seek injunctive relief against SkillSoft Corporation and Messrs. Moran, Nine, Townsend, Brown and Ritze and Ms. Hovis and demand the return, and no future use by SkillSoft Corporation and these defendants, of the alleged trade secrets. The claims also seek compensatory damages of \$400 million, exemplary damages in the additional amount of \$400 million, additional compensatory, incidental and consequential damages in an unspecified amount and punitive damages of \$50 million or such other amount as the court deems just or appropriate. In answers to interrogatories served on NETg, an expert witness retained by NETg opined that NETg may, based on certain assumptions provided to the expert by NETg's counsel, be entitled to two categories of damages, including damages for lost profits of up to \$386.8 million and damages for unjust enrichment of up to \$616.3 million. On April 30, 2001, the court denied SkillSoft Corporation's motion to dismiss all of NETg's claims against SkillSoft Corporation and its executive officers and key employees and granted Warburg, Pincus Ventures, L.P.'s motion to dismiss claims related to its alleged tortious interference with NETg's prospective economic advantage and unfair competition. The case is currently in discovery and a trial has been scheduled for February 2004.

In addition, on July 26, 2000, NETg filed suit against SkillSoft Corporation in the United States District Court for the Northern District of Illinois alleging that SkillSoft Corporation's educational and training software products infringe United States Patent No. 6,039,575, which was issued on March 21, 2000 and is allegedly owned by NETg. The complaint seeks both monetary damages and injunctive relief. SkillSoft Corporation filed its answer and a counterclaim for a declaration of invalidity of the NETg patent on August 17, 2000. NETg filed its reply and affirmative defenses to SkillSoft Corporation's counterclaim on February 2, 2001.

On April 17, 2001, SkillSoft Corporation filed a request for reexamination of the patent in suit with the United States Patent and Trademark Office (the "PTO"). On May 11, 2001, the United States District Court for the Northern District of Illinois entered an order staying the proceedings in NETg's patent infringement action, with certain exceptions, pending resolution of SkillSoft Corporation's request to the PTO to reexamine the patentability of the claims of the patent on which NETg bases the lawsuit and any resulting reexamination proceedings. After a series of interim actions by the PTO and filings by the patent owner, on April 10, 2002 the PTO issued an Office Action rejecting all of the claims of the patent. On September 6, 2002, an order was issued dismissing the Federal Court litigation "without prejudice with leave to reinstate upon full and final resolution of the reexamination proceedings." NETg's appeal of the PTO's Office Action rejecting all of the claims of the patent remains pending and, on or about September 10, 2002, the patent owner filed with the PTO its brief in support of its appeal.

SkillSoft Corporation and the other defendants are vigorously defending themselves against NETg's allegations, and we believe that both SkillSoft Corporation and the other defendants have meritorious defenses to the claims made in the lawsuits. While there have been certain settlement discussions between the parties in the lawsuits, no settlement has yet been reached and we intend to continue to vigorously contest NETg's claims. The current progress and state of the proceedings do not permit an evaluation of the likelihood of an unfavorable outcome or a fair estimate of the amount or range of potential loss, if any. None of the defendants in the first lawsuit were bound by written non-competition or non-solicitation agreements with NETg. We are not yet able to assess our potential liability or the potential liability of the other defendants. Nonetheless,

SkillSoft Corporation's failure to prevail in this litigation could have any or all of the following significant adverse effects on our business and financial performance:

- injunctive relief issued against SkillSoft Corporation and its officers and employees, which could significantly restrict our ability to conduct our business;
- an adverse judgment against SkillSoft Corporation for monetary damages;
- a settlement on unfavorable terms;
- obligations SkillSoft Corporation has to indemnify its employees for liabilities and expenses they incur in connection with the lawsuits;
- obligations to customers for breach of SkillSoft Corporation's warranty of noninfringement; or
- a requirement to reengineer SkillSoft Corporation's products to avoid patent infringement, which would likely result in additional expense and delay.

In addition, this litigation, regardless of its outcome, will continue to result in significant expenses in defending the lawsuit and may divert the efforts and attention of our management team from normal business operations.

IP LEARN

On April 23, 2002, IP Learn, LLC ("IP Learn") filed a complaint in the United States District Court for the Northern District of California against us. The complaint alleges that we infringed on five United States patents assigned to IP Learn. The complaint was subsequently amended to add an additional patent. The IP Learn patents in question are U.S. Patent Nos. 6,126,448; 6,118,973; 5,934,909; 5,779,486, 5,743,746; and 6,398,556. We believe that these patents are related primarily to computer-aided learning methods and systems. In the complaint, IP Learn asked the court for a preliminary and permanent injunction as well as unspecified damages. On June 27, 2002, we filed our answer to IP Learn's amended complaint, denying infringement and asserting counterclaims seeking declaratory relief that the patents-in-suit are invalid and that we have not infringed the patents-in-suit.

On July 1, 2002, IP Learn served our subsidiary SkillSoft Corporation with an amended complaint alleging that SkillSoft Corporation infringed U.S. Patent Nos. 6,126,448; 6,118,973; 5,934,909; 5,779,486 and 6,398,556. The complaint seeks both monetary damages and injunctive relief. In response to the amended complaint, SkillSoft Corporation filed a motion to dismiss or, in the alternative, for a more definite statement. The United States District Court for the Northern District of California granted SkillSoft Corporation's motion to dismiss on October 15, 2002, and on October 25, 2002, IP Learn filed its Second Amended Complaint alleging again that SkillSoft Corporation is infringing the five IP United States patents assigned to IP Learn listed above. The Second Amended Complaint seeks both monetary damages in an unspecified amount and injunctive relief. On November 8, 2002, SkillSoft Corporation filed its Answer to the Second Amended Complaint, in which it denied liability and asserted counterclaims seeking declaratory relief that the specified patents are invalid and that SkillSoft Corporation has not infringed the specified patents.

On December 6, 2002, the court ordered that the IP Learn cases against us and SkillSoft Corporation be consolidated. On February 5, 2003, the court conducted a new case management conference for the consolidated case. As a result of that case management conference, the court scheduled the claim construction hearing in the consolidated case for November 12, 2003 and scheduled trial in the matter for August 30, 2004.

KPMG

In May 2002, KPMG International Investments B.V. ("KPMG") filed suit against us for breach of contract in the Superior Court of the State of California, County of San Mateo. KPMG alleged that we failed to deliver a customized e-Learning platform and sought damages in the amount of approximately \$5 million. We filed a counterclaim against KPMG for its material breach of the same contract and we sought damages in the amount of approximately \$2.8 million, which represented the balance due under the contract. On

September 26, 2002, we settled the lawsuit and the counterclaim. Neither party made a monetary payment in connection with the settlement, and both parties dismissed their claims against the other with prejudice.

LIONET

On June 13, 2002, Lionet Limited, a limited liability company incorporated and doing business in Ireland, filed a claim against us in Ireland, alleging, among other things, that we breached the terms of our software license agreement with Lionet Limited in that we permitted or failed to prevent the decompilation of the provided software products and that we have failed to cooperate in audits to determine the nature of such alleged copying or de-compilation. Lionet Limited is seeking damages for lost license fees of \$6.8 million and seeks other damages. We intend to vigorously defend ourselves in this matter.

We are not a party to any other material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We previously disclosed in our Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2002, the information relating to the Extraordinary General Meeting of our shareholders held on November 19, 2002.

EXECUTIVE OFFICERS OF SKILLSOFT

Our executive officers are as follows:

NAME ----	AGE ---	POSITION -----
Charles E. Moran.....	48	President and Chief Executive Officer
Gregory M. Priest.....	39	Chairman and Chief Strategy Officer
Thomas J. McDonald.....	53	Chief Financial Officer, Executive Vice President, Operations, Assistant Secretary and Treasurer
Jerald A. Nine, Jr.	45	Executive Vice President, Global Sales & Marketing and General Manager, Content Solutions Division
Mark A. Townsend.....	50	Executive Vice President, Technology
Colm M. Darcy.....	39	Executive Vice President, Content Development

Charles E. Moran has served as our President and Chief Executive Officer since our merger with SkillSoft Corporation in September 2002. Mr. Moran is a founder of SkillSoft Corporation and served as its Chairman of the Board, President and Chief Executive Officer from January 1998 until September 2002. Before founding SkillSoft Corporation, Mr. Moran served as President and Chief Executive Officer of National Education Training Group, Inc. (NETg), a computer-based information technology training company, from May 1995 until November 1997.

Gregory M. Priest was appointed Chairman of the Board of Directors on November 13, 2000. Mr. Priest has served as our Chief Strategy Officer since our merger with SkillSoft Corporation in September 2002. Mr. Priest served as our President and Chief Executive Officer from December 1998 to September 2002. From February 1998 until December 1998, Mr. Priest was President and Chief Executive Officer of Knowledge Well Group Limited and of Knowledge Well Limited. Mr. Priest served as SmartForce's Vice President, Finance and Chief Financial Officer from December 1995 to January 1998. Mr. Priest has been a director since June 1996. Prior to joining SmartForce, Mr. Priest was an attorney with Wilson Sonsini Goodrich & Rosati, Professional Corporation, a private law firm representing technology companies, where he was elected to the partnership in 1995. From June 1989 to July 1990, Mr. Priest served as a law clerk to Justice Thurgood Marshall of the United States Supreme Court.

Thomas J. McDonald has served as our Chief Financial Officer and Executive Vice President, Operations, Assistant Secretary and Treasurer since our merger with SkillSoft Corporation in September

2002. Mr. McDonald is a founder of SkillSoft Corporation and served as its Chief Financial Officer, Vice President, Operations, Treasurer and Secretary since February 1998. From September 1994 to November 1997, Mr. McDonald served as Chief Financial Officer and Vice President of Operations at NETg.

Jerald A. Nine, Jr. has served as our Executive Vice President, Global Sales & Marketing and General Manager, Content Solutions Division since our merger with SkillSoft Corporation in September 2002. Mr. Nine is a founder of SkillSoft Corporation and served as its Executive Vice President, Sales and Marketing and General Manager, Books Division since December 2001. From April 1998 to December 2001, Mr. Nine served as Vice President, Worldwide Sales and Marketing. From July 1995 to February 1998, Mr. Nine served as the Vice President of Sales and Marketing at NETg.

Mark A. Townsend has served as our Executive Vice President, Technology since our merger with SkillSoft Corporation in September 2002. Mr. Townsend is a founder of SkillSoft Corporations and served as its Vice President, Product Development since January 1998. From February 1996 to December 1997, Mr. Townsend served as Vice President of Advanced Technology at NETg.

Colm M. Darcy has served as our Executive Vice President, Content Development since our merger with SkillSoft Corporation in September 2002. From April 8, 2002 to September 6, 2002, Mr. Darcy served as our Executive Vice President, Research and Development. From January 2002 to April 7, 2002, Mr. Darcy served as Vice President of Solutions Management. From January 2001 to December 2001, Mr. Darcy served as Vice President, Strategic Alliances. From January 1999 to December 2000, he served as our Vice President, Content Solutions and from January 1997 to December 1998, he served as Director, Curriculum Development. Prior to joining us, Mr. Darcy held positions in Finance, Human Resources, Training and Information Technology in the Irish Government's Department of Health and Child Welfare.

There are no family relationships among any of the executive officers.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our ADSs are listed on the NASDAQ National Market under the symbol "SKIL". The following table sets forth, for the periods indicated, the high and low intraday sale prices per share of our ADSs as reported on the NASDAQ National Market between February 1, 2001 and January 31, 2003.

QUARTER ENDED	HIGH	LOW
-----	-----	-----
March 31, 2001.....	\$46.56	\$20.50
June 30, 2001.....	37.91	18.13
September 30, 2001.....	41.22	13.40
December 31, 2001.....	26.44	13.80
March 31, 2002.....	28.00	9.57
June 30, 2002.....	10.89	3.24
October 31, 2002*.....	5.26	2.70
January 31, 2003.....	4.80	2.08

* As of the closing of our merger with SkillSoft Corporation, we changed our fiscal year end from December 31 to January 31.

As of April 11, 2003, there were 12 holders of ordinary shares of record.

We have not paid any cash dividends on our ordinary shares and do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to fund the growth of our business. Dividends may only be declared and paid out of profits available for distribution determined in accordance with accounting principles generally accepted in Ireland and applicable Irish Company Law. There are no additional material restrictions on the distribution of income or retained earnings by our

consolidated group companies. Any dividends, if and when declared, will be declared and paid in United States dollars.

IRISH STAMP DUTY

Stamp duty, which is a tax on certain documents, is payable on all transfers of ordinary shares in companies registered in Ireland wherever the instrument of transfer may be executed. In the case of a transfer on sale, stamp duty will be charged at the rate of E1 for every E100 (or part thereof) of the amount or value of the purchase price. Where the consideration for the sale is expressed in a currency other than Euro, the duty will be charged on the Euro equivalent calculated at the rate of exchange prevailing on the date of the transfer. In the case of a transfer by way of gift, subject to certain exceptions, or for considerations less than the market value of the shares transferred, stamp duty will be charged at the above rate on such market value.

A transfer or issue of ordinary shares for deposit under the deposit agreements among us, The Bank of New York, as Depositary, and the registered holders and the owners of a beneficial interest in book-entry American Depositary Receipts, or ADRs, in return for ADRs will be similarly chargeable with stamp duty as will a transfer of ordinary shares from the Depositary or the custodian under the deposit agreements upon surrender of an ADR for the purpose of the withdrawal of the underlying ordinary shares in accordance with the terms of the Deposit Agreement.

We received a ruling from the Irish Revenue Commissioners that transfers of ADRs issued in respect of our shares will not be chargeable with Irish stamp duty for so long as the ADRs are dealt in and quoted on the NASDAQ National Market. It has been confirmed in Section 207, Finance Act 1992 that transfers of ADRs will be exempt from stamp duty where the ADRs are dealt with in a recognized stock exchange. The NASDAQ National Market is regarded by the Irish authorities as a recognized stock exchange for these purposes.

The person accountable for payment of stamp duty is the transferee or, in the case of a transfer by way of gift or for a consideration less than the market value, both parties to the transfer. Stamp duty is normally payable within 30 days after the date of execution of the transfer. Late payment of Stamp duty will result in liability to interest, penalties and fines.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information under the sections entitled "Election of Directors," and "Section 16(a) Beneficial Ownership Reporting Compliance" from our definitive proxy statement for the annual meeting of shareholders to be held on July 17, 2003, which is to be filed with the Securities and Exchange Commission not later than 120 days after the close of our fiscal year ended January 31, 2003 (the "2003 Proxy Statement"), is hereby incorporated by reference. Additional information in response to this Item is included under the caption "Executive Officers of SkillSoft" at the end of Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information under the section entitled "Executive Compensation and Other Matters" from the 2003 Proxy Statement is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the sections entitled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" from the 2003 Proxy Statement is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the sections entitled "Certain Relationships and Related Transactions" from the 2003 Proxy Statement is hereby incorporated by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Exhibits

1. Exhibits. The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed as part of and incorporated by reference to this Form 10-K.

(b) Reports on Form 8-K.

We previously disclosed the following Current Reports on Form 8-K in our Quarterly Report on Form 10-Q for the quarter ended October 31, 2002:

On November 14, 2002, we filed a Current Report on Form 8-K dated September 4, 2002 that reported under Item 5 the amendment of certain deposit agreements with The Bank of New York.

On November 18, 2002, we filed a Current Report on Form 8-K dated June 10, 2002 that reported under Item 5 amendments to our Declaration of Subscription Rights.

On November 20, 2002, we filed a Current Report on Form 8-K dated November 19, 2002 that reported under Item 5 our intent to restate certain historical financial statements of SmartForce PLC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SKILLSOFT PUBLIC LIMITED COMPANY
(Registrant)

By: /s/ CHARLES E. MORAN

Charles E. Moran
President and Chief Executive
Officer

Date: April 29, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been duly signed below by the following persons on behalf of SkillSoft and in the capacities and on the date set forth below.

SIGNATURE -----	TITLE -----	DATE -----
/s/ CHARLES E. MORAN ----- Charles E. Moran	President and Chief Executive Officer and Director (Principal Executive Officer)	April 29, 2003
/s/ THOMAS J. MCDONALD ----- Thomas J. McDonald	Chief Financial Officer (Principal Financial and Accounting Officer)	April 29, 2003
/s/ GREGORY M. PRIEST ----- Gregory M. Priest	Director	April 28, 2003
/s/ WILLIAM T. COLEMAN III ----- William T. Coleman III	Director	April 25, 2003
/s/ P. HOWARD EDELSTEIN ----- P. Howard Edelstein	Director	April 29, 2003
/s/ STEWART K. P. GROSS ----- Stewart K. P. Gross	Director	April 29, 2003
/s/ JAMES S. KRZYWICKI ----- James S. Krzywicki	Director	April 29, 2003
/s/ FERDINAND VON PRONDZYNSKI ----- Ferdinand von Prondzynski	Director	April 28, 2003

CERTIFICATIONS

I, Charles E. Moran, certify that:

1. I have reviewed this annual report on Form 10-K of SkillSoft Public Limited Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Omitted;
4. Omitted;
5. Omitted; and
6. Omitted.

/s/ CHARLES E. MORAN

Charles E. Moran
President and Chief Executive Officer

Dated: April 29, 2003

CERTIFICATIONS

I, Thomas J. McDonald, certify that:

1. I have reviewed this annual report on Form 10-K of SkillSoft Public Limited Company;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Omitted;
4. Omitted;
5. Omitted; and
6. Omitted.

/s/ THOMAS J. MCDONALD

Thomas J. McDonald
Chief Financial Officer

Dated: April 29, 2003

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Agreement and Plan of Merger, dated as of June 10, 2002, by and among SmartForce Public Limited Company, SkillSoft Corporation and Slate Acquisition Corp. (Incorporated by reference to exhibit 2.1 to SkillSoft PLC's Current Report on Form 8-K dated June 14, 2002 (File No. 000-25674)).
3.1	Memorandum of Association of SkillSoft PLC as amended on March 24, 1992, March 31, 1995, April 28, 1998, January 26, 2000, July 10, 2001, September 6, 2002 and November 19, 2002 (Incorporated by reference to exhibit 3.1 to SkillSoft PLC's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2002 as filed with the Securities and Exchange Commission on January 21, 2003 (File No. 000-25674)).
3.2	Articles of Association of SkillSoft PLC as amended on July 6, 1995, and April 28, 1998, January 26, 2000, July 10, 2001, September 6, 2002 and November 19, 2002 (Incorporated by reference to exhibit 3.2 to SkillSoft PLC's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2002 as filed with the Securities and Exchange Commission on January 21, 2003 (File No. 000-25674)).
4.1*	Specimen certificate representing the ordinary shares of SkillSoft PLC.
4.2	Amended and Restated Deposit Agreement (including the form of American Depositary Receipt), dated as of April 13, 1995 as amended and restated as of September 4, 2002, among SkillSoft PLC, The Bank of New York, as Depositary, and each Owner and Beneficial Owner from time to time of American Depositary Receipts issued thereunder (Incorporated by reference to Exhibit 4.1 to SkillSoft PLC's Current Report on Form 8-K dated September 4, 2002 (File No. 000-25674)).
4.3	Amended and Restated Restricted Deposit Agreement (including the form of American Depositary Receipt), dated as of November 30, 1995 and amended and restated as of September 4, 2002, among SkillSoft PLC, The Bank of New York, as Depositary, and each Owner and Beneficial Owner from time to time of American Depositary Receipts issued thereunder (Incorporated by reference to exhibit 4.2 to SkillSoft PLC's Current Report on Form 8-K dated September 4, 2002 (File No. 000-25674)).
4.4	Restricted Deposit Agreement (B) dated as of June 8, 1998 and amended and restated as of September 4, 2002 among SkillSoft PLC, The Bank of New York, and the owners and beneficial owners of Restricted American Depositary Receipts (Incorporated by reference to Exhibit 4.3 to SkillSoft PLC's Current Report on Form 8-K dated September 4, 2002 (File No. 000-25674)).
4.5	Declaration of Subscription Rights dated as of October 4, 1998 (Incorporated by reference to exhibit 4.1 to SkillSoft PLC's Report on Form 8-A filed with the Securities and Exchange Commission on October 5, 1998).
4.6	Amendment to Declaration of Subscription Rights, dated as of June 10, 2002, of SkillSoft PLC (Incorporated by reference to exhibit 4.1 to SkillSoft PLC's Current Report on Form 8-K dated June 10, 2002 (File No. 000-25674)).
4.7	Second Amendment to Declaration of Subscription Rights, dated as of October 9, 2002, of SkillSoft PLC (Incorporated by reference to exhibit 4.2 to SkillSoft PLC's Current Report on Form 8-K dated June 10, 2002 (File No. 000-25674)).
10.1**	1990 Share Option Scheme (Incorporated by reference to exhibit 10.1 to SkillSoft PLC's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 333-89904)).
10.2**	1994 Share Option Plan (Incorporated by reference to exhibit 10.2 to SkillSoft PLC's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 333-89904)).
10.3**	1995 Employee Share Purchase Plan (Incorporated by reference to exhibit 10.3 to SkillSoft PLC's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002 as filed with the Securities and Exchange Commission on August 14, 2002 (File No. 000-25674)).

EXHIBIT NUMBER -----	DESCRIPTION -----
10.4**	Form of Indemnification Agreement between CBT Systems USA, Ltd. (formerly, Thornton Holdings, Ltd.) and its directors and officers dated as of April, 1995 (Incorporated by reference to exhibit 10.5 to SkillSoft PLC's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 333-89904)).
10.5***	Form of Indemnification Agreement between SmartForce (USA) and its directors and officers dated as of September 6, 2002.
10.6**	1996 Supplemental Stock Plan (Incorporated by reference to exhibit 10.16 to SkillSoft PLC's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 as filed with the Securities and Exchange Commission on March 30, 1997 (File No. 0-25674)).
10.7**	2002 Share Option Plan (Incorporated by reference to exhibit 10.34 to SkillSoft PLC's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2002 as filed with the Securities and Exchange Commission on August 14, 2002 (File No. 000-256740)).
10.8**	2001 Outside Director Option Plan (Incorporated by reference to exhibit 10.1 to SkillSoft PLC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 as filed with the Securities and Exchange Commission on November 14, 2001 (File No. 000-25674)).
10.9	Agreement and Release, effective as of September 13, 2002, between SmartForce PLC and Jeff Newton (Incorporated by reference to exhibit 10.5 to SkillSoft PLC's Quarterly Report on Form 10-Q for the quarter ended October 31, 2002 as filed with the Securities and Exchange Commission on January 21, 2003 (File No. 000-25674)).
10.10	Separation Agreement and Release, effective as of May 8, 2002, between SmartForce PLC and Thomas Francis McKeagney (Incorporated by reference to exhibit 10.6 to SkillSoft PLC's Quarterly Report on Form 10-Q for the quarter ended October 31, 2002 as filed with the Securities and Exchange Commission on January 21, 2003 (File No. 000-25674)).
10.11**	Amended and Restated Employment Agreement dated June 10, 2002 between SkillSoft PLC and Gregory M. Priest (Incorporated by reference to exhibit 10.30 to SkillSoft PLC's Amendment No. 1 to Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on July 30, 2002 (File No. 333-90872)).
10.12**	Employment Agreement dated June 10, 2002 between SkillSoft PLC and Charles E. Moran (Incorporated by reference to exhibit 10.31 to SkillSoft PLC's Amendment No. 1 to Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on July 30, 2002 (File No. 333-90872)).
10.13**	Employment Agreement dated as of June 10, 2002 between SkillSoft PLC and Jerald A. Nine, Jr. (Incorporated by reference to exhibit 10.33 to SkillSoft PLC's Amendment No. 1 to Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on July 30, 2002 (File No. 333-90872)).
10.14	Registration Rights Agreement dated as of June 10, 2002 between SkillSoft PLC and Warburg Pincus Ventures, L.P. (Incorporated by reference to exhibit 10.27 to SkillSoft PLC's Amendment No. 1 to Registration Statement on Form S-4 as filed with the Securities and Exchange Commission on July 30, 2002 (File No. 333-90872)).
10.15***	Employment Agreement dated January 12, 1998 between SkillSoft Corporation and Mark A. Townsend.
10.16***	Employment Agreement dated January 12, 1998 between SkillSoft Corporation and Thomas J. McDonald.
10.17***	Employment Agreement effective September 6, 2002 between SkillSoft PLC and Colm Darcy.
10.18*	Lease dated February 18, 1998, as amended, between SkillSoft Corporation and Five N Associates.
10.19*	Fifth Supplemental Agreement dated November 26, 2001 to the Lease between SkillSoft Corporation and Five N Associates.
10.20*	Lease dated May 25, 2001 between 1987 Tamposi Limited Partnership and SkillSoft Corporation.
21.1*	List of Significant Subsidiaries
23.1****	Consent of Ernst & Young LLP, Independent Auditors.

EXHIBIT NUMBER -----	DESCRIPTION -----
23.2****	Information Regarding Consent of Arthur Andersen LLP.
99.1****	Certifications of SkillSoft PLC's CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Denotes management or compensatory plan or arrangement required to be filed
by Registrant pursuant to Item 15(c) of this report on Form 10-K.

*** Denotes management or compensatory plan or arrangement required to be filed
by Registrant pursuant to Item 15(c) of this report on Form 10-K and is
filed herewith.

**** To be filed by amendment.

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SKILLSOFT PLC

Please check that your name and address details on the attached certificate are correct. If there is any error in your name, please return this certificate to the Company's Registrar, Computershare Investor Services (Ireland) Ltd, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 with a covering letter.

To notify the Company's Registrar of a change to your address please complete the change of address form overleaf and then detach this counterfoil.

SKILLSOFT PLC

ORDINARY SHARES OF EURO 0.11 EACH

Incorporated under the Companies Acts, 1963 to 1986 - Registered Number 148294

CERTIFICATE NO.

NO. OF SHARES

THIS IS TO CERTIFY THAT

is/are the Registered Holder(s) of

fully paid Ordinary Shares of euro 0.11 each in SkillSoft PLC subject to the Memorandum and Articles of Association of the Company.

Given under the Official Securities Seal of the Company

NO TRANSFER OF ANY OF THE ABOVE SHARES CAN BE REGISTERED UNLESS ACCOMPANIED BY THIS CERTIFICATE.

Transfer Office: Computershare Investor Services (Ireland) Limited, P.O. Box 954, Dublin 18.

You can check your shareholding at www.computershare.com

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INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made as of this 6th day of September, 2002, by and between SmartForce, a Delaware corporation (the "Company"), and _____ ("Indemnitee").

WHEREAS, the Company and Indemnitee recognize the increasing difficulty in obtaining directors' and officers' liability insurance, the significant increases in the cost of such insurance and the general reductions in the coverage of such insurance;

WHEREAS, the Company and Indemnitee further recognize the substantial increase in corporate litigation in general, subjecting officers and directors to expensive litigation risks at the same time as the availability and coverage of liability insurance has been severely limited;

WHEREAS, Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and other officers and directors of the Company may not be willing to continue to serve as officers and directors without additional protection; and

WHEREAS, the Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve as officers and directors of the Company and to indemnify its officers and directors so as to provide them with the maximum protection permitted by law.

NOW, THEREFORE, the Company and Indemnitee hereby agree as follows:

1. Indemnification.

(a) Third Party Proceedings. The Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such action or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful. The termination of any action or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that (i) Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in the best interests of the Company, or

(ii) with respect to any criminal action or proceeding, Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(b) Proceedings By or in the Right of the Company. The Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an officer or director or by reason of the fact that Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) and, to the fullest extent permitted by law, amounts paid in settlement, in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such action or proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the Company and its stockholders, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company in the performance of Indemnitee's duty to the Company and its stockholders unless and only to the extent that the court in which such action or proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for expenses and then only to the extent that the court shall determine.

(c) Mandatory Payment of Expenses. To the extent that Indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Paragraphs (a) and (b) of this Paragraph 1 or the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by Indemnitee in connection therewith.

2. Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or criminal action or proceeding referenced in Section 1(a) or (b) hereof (but not amounts actually paid in settlement of any such action or proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby. The advances to be made hereunder shall be paid by the Company to Indemnitee within twenty (20) days following delivery of a written request therefor by Indemnitee to the Company.

(b) Notice/Cooperation by Indemnitee. Indemnitee shall give the Company notice in writing as soon as practicable of any claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company at the address shown on the signature page of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). Notice shall be deemed received three business days after the date postmarked if sent by domestic certified or registered mail, properly addressed; otherwise notice shall be deemed received when such notice

shall actually be received by the Company. Indemnitee's failure to provide timely notice to the Company shall not affect the Company's obligation to indemnify Indemnitee unless the Company has been materially prejudiced by the delay or failure. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) Procedure. Any indemnification provided for in Section 1 shall be made no later than forty-five (45) days after receipt of the written request of Indemnitee. If a claim under this Agreement, under any statute, or under any provision of the Company's Certificate of Incorporation or Bylaws providing for indemnification, is not paid in full by the Company within forty-five (45) days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 12 of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any action or proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company, and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Subsection 2(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its stockholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(d) Notice to Insurers. If, at the time of the receipt of a notice of a claim pursuant to Section 2(b) hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(e) Selection of Counsel. In the event the Company shall be obligated under Section 2(a) hereof to pay the expenses of any proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same proceeding, provided that (i) Indemnitee shall have the right to employ his counsel in any

such proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (C) the Company shall not, in fact, have employed counsel to assume the defense of such proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

3. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. Notwithstanding any other provision of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Certificate of Incorporation, the Company's Bylaws or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its board of directors or an officer, such changes shall be, ipso facto, within the purview of Indemnitee's rights and the Company's obligations, under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board of Directors or an officer, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, Delaware law or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he may have ceased to serve in such capacity at the time of any action or other covered proceeding.

4. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines or penalties actually or reasonably incurred by him in the investigation, defense, appeal or settlement of any civil or criminal action or proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines or penalties to which Indemnitee is entitled.

5. Mutual Acknowledgement. Both the Company and Indemnitee acknowledge that in certain instances Federal law or applicable public policy may prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

6. Directors' and Officers' Liability Insurance. The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the officers and directors of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. In all policies of directors' and officers' liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, if Indemnitee is not an officer or director but is a key employee. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a subsidiary or parent of the Company.

7. Severability. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 7. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

8. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Claims Initiated by Indemnitee. To indemnify or advance expenses to Indemnitee with respect to proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors has approved the initiation or bringing of such suit; or

(b) Lack of Good Faith. To indemnify Indemnitee for any expenses incurred by the Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by the Indemnitee in such proceeding was not made in good faith or was frivolous; or

(c) Insured Claims. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and

amounts paid in settlement) which have been paid directly to Indemnitee by an insurance carrier under a policy of directors' and officers' liability insurance maintained by the Company; or

(d) Claims Under Section 16(b). To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

9. Construction of Certain Phrases.

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries.

10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

11. Successors and Assigns. This Agreement shall be binding upon the Company and its successors and assigns, and shall inure to the benefit of Indemnitee and Indemnitee's estate, heirs, legal representatives and assigns.

12. Attorneys' Fees. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

13. Notice. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand and receipted for by the party addressee, on the date of such receipt, or (ii) if mailed by domestic certified or registered mail with postage prepaid, on the third business day after the date postmarked. Addresses for notice to either party are as shown on the signature page of this Agreement, or as subsequently modified by written notice.

14. Consent to Jurisdiction. The Company and Indemnitee each hereby (a) submits to the exclusive jurisdiction of any state or federal court sitting in the State of Delaware in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of such action or proceeding may be heard and determined only in any such court, (c) waives any claim of inconvenient forum or other challenge to venue in such court, and (d) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. The Company and Indemnitee each hereby agrees to accept service of any summons, complaint or other initial pleading made in the manner provided for the giving of notices in Section 13. Nothing in this Section 14, however, shall affect the right of either party to serve such summons, complaint or initial pleading in any other manner permitted by law.

15. Choice of Law. This Agreement and any disputes hereunder shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of Delaware.

16. Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supercedes all prior agreements, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled. For avoidance of doubt, the parties confirm that the foregoing does not apply to or limit the Indemnitee's rights under Delaware law or the Company's Certificate of Incorporation or Bylaws.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SMARTFORCE

By: _____

Name: _____

Title: _____

AGREED TO AND ACCEPTED:

[Name]

Signature: _____

Address: _____

</TEXT>
</DOCUMENT>

EMPLOYMENT AGREEMENT

THIS AGREEMENT, is entered into as of January 12, 1998, between SkillSoft Corporation, a Delaware corporation (the "Company"), and Mark Townsend ("Employee").

R E C I T A L S

Company desires to obtain the services of Employee, on its own behalf and on behalf of all existing and future Affiliated Companies (defined to mean any corporation or other business entity or entities that directly or indirectly controls, is controlled by, or is under common control with the Company), and Employee desires to secure employment from the Company upon the following terms and conditions.

AGREEMENT

ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:

1. Position, Period of Employment.

(a) Period of Employment. The Company hereby employs Employee to render services to the Company in the position and with the duties and responsibilities described in Section 1(b) for the period (the "Period of Employment") commencing on the date of this Agreement and ending upon the date this Agreement is terminated in accordance with Section 3 below. Except as provided in Section 3 below, the Company shall pay Employee the compensation to which he is entitled under Section 2(a) through the end of the Period of Employment, and thereafter Company's obligations hereunder to pay or otherwise provide compensation and benefits to Employee shall end.

(b) Position. Employee hereby accepts employment with the Company as Vice President-Product Development. Employee shall devote his best efforts and his full time and attention to the performance of the services customarily incident to such office and to such other services as may be reasonably requested by the Board of Directors of the Company (the "Board"). During the Period of Employment, Employee will not accept any other employment of any nature, excluding personal business carried on outside regular business hours that does not materially interfere with the services required by this Agreement. The Company shall retain full direction and control of the means and methods by which Employee performs the above services and, subject to the terms of this Section 1(b), of the place(s) at which such services are to be rendered. During the term of this agreement, employee's principal location shall be in New Hampshire.

(c) Non-Compete/Conflict of Interest. Employee, during the Period of Employment (as defined below), will not engage, directly or indirectly as an employee, director, consultant, shareholder, partner or independent contractor or in

any other capacity, in any other business activity (whether or not pursued for pecuniary advantage) that is competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly is controlled by the Company (an "Affiliated Company"); provided, however, that Employee may make passive personal investments (not exceeding ownership of more than one (1) percent of the equity interest in any company) in publicly-held companies that may compete with the Company or any Affiliated Company.

2. Compensation, Benefits, Expenses.

(a) Compensation. In consideration of the services to be rendered hereunder, including, without limitation, services to any Affiliated Company, Employee shall be paid an amount equal to \$6,042 (six thousand forty-two dollars) twice per month, payable at the times and pursuant to the procedures regularly established, and as they may be amended, by the Company during the course of this Agreement. This rate shall be reviewed annually, in accordance with the Company's salary review practices, and increased, in the Company's sole discretion, to reflect increases in the cost of living and such other increases as are awarded in accordance with the Company's regular salary review practices.

(b) Restricted Stock. The Company shall sell Employee and Employee shall purchase from the Company 600,000 shares of the Company's Common Stock upon the terms and conditions set forth in that certain Restricted Stock Purchase Agreement in the form attached hereto as Exhibit A, which the Company shall execute and deliver to Employee concurrently with the signing by both parties of this Agreement.

(c) Bonus. Employee shall be eligible to participate in such bonus plans as the Company may from time to time adopt for the benefit of similarly situated employees of the Company. Employee's right to receive any such bonus shall be subject to the terms of any Company bonus plan for which he may become a participant and the terms determined by the Board or a Committee thereof designating him as a participant or granting him an award thereunder.

(d) Vacation. Employee shall be entitled to vacation in accordance with the Company's vacation policies for similarly situated employees, as such policies may be amended from time to time.

(e) Benefits. As he becomes eligible therefor, the Company shall provide Employee with the right to participate in and to receive benefits from all present and future life, accident, disability, medical, pension, and savings plans and all similar benefits made available generally to executives similarly situated employees of the Company. The amount and extent of benefits to which Employee is

entitled shall be governed by the specific benefit plan, as it may be amended from time to time.

(f) Expenses. The Company shall reimburse Employee for reasonable travel and other business expenses incurred by Employee in the performance of his duties hereunder in accordance with the Company's general policies, as they may be amended from time to time during the course of this Agreement.

3. Termination of Employment.

(a) By Death. The Period of Employment shall terminate automatically upon the death of the Employee. The Company shall pay to the Employee's beneficiaries or estate, as appropriate, the compensation to which he is entitled pursuant to Section 2(a) through the end of the month in which death occurs. Thereafter, the Company's obligations hereunder shall terminate. Nothing in this Section shall affect any entitlement of the Employee's heirs to the benefits of any life insurance plan.

(b) By Disability. If, in the sole opinion of the Company's Board of Directors (the "Board"), the Employee shall be prevented from properly performing his duties hereunder by reason of any physical or mental incapacity for a period of more than one hundred and twenty (120) consecutive days in any twelve-month period, then, to the extent permitted by law, the Period of Employment shall terminate on and the compensation to which Employee is entitled pursuant to Section 2(a) shall be paid up through the last day of the month in which the one hundred and twentieth day of incapacity occurs, and thereafter the Company's obligations hereunder shall terminate. Nothing in this Section shall affect Employee's rights under any disability plan in which he is a participant.

(c) By Company For Cause. The Company may terminate, without liability, the Period of Employment for Cause (as defined below) at any time with no advance notice to Employee. The Company shall pay Employee the compensation to which he is entitled pursuant to Section 2(a) prorated through the date of termination. Termination shall be for Cause if: (i) because of any intentional act or failure to act by Employee which, in the reasonable opinion of the Board, is in bad faith and to the detriment of the Company or any Affiliated Company; (ii) in the reasonable opinion of the Board, Employee refuses or fails to act in accordance with any direction or order of the Board; (iii) in the reasonable opinion of the Board, Employee shall fail in any material respect and on a continuing basis to perform his duties pursuant to Section 1 hereof (other than as a result of disability as provided for in Section 3(b)) and shall not have cured such failure following thirty (30) days notice from a majority of the members of the Board; (iv) Employee is convicted of a crime relating to his employment by the Company or that has a material adverse

effect on the Company or, in the reasonable opinion of the Board, Employee's ability to perform services hereunder; or (v) because Employee, in the reasonable opinion of the Board, breaches any material term of this Agreement, provided the breach continues for a period of five (5) days after Employee receives written notice of that breach from the Board. Employee hereby agrees that the Company may terminate his employment with the Company under this Section 3(c) without regard (1) to any general or specific policies (whether written or oral) of the Company relating to the employment or termination of its employees, or (2) to any statements made to Employee, whether made orally or contained in any document (other than this Agreement), pertaining to Employee's relationship with the Company.

(d) By Employee For Good Reason. Employee may terminate, without liability, the Period of Employment for Good Reason (as defined below) upon twenty (20) days' advance written notice to the Company. The Company shall pay Employee the compensation to which he is entitled pursuant to Section 2(a) through the end of the notice period plus the Severance Benefits (as defined in Section 3(f) below) and thereafter all obligations of the Company hereunder shall terminate. Good Reason shall exist if (i) there is an assignment to the Employee of any duties materially inconsistent with or which constitute a material change in the Employee's position, duties, responsibilities, or status with the Company, or a material change in the Employee's reporting responsibilities, title, or offices; or removal of the Employee from any of such positions, except in connection with the termination of the Period of Employment for Cause, or due to disability, early or normal retirement as defined by the Company's pension plan, death, or termination of the Period of Employment by the Employee other than for Good Reason (provided that removal and/or failure to re-elect Employee to the Board in accordance with Section 1(c) shall not be deemed Good Reason for purposes of this Section 3(d)); (ii) there is a reduction by the Company in the Employee's annual salary then in effect other than a reduction similar in percentage to a reduction generally applicable to similarly situated employees of the Company; or (iii) the Company acts in any way that would adversely affect the Employee's participation in or materially reduce the Employee's benefit under any benefit plan of the Company in which the Employee is participating or deprive the Employee of any material fringe benefit enjoyed by the Employee except those changes generally affecting similarly situated employees of the Company.

(e) At Will. At any time, either the Company or the Employee may terminate, without liability, the Period of Employment for any reason, with or without cause, on written notice to the other party. In the event Employee elects to terminate the Period of Employment pursuant to this Section 3(e), Employee shall give the Company not less than two (2) months' notice of such termination. If the Employee terminates his employment pursuant to this Section 3(e), the Company shall have the option, in its sole discretion, to terminate Employee immediately without the running of the notice period. If the Employee terminates his

employment pursuant to this Section 3(e), the Company shall pay Employee the compensation to which he is entitled pursuant to Section 2(a) through the end of the notice period or through the day upon which any early termination is elected by the Company pursuant to the foregoing sentence, and thereafter all obligations of the Company shall terminate. In the event the Company elects to terminate the Period of Employment pursuant to this Section 3(e), the Company shall give Employee not less than three months notice of such termination. Employee hereby agrees that the Company may dismiss him under this Section 3(e) without regard (i) to any general or specific policies (whether written or oral) of the Company relating to the employment or termination of its employees, or (ii) to any statements made to Employee, whether made orally or contained in any document, pertaining to Employee's relationship with the Company.

(f) Severance Benefits.

(1) Employee shall only be entitled to Severance Benefits hereunder in the event that the Period of Employment shall be terminated (i) by Employee in accordance with Section 3(d) and subject to the terms of said Section 3(d) or (ii) by the Company in accordance with Section 3(e) and subject to the terms of said Section 3(e). Upon full payment of and upon providing of such Severance Benefits, Employee shall be deemed to have released the Company and each of its officers, directors and agents from any and all claims, liabilities or causes of action in favor of the Employee arising in connection with his prior employment by the Company.

(2) For purposes of this Agreement, "Severance Benefits" shall mean a continuation by the Company for a period of six (6) months of: (i) Employee's salary payable in accordance with the Company's payroll procedures pursuant to Section 2(a) following termination; (ii) those benefits to which Employee is entitled pursuant to Section 2(f) hereof, including but not limited to medical benefits substantially similar to those provided Employee prior to termination of employment; and (iii) the vesting and right to exercise any stock options held by Employee at the time of termination. As a condition precedent to the continued vesting and exercisability of Employee's stock options during said six (6) month period, Employee agrees to perform, on request from the Company, up to ten (10) hours of consulting service per month during said six (6) month period. Subject to Employee fulfilling his consulting obligations to the Company as provided in this Section 3(f)(2) during the Severance Period (as defined below), Employee shall be deemed to continue as employee of the Company during the Severance Period for the purpose of such stock options, and such stock options shall thereafter terminate in accordance with their terms following expiration of the Severance Period. No additional compensation shall be payable by the Company for such consulting services beyond the Severance Benefits. The period in which Employee shall be entitled to Severance Benefits shall hereinafter be referred to as the "Severance

Period." Notwithstanding any other provision herein, if Employee accepts employment at any entity or engages in any business activity that is or may be competitive with the Company (or any affiliate thereof) prior to the end of such six (6) month period, Employee shall then immediately inform the Company of such employment and immediately cease to be eligible for any continuing Severance Benefits, including any continued salary payments, medical, benefits and option or share vesting.

(g) Termination Obligations.

(1) Employee hereby acknowledges and agrees that all personal property, including, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof, and equipment furnished to or prepared by Employee in the course of or incident to his employment, belong to the Company and shall be promptly returned to the Company upon termination of the Period of Employment. Following termination, the Employee will not retain any written or other tangible material containing any proprietary information of the Company.

(2) Upon termination of the Period of Employment, the Employee shall be deemed to have resigned from all offices and directorships then held with the Company or any Affiliated Company.

4. Proprietary Information Agreement. As a condition to his employment with the Company, Employee shall execute and deliver a copy of the Company's standard form Employee Proprietary Information and Inventions Agreement. Any breach by Employee of such agreement shall be deemed a breach of this Agreement for purposes of Section 3(c) hereof. Employee's obligations under such Employee Proprietary Information and Inventions Agreement shall survive any termination of the Period of Employment.

5. Assignment; Successors and Assigns. Employee agrees that he will not assign, sell, transfer, delegate or otherwise dispose of, whether voluntarily or involuntarily, or by operation of law, any rights or obligations under this Agreement, nor shall Employee's rights be subject to encumbrance or the claims of creditors. Any purported assignment, transfer, or delegation shall be null and void. Nothing in this Agreement shall prevent the consolidation of the Company with, or its merger into, any other corporation, or the sale by the Company of all or substantially all of its properties or assets, or the assignment by the Company of this Agreement and the performance of its obligations hereunder to any successor in interest or any Affiliated Company. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors, and permitted assigns, and shall not benefit any person or entity other than those enumerated above.

6. Notices. All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or mailed, postage prepaid, by certified or registered mail, return receipt requested, and addressed to the Company at: 9 Chickadee Court, Bedford, New Hampshire 03110 or to the Employee at: 8 Major Hale Drive, Framingham, MA 01701.

Notice of change of address shall be effective only when done in accordance with this Section.

7. Entire Agreement. The terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to the employment of Employee by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding involving this Agreement.

8. Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by the Employee and by a duly authorized representative of the Company other than Employee. By an instrument in writing similarly executed, either party may waive compliance by the other party with any provision of this Agreement that such other party was or is obligated to comply with or perform, provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, or power provided herein or by law or in equity.

9. Severability; Enforcement. If any provision of this Agreement, or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable, or void, the remainder of this Agreement and such provisions as applied to other persons, places, and circumstances shall remain in full force and effect. It is the intention of the parties that the covenants contained in Section 1(d) shall be enforced to the greatest extent (but to no greater extent) in times area, and degree of participation as is permitted by the law of that jurisdiction whose law is found to be applicable to any acts allegedly in breach of these covenants. It being the purpose of this Agreement to govern competition by Employee anywhere throughout the world, these covenants shall be governed by and construed according to that law (from among those jurisdictions

arguably applicable to this Agreement and those in which a breach of this Agreement is alleged to have occurred or to be threatened) which best gives them effect.

10. Governing Law. Subject to Section 9 hereof, the validity, interpretation, enforceability, and performance of this Agreement shall be governed by and construed in accordance with the law of the State of New Hampshire.

11. Employee Acknowledgment. Employee acknowledges (i) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement and has been advised to do so by the Company, and (ii) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

12. Exclusive. Both parties agree that this Agreement shall provide the exclusive remedies for any breach by the Company of its terms.

The parties have duly executed this Agreement as of the date first written above.

COMPANY:

EMPLOYEE:

SkillSoft Corporation

By: /s/ Charles E. Moran

/s/ Mark Townsend

Title: President & Chief Executive Officer

SKILLSOFT CORPORATION
RESTRICTED STOCK PURCHASE AGREEMENT

THIS AGREEMENT is entered into as of the 26th day of June, 1998, between SkillSoft Corporation, a Delaware corporation (the "Company"), and Mark A. Townsend (the "Recipient").

RECITALS:

WHEREAS, the Company has adopted the 1998 Stock Incentive Plan (the "Plan"), which Plan is hereby incorporated in this Agreement by reference and made a part of it; and

WHEREAS, the Company regards Recipient as a valuable contributor to the Company, and has determined that it would be in the interest of the Company and its stockholders to sell the Stock (as defined below) to the Recipient as a reward for past efforts and an incentive for continued service with the Company and increased achievements in the future by Recipient;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties to this Agreement hereby agree as follows:

1. Restricted Stock Purchase. Contemporaneously with the execution of this Agreement, the Company will issue to Recipient 600,000 shares of Common Stock of the Company (the "Stock") for a consideration of \$0.175 per share ("Purchase Price"). Payment of the aggregate Purchase Price of \$105,000 for the Stock shall be made to the Company as follows: (i) \$52,500 shall be paid in cash, and (ii) \$52,500 shall be made by delivery of a promissory note, in the form attached hereto as Exhibit A, each upon execution of this Agreement. Recipient shall pledge the non-vested Stock as security for the promissory note pursuant to a security agreement in the form attached hereto as Exhibit B. All shares of Stock issued hereunder shall be deemed issued to Recipient as fully paid and nonassessable shares, and Recipient shall have all rights of a stockholder with respect thereto, including the right to vote, receive dividends (including stock dividends), participate in stock splits or other recapitalizations, and exchange such shares in a merger, consolidation or other reorganization. The Company shall pay any applicable stock transfer taxes.

2. Repurchase Option.

(a) Transfer Restrictions. Except as provided in Section 3(f), no Stock issued to the Recipient hereunder shall be sold, transferred by gift, pledged, hypothecated, or otherwise transferred or disposed of by the Recipient in contravention of Section 2 or Section 3 hereof other than by will or the laws of descent and distribution (the "Permitted Transfers"). Except for Permitted Transfers, no Stock issued to the Recipient hereunder shall be sold, transferred by gift, pledged, hypothecated, or otherwise transferred or disposed of by the Recipient prior to the date when the Recipient shall become vested in such Stock pursuant to Section 4 hereof, and such Stock shall constitute "Non-Vested Stock" until such date. Any

attempt to transfer Stock in violation of this Section 2 or Section 3 shall be null and void and shall be disregarded by the Company.

(b) Repurchase Option. Non-Vested Stock shall be subject to a repurchase option in favor of the Company (the "Repurchase Option"). The Repurchase Option shall be subject to the following terms and conditions. In the event of the voluntary or involuntary termination of employment of Recipient with the Company for any reason, with or without cause (including death or disability), the Company shall, upon the date of such termination, have an irrevocable, exclusive option for a period of three months from such date to repurchase any or all of the Non-Vested Stock from Recipient or any person receiving the Non-Vested Stock by operation of law or other involuntary transfer, at the original Purchase Price for the Non-Vested Stock.

(c) Exercise of Repurchase Option. The Repurchase Option shall be exercised by written notice by the Company to Recipient or his or her executor and, at the Company's option, (i) by delivery to the Recipient or his or her executor, with such notice, of a check in the amount of the original Purchase Price for the Non-Vested Stock being repurchased (the "Repurchase Amount"), or (ii) in the event the Recipient is indebted to the Company for all or a portion of the Repurchase Amount, by cancellation by the Company of an amount of such purchase money indebtedness equal to the Repurchase Amount for the Stock being repurchased, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals such Repurchase Amount. Upon delivery by the Company of such notice and payment of the Repurchase Amount in any of the ways described above, the Company shall become the legal and beneficial owner of the Non-Vested Stock being repurchased and all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of shares of Stock being repurchased by the Company, without further action by Recipient.

(d) Assignment of Repurchase Option. The Repurchase Option may be assigned by the Company to any third party.

(e) Escrow of Stock. For purposes of facilitating the enforcement of the provisions of this Section 2, Recipient agrees, immediately upon receipt of the certificate(s) for the Stock, to deliver such certificate(s), together with an Assignment Separate from Certificate in the form attached hereto as Exhibit C, executed in blank by Recipient and Recipient's spouse (if required for transfer) with respect to each such stock certificate, to the Secretary or Assistant Secretary of the Company, or their designee, to hold in escrow for so long as such Stock remains subject to any Repurchase Option of the Company pursuant to this Section 2, with the authority to take all such actions and to effectuate all such transfers and/or releases as may be necessary or appropriate to accomplish the objectives of this Agreement in accordance with the terms hereof. Stock may be held for an additional period if subject to a Security Agreement as provided in this Agreement. Recipient hereby acknowledges that the appointment of the Secretary or Assistant Secretary of the Company (or their designee) as the escrow holder hereunder with the stated authorities is a material inducement to the Company to make this Agreement and that such appointment is coupled with an interest and is accordingly irrevocable.

Recipient agrees that such escrow holder shall not be liable to any party hereto (or to any other party) for any actions or omissions unless such escrow holder is grossly negligent relative thereto. The escrow holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time.

3. First Refusal Right.

(a) Grant of Right. The Company is hereby granted the right of first refusal (the "First Refusal Right"), exercisable in connection with any proposed sale or other transfer of the Stock acquired by Recipient hereunder. For purposes of this Section 3, the term "transfer" shall include any assignment, pledge, encumbrance or other disposition for value of the Stock intended to be made by the Owner (defined below), but shall not include any of the Permitted Transfers under Section 3(f). For purposes of this Section 3, the term "Owner" shall include the Recipient or any subsequent holder of the Stock who derives his or her chain of ownership through a transfer permitted by Section 3(f).

(b) Notice of Intended Disposition. In the event the Owner desires to accept a bona fide third-party offer for any or all of the Stock (the shares subject to such offer to be hereinafter called, solely for the purposes of this Section 3, the "Target Shares"), Owner shall promptly deliver to the Secretary of the Company written notice (the "Disposition Notice") of the offer and the basic terms and conditions thereof, including the proposed purchase price.

(c) Exercise of Right. The Company (or its assignee) shall, for a period of twenty (20) days following receipt of the Disposition Notice, have the right to repurchase any or all of the Target Shares specified in the Disposition Notice upon substantially the same terms and conditions specified therein. Such right shall be exercisable by written notice (the "Exercise Notice") delivered to Owner prior to the expiration of the twenty (20) day exercise period. If the Exercise Notice pertains to all the Target Shares specified in the Disposition Notice, then the Company (or its assignees) shall effect the repurchase of such Target Shares, including payment of the purchase price, not more than five (5) business days after delivery of the Exercise Notice; and at such time Owner shall deliver to the Company the certificates representing the Target Shares to be repurchased, each certificate to be properly endorsed for transfer. The Target Shares so purchased shall thereupon be canceled and cease to be issued and outstanding shares of the Company's common stock. However, should the purchase price specified in the Disposition Notice be payable in property other than cash or evidences of indebtedness, the Company (or its assignees) shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property. If the Owner and the Company (or its assignees) cannot agree on such cash value within ten (10) days after the Company's receipt of the Disposition Notice, the valuation shall be made by an appraiser of recognized standing selected by the Owner and the Company (or its assignees) or, if they cannot agree on an appraiser within twenty (20) days after the Company's receipt of the Disposition Notice, each shall select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value. The closing shall then be held on the later of (i) the fifth business day following

delivery of the Exercise Notice or (ii) the 15th day after such cash valuation shall have been made.

(d) Non-Exercise of Right. In the event the Exercise Notice is not given to Owner within twenty (20) days following the date of the Company's receipt of the Disposition Notice, Owner shall have a period of ninety (90) days thereafter in which to sell or otherwise dispose of the Target Shares upon terms and conditions (including the purchase price) no more favorable to the third party purchaser than those specified in the Disposition Notice. The third-party purchaser shall acquire the Target Shares subject to all the terms and provisions of this Agreement. All transferees of the Target Shares shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold the Target Shares subject to the provisions of this Agreement. In the event Owner does not sell or otherwise dispose of the Target Shares within the specified ninety (90) day period, the Company's First Refusal Right shall continue to be applicable to any subsequent disposition of the Target Shares by Owner until such right lapses in accordance with Section 5.

(e) Partial Exercise of Right. In the event the Company (or its assignees) makes a timely exercise of the First Refusal Right with respect to a portion, but not all, of the Target Shares specified in the Disposition Notice, Owner shall have the option, exercisable by written notice to the Company delivered within ninety (90) days after the date of the Disposition Notice, to effect the sale of the Target Shares pursuant to one of the following alternatives:

(i) sale or other distribution of all the Target Shares to a third-party purchaser in compliance with the requirements of Section 3(d), as if the Company did not exercise the First Refusal Right hereunder; or

(ii) sale to the Company (or its assignees) of the portion of the Target Shares which the Company (or its assignees) has elected to purchase, such sale to be effected in substantial conformity with the provisions of Section 3(c).

Failure of Owner to deliver timely notification to the Company under this Section 3(e) shall be deemed to be an election by Owner to sell the Target Shares pursuant to alternative (ii) above.

(f) Exempt Transfers. The Company's First Refusal Right under this Section 3 shall not apply to transfers of the Stock by will or the laws of descent and distribution; provided, however, that all of the terms of this Agreement shall remain in effect as to such transferred Stock. In addition, Recipient may transfer all or a portion of the Stock to (i) a revocable trust for the sole benefit of Recipient, his or her spouse, or his or her lineal descendants, or (ii) to his or her spouse, siblings, lineal descendants thereof, parents, or his or her lineal descendants subject to a nonrevocable voting trust of a duration of 10 years without the written permission of the Company, provided said Recipient is trustee and prior written notice (together with a copy of the trust agreement) is given the Company within thirty (30) days thereafter. The trustee shall hold such Stock subject to all the provisions hereof, and shall make no further transfers other than as provided herein. Upon the death, total disability, or termination

of employment of the transferor Recipient, the successor trustee or any cotrustee (and any subsequent transferee) shall be required to sell, transfer or present said Stock for purchase as provided herein, for the price and on the terms hereafter set forth as if such successor trustee and subsequent transferee were the transferor Recipient. Transferee shall make no further transfers other than as provided herein, and any attempted transfer in violation of this Section 3 shall be null and void and shall be disregarded by the Company. All references herein to Stock shall be deemed to include Stock owned by any such successor trustee or subsequent transferee, except that payment for such trustee and transferee Stock shall be made to the trustee and transferee instead of to the original Recipient or his or her estate.

4. Vesting. For purposes of this Agreement, the term "vest" shall mean with respect to any share of the Stock that such share is no longer Non-Vested Stock subject to repurchase at the original Purchase Price set forth in Section 2. If Recipient would become vested in any fraction of a share of Stock on any date, such fractional share shall not vest and shall remain Non-Vested Stock until the Recipient becomes vested in the entire share. Commencing on February 12, 1998 and continuing on the monthly anniversary of such date, 1/36 of the Stock subject to this Agreement shall vest.

5. Lapse. The Company's First Refusal Right under Section 3 above shall lapse and cease to have effect upon the closing of the first underwritten public offering of Common Stock of the Company that is pursuant to a registration statement filed with, and declared effective by, the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), covering the offer and sale of any Common Stock to the public for the Company's account in a firmly underwritten offering for at least \$20,000,000.

6. Corporate Transactions.

(a) Definition. For purposes of this Section 6, a "Corporate Transaction" shall include any of the following stockholder-approved transactions to which the Company is a party:

(i) a merger or consolidation in which the Company is not the surviving entity, except for (1) a transaction the principal purpose of which is to change the state of the Company's incorporation, or (2) a transaction in which the Company's stockholders immediately prior to such merger or consolidation hold (by virtue of securities received in exchange for their shares in the Company) securities of the surviving entity representing more than fifty percent (50%) of the total voting power of such surviving entity immediately after such transaction;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company unless the Company's stockholders immediately prior to such sale, transfer or other disposition hold (by virtue of securities received in exchange for their shares in the Company) securities of the purchaser or other transferee representing more than fifty percent (50%) of the total voting power of such entity immediately after such transaction; or

(iii) any merger in which the Company is the surviving entity but in which the Company's stockholders immediately prior to such merger do not hold (by virtue of their shares in the Company) securities of the surviving entity held immediately prior to such transaction representing more than fifty percent (50%) of the total voting power of the surviving entity immediately after such transaction.

(b) Effect. In the event of any Corporate Transaction, (i) the Company's Repurchase Option under Section 2 shall lapse and (ii) the Company's First Refusal Right under Section 3 shall lapse.

7. Additional Securities. The term "Stock" also refers to all securities received in replacement of the Stock, as a stock dividend or as a result of any stock split, recapitalization, merger, reorganization, exchange or the like, and all new or additional securities or other properties to which Recipient is entitled by reason of Recipient's ownership of the Stock (hereinafter called "Additional Securities"). Recipient shall be entitled to direct the Company to exercise any warrant or option received as Additional Securities upon supplying the funds necessary to do so, in which event the securities so purchased shall constitute Additional Securities, but the Recipient may not direct Company to sell any such warrant or option. If Additional Securities consist of a convertible security, Recipient may exercise any conversion right, and any securities so acquired shall be deemed Additional Securities. All Stock shall be subject to the restrictions contained in this Agreement.

8. Investment Representations.

(a) Investment Representations. This Agreement is made in reliance upon the Recipient's representation to the Company, which by its acceptance hereof the Recipient hereby confirms, that the shares of Stock to be received by the Recipient will be acquired for investment for his or her own account and not with a view to the sale or distribution of any part thereof within the meaning of the Securities Act.

(b) Availability of Exemptions. The Recipient understands that the Stock is not registered under the Securities Act on the basis that the sale provided for in this Agreement and the issuance of securities hereunder is exempt from registration under the Securities Act pursuant to Section 4(2) thereof, and that the Company's reliance on such exemption is predicated on the Recipient's representations set forth herein.

(c) Restrictions on Transfer. The Recipient understands that the Stock may not be sold, transferred, or otherwise disposed of without registration under the Securities Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Stock or an available exemption from registration under the Securities Act, the Stock must be held indefinitely. In particular, the Recipient is aware that the Stock may not be sold pursuant to Rule 144 or Rule 701 promulgated under the Securities Act unless all of the conditions of the applicable Rules are met. Among the conditions for use of Rule 144 is the availability of current information to the public about the Company. Such information is not

now available, and the Company has no present plans to make such information available. The Recipient represents that, in the absence of an effective registration statement covering the Stock, it will sell, transfer, or otherwise dispose of the Stock only in a manner consistent with its representations set forth herein and then only in accordance with the provisions of Section 8(d) hereof.

(d) Procedure for Transfer. The Recipient agrees that in no event will it make a transfer or disposition of any of the Stock (other than pursuant to an effective registration statement under the Securities Act), unless and until (i) the Recipient shall have notified the Company of the proposed disposition and shall have furnished the Company with a statement of the circumstances surrounding the disposition, (ii) such transfer is made in accordance with the provisions of Section 2 and Section 3 above and (iii) if requested by the Company, at the expense of the Recipient or transferee, the Recipient shall have furnished to the Company either (A) an opinion of counsel, reasonably satisfactory to the Company, to the effect that such transfer may be made without registration under the Securities Act or (B) a "no action" letter from the Securities and Exchange Commission to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the Securities and Exchange Commission that action be taken with respect thereto. The Company will not require such a legal opinion or "no action" letter in any transaction in compliance with Rule 144.

9. Legends; Stop Transfer.

(a) Required Legends. All certificates for shares of the Stock shall bear the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED BY THE TERMS OF, AND ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION AND A RIGHT OF REPURCHASE IN FAVOR OF THE COMPANY, AS PROVIDED IN A RESTRICTED STOCK PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE HOLDER HEREOF, OR ITS SUCCESSOR, A COPY OF WHICH IS AVAILABLE FROM THE COMPANY."

(b) Additional Legends. The certificates for shares of the Stock shall also bear any legend required by any applicable state securities law.

10. Lock-Up Agreement.

(a) Agreement. Recipient, if requested by the Company and the lead underwriter of any public offering of the Common Stock or other securities of the Company (the "Lead Underwriter"), hereby irrevocably agrees not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise transfer or dispose of any interest in any Common Stock or any securities convertible into or exchangeable or exercisable for or any other rights to purchase or acquire Common Stock (except Common Stock included in such public offering or acquired on the public market after such offering) during the 180-day period following the effective date of a registration statement of the Company filed under the Securities Act, or such shorter period of time as the Lead Underwriter shall specify. Recipient further agrees to sign such documents as may be requested by the Lead Underwriter to effect the foregoing and agrees that the Company may impose stop-transfer instructions with respect to such Common Stock subject until the end of such period. The Company and Recipient acknowledge that each Lead Underwriter of a public offering of the Company's stock, during the period of such offering and for the 180-day period thereafter, is an intended beneficiary of this Section 10.

(b) Permitted Transfers. Notwithstanding the foregoing, Section 10(a) shall not prohibit Recipient from transferring any shares of Common Stock or securities convertible into or exchangeable or exercisable for the Company's Common Stock to the extent such transfer is not otherwise prohibited by this Agreement, either during Recipient's lifetime or on death by will or intestacy to Recipient's immediate family or to a trust the beneficiaries of which are exclusively Recipient and/or a member or members of Recipient's immediate family; provided, however, that prior to any such transfer, each transferee shall execute an agreement pursuant to which each transferee shall agree to receive and hold such securities subject to the provisions of Section 10 hereof. For the purposes of this paragraph, the term "immediate family" shall mean spouse, lineal descendant, father, mother, brother or sister of the transferor.

(c) No Amendment Without Consent of Underwriter. During the period from identification as a Lead Underwriter in connection with any public offering of the Company's Common Stock until the earlier of (i) the expiration of the lock-up period specified in Section 10(a) in connection with such offering or (ii) the abandonment of such offering by the Company and the Lead Underwriter, the provisions of the Section 10 may not be amended or waived except with the consent of the Lead Underwriter.

11. NO EMPLOYMENT RIGHTS. THIS AGREEMENT SHALL NOT CONFER UPON RECIPIENT ANY RIGHT WITH RESPECT TO CONTINUATION OF HIS OR HER EMPLOYMENT WITH THE COMPANY OR ITS AFFILIATES, NOR SHALL IT INTERFERE IN ANY WAY WITH THE RIGHT OF RECIPIENT OR THE COMPANY, OR ANY OF ITS AFFILIATES, TO TERMINATE RECIPIENT'S EMPLOYMENT WITH THE

COMPANY AT ANY TIME FOR ANY REASON WITH OR WITHOUT CAUSE OR CHANGE THE TERMS OF EMPLOYMENT OF RECIPIENT.

12. Section 83(b) Election. Recipient hereby represents that he or she understands (a) the contents and requirements of a timely election made pursuant to Section 83(b) of the Internal Revenue Code or similar provision of state law (collectively, an "83(b) Election"), (b) the application of Section 83(b) to the purchase of Stock by Recipient pursuant to this Agreement, (c) the nature of the election to be made by Recipient under Section 83(b) and (d) the effect and requirements of the 83(b) Election under relevant state and local tax laws. Recipient further represents that he or she intends to file an election pursuant to Section 83(b), the form of which Election is attached hereto as Exhibit D, with the Internal Revenue Service within thirty (30) days following purchase of the Stock hereunder, and a copy of such election with his or her federal tax return for the calendar year in which the date of this Agreement falls. Recipient covenants to inform the Company of any change in Recipient's state of residency. Recipient shall provide the Company with a copy of any timely 83(b) Election. If Recipient makes a timely 83(b) Election, Recipient shall immediately pay Company the amount necessary to satisfy any applicable federal, state, and local income and employment tax withholding requirements. If Recipient does not make a timely 83(b) Election, Recipient shall, either at the time that the restrictions lapse under this Agreement or at the time withholding is otherwise required by any applicable law, pay the Company the amount necessary to satisfy any applicable federal, state, and local income and employment tax withholding requirements.

13. Withholding. Recipient agrees to withholding of shares from exercise for satisfaction of any applicable federal, state or local income tax or employment tax withholding requirements.

14. Distributions. The Company shall disburse to Recipient all dividends, interest and other distributions paid or made in cash or property (other than Additional Securities) with respect to Stock and Additional Securities, less any applicable federal or state withholding taxes.

15. Successors. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

16. Notice. Any notice or other paper required to be given or sent pursuant to the terms of this Agreement shall be sufficiently given or served hereunder to any party when transmitted by express or certified mail, postage prepaid, addressed to the party to be served as follows:

Company: SkillSoft Corporation
20 Industrial Park Drive
Nashua, NH 03062
Attn: Secretary

Recipient: At Recipient's address as it appears under Recipient's signature to this Agreement, or to such other address as Recipient may specify in writing to the Company

Any party may designate another address for receipt of notices so long as notice is given in accordance with this Section.

17. Spousal Consent. Recipient shall cause his or her spouse to execute the Consent of Spouse attached hereto as Exhibit E concurrently with the execution of this Agreement or, if later, at the time Recipient becomes married.

18. Delaware Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have duly executed this Restricted Stock Purchase Agreement as of the date first above written.

SKILLSOFT CORPORATION
a Delaware corporation

By _____

Its _____

Recipient:

Mark A. Townsend

Address:

8 Major Hale Drive
Framingham, MA 01701

EXHIBIT A
SECURED PROMISSORY NOTE

\$52,500

_____, 1998

FOR VALUE RECEIVED, the undersigned Mark Townsend, an individual residing at _____ ("Maker"), hereby promises to pay to SkillSoft Corporation, a Delaware corporation ("Payee"), on the earlier of (i) _____, 2003 or (ii) the date Maker ceases to be an employee of Payee, for any reason, the principal sum of Fifty-Two Thousand Five Hundred Dollars (\$52,500), in lawful money of the United States of America and in immediately available funds, plus simple interest from the date hereof at the rate of _____ percent (___%) per annum, payable in full on the date such principal amount is due, provided however, that the last said installment shall be in an amount necessary to repay in full the unpaid principal and interest hereof.

Interest shall be computed on the basis of a year of 365 days for the actual number of days elapsed. Should interest not be paid when due hereunder, it shall be added to the principal and thereafter bear like interest as the principal, but such unpaid interest so compounded shall not exceed an amount equal to simple interest on the unpaid principal at the maximum rate permitted by law.

This is the Promissory Note referred to in the Security Agreement of even date herewith between Maker and Payee, and Payee is entitled to all the benefits provided therein.

(i) Prepayments. Maker reserves the right to prepay the outstanding principal amount of this Note in full or in part at any time during the term of this Note without notice and without premium or penalty.

(ii) Events of Default and Remedies. Any one of the following occurrences shall constitute an "Event of Default" under this Note:

(a) Maker fails to make payment of full principal amount of this Note as and when the same becomes due and payable in accordance with the terms hereof.

(b) Maker becomes insolvent or bankrupt, commits any act of bankruptcy, generally fails to pay its debts as they become due, becomes the subject of any proceedings or action of any regulatory agency or any court relating to insolvency, or makes an assignment for the benefit of its creditors, or enters into any agreement for the composition, extension, or readjustment of all or substantially all of his or her obligations.

(c) Maker ceases to be an employee of Payee for any reason.

Upon the occurrence of any Event of Default hereunder, the entire unpaid principal balance of this Note (including accrued interest) shall, at the option of the Payee and without notice or demand of any kind to Maker or any other person,

immediately become due and payable, and Payee shall have and may exercise any and all rights and remedies available to it at law or in equity.

(iii) Attorneys' Fees and Costs. Maker promises to pay on demand all reasonable out-of-pocket costs of and expenses of Payee in connection with the collection of amounts due hereunder, including, without limitation, attorneys' fees incurred in connection therewith, whether or not any lawsuit is ever filed with respect thereto.

(iv) Miscellaneous.

(a) Waiver. Maker waives diligence, presentment, protest and demand and also notice of protest, demand, dishonor and nonpayment of this Note. No extension of time for the payment of this Note shall affect the original liability under this Note of Maker. The pleading of any statute of limitations as a defense to any demand against Maker is expressly waived by Maker to the full extent permitted by law.

(b) Setoff. The obligation to pay Payee shall be absolute and unconditional and the rights of Payee shall not be subject to any defense, setoff, counterclaim or recoupment or by reason of any indebtedness or liability at any time owing by Payee to Maker.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Note as of the date first above written.

MAKER

Mark Townsend

EXHIBIT B
SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and entered into as of this _____ day of _____, _____ by and between SkillSoft Corporation, a Delaware corporation ("Secured Party"), and Mark Townsend, an individual residing at _____ ("Debtor").

In consideration of the mutual covenants contained herein and for other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Definitions. The following terms have the following meanings:

(a) The term "Collateral" shall mean (i) the tangible assets owned by Debtor as of the date hereof and described in Exhibit A attached hereto and (ii) all Proceeds of the foregoing Collateral. For purposes of this Security Agreement, the term "Proceeds" includes whatever is receivable or received when Collateral or proceeds thereof is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, all rights to payment, including return premiums, with respect to any insurance relating thereto.

(b) The term "Obligations" shall mean all of the unpaid principal sum of that certain Secured Promissory Note in the original principal amount of \$_____ of even date herewith (the "Note") evidencing the indebtedness of Debtor to Secured Party.

(c) The term "UCC" shall mean the Uniform Commercial Code as the same may, from time to time, be in effect in the State of New Hampshire.

(d) Capitalized terms used herein shall have the meaning set forth in the UCC unless otherwise set forth herein.

(e) The term "Event of Default" shall have the meaning set forth in the Note.

2. Grant of Security Interest. As collateral security for prompt and complete payment and performance under the Obligations, Debtor hereby assigns, conveys, grants, pledges and transfers to and creates in favor of Secured Party a security interest in the Collateral, including all Proceeds of the foregoing and all accessions to, substitutions and replacements for the foregoing. Debtor shall, upon execution of this Security Agreement, and of the Note as Payee (as such term is defined in the Note), deliver all certificates representing the Collateral together with a stock power executed in blank by Debtor and Debtor's spouse with respect to such stock certificates to the Secretary of Secured Party to be held in escrow until full satisfaction of Debtor's obligations hereunder and under the Note with the authority to take all such actions and to effectuate all such transfers and/or releases as may be necessary or appropriate to accomplish the objectives of this Security Agreement and the Note. In the event that the Proceeds from the disposition

of the Collateral are insufficient to fully satisfy the amounts due and owing under the Note, Debtor shall, subject to the limitations set forth in the UCC, be liable for any deficiency.

3. Representations, Warranties and Covenants. Debtor represents, warrants and covenants that:

(a) Title. Apart from the security interest in the Collateral granted to Secured Party hereunder, Debtor has good and valid title to the Collateral, free and clear of any and all liens, charges, claims, security interests or encumbrances of any kind whatsoever.

(b) Transfer of Collateral. Debtor shall not sell, assign, transfer, encumber or otherwise dispose of any of the Collateral or any interest therein without the prior written consent of Secured Party. If any such encumbrance is imposed, Debtor shall give Secured Party immediate written notice.

(c) Perfection. Debtor shall, upon demand, do all such acts as Secured Party may reasonably request to establish and maintain a perfected security interest in the Collateral, including, without limitation, executing a financing statement in the form prescribed by the New Hampshire Secretary of State.

4. Remedies. Upon the occurrence of any Event of Default hereunder, the entire unpaid principal balance of the Note shall, at the option of the Payee and without notice or demand of any kind to Debtor or any other person, immediately become due and payable, and Secured Party may proceed to exercise any and all of the rights and remedies of a secured party under the UCC and any other remedies available at law or in equity, with respect to the Collateral.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be executed as of the date first above written.

SECURED PARTY
SKILLSOFT CORPORATION
a Delaware corporation

By: _____
Its: _____

DEBTOR

Mark Townsend

EXHIBIT A
DESCRIPTION OF COLLATERAL

300,000 shares of Common Stock of SkillSoft Corporation

EXHIBIT C
STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, Mark Townsend hereby sells, assigns and transfers unto SkillSoft Corporation, a Delaware corporation (the "Company"), 300,000 (Three Hundred Thousand) shares of the Common Stock of the Company, standing in his or her name on the books of SkillSoft Corporation, represented by Certificate No. __ herewith, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said stock in the books of SkillSoft Corporation with full power of substitution.

DATED: _____

(Signature)

(Printed Name)

EXHIBIT D
ELECTION UNDER SECTION 83(b)
OF THE INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to the Internal Revenue Code, to include in gross income for 1998 the amount of any compensation taxable in connection with the taxpayer's receipt of the property described below;

1. The name, address, taxpayer identification number and taxable year of the undersigned are:

TAXPAYER'S NAME: MARK TOWNSEND
SPOUSE'S NAME:

TAXPAYER'S SOCIAL SECURITY NO.:
SPOUSE'S SOCIAL SECURITY NO.:

TAXABLE YEAR: Calendar Year 1998

ADDRESS:

2. The property which is the subject of this election is:
600,000 shares of Common Stock of SkillSoft Corporation, a Delaware corporation.

3. The property was transferred to the undersigned on _____, 1998.

4. The property is subject to the following restriction: Right of repurchase by SkillSoft Corporation.

5. The fair market value of the property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is: \$0.175 per share x 600,000 shares = \$105,000.

6. The undersigned paid \$0.175 per share x 600,000 shares for the property transferred or a total of \$105,000.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The undersigned taxpayer is the person performing the services in connection with the transfer of said property.

The undersigned will file this election with the Internal Revenue Service office in which he or she files his or her annual income tax return not later than 30 days after the date of transfer of the property. A copy of the election also will be furnished to the person for whom the services were performed. Additionally, the undersigned will include a copy of the election with his or her income tax return for the taxable year in which property is transferred. The undersigned understands that this election will also be effective as an election under New Hampshire law.

Dated: _____ Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: _____ Spouse of Taxpayer

EXHIBIT E
CONSENT OF SPOUSE

I, _____, spouse of Mark Townsend, have read and approved the foregoing Agreement. In consideration of the right of my spouse to purchase shares of SkillSoft Corporation, as set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights of the Agreement insofar as I may have any rights under such community property laws of the State of New Hampshire or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: _____ By: _____
[Signature]

Mark Townsend

</TEXT>
</DOCUMENT>

EMPLOYMENT AGREEMENT

THIS AGREEMENT, is entered into as of February 2, 1998, between SkillSoft Corporation, a Delaware corporation (the "Company"), and Thomas McDonald ("Employee").

RECITALS

Company desires to obtain the services of Employee, on its own behalf and on behalf of all existing and future Affiliated Companies (defined to mean any corporation or other business entity or entities that directly or indirectly controls, is controlled by, or is under common control with the Company), and Employee desires to secure employment from the Company upon the following terms and conditions.

AGREEMENT

ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:

1. Position, Period of Employment.

(a) Period of Employment. The Company hereby employs Employee to render services to the Company in the position and with the duties and responsibilities described in Section 1(b) for the period (the "Period of Employment") commencing on the date of this Agreement and ending upon the date this Agreement is terminated in accordance with Section 3 below. Except as provided in Section 3 below, the Company shall pay Employee the compensation to which he is entitled under Section 2(a) through the end of the Period of Employment, and thereafter Company's obligations hereunder to pay or otherwise provide compensation and benefits to Employee shall end.

(b) Position. Employee hereby accepts employment with the Company as Chief Financial Officer, Vice President - Finance. Employee shall devote his best efforts and his full time and attention to the performance of the services customarily incident to such office and to such other services as may be reasonably requested by the Board of Directors of the Company (the "Board"). During the Period of Employment, Employee will not accept any other employment of any nature, excluding personal business carried on outside regular business hours that does not materially interfere with the services required by this Agreement. The Company shall retain full direction and control of the means and methods by which Employee performs the above services and, subject to the terms of this Section 1(b), of the place(s) at which such services are to be rendered. During the term of this agreement, employee's principal location shall be in New Hampshire.

(c) Non-Compete/Conflict of Interest. Employee, during the Period of Employment (as defined below), will not engage, directly or indirectly as an employee, director, consultant, shareholder, partner or independent contractor or in any other capacity, in any other business activity (whether or not pursued for pecuniary advantage) that is competitive with, or that might place him in a competing position to that of the Company or any other corporation or entity that directly or indirectly is controlled by the Company (an "Affiliated Company"); provided, however, that Employee may make passive personal investments (not exceeding ownership of more than one (1) percent of the equity interest in any company) in publicly-held companies that may compete with the Company or any Affiliated Company.

2. Compensation, Benefits, Expense.

(a) Compensation. In consideration of the services to be rendered hereunder, including, without limitation, services to any Affiliated Company, Employee shall be paid an amount equal to \$5,625 (five thousand six hundred twenty-five dollars) twice per month, payable at the times and pursuant to the procedures regularly established, and as they may be amended, by the Company during the course of this Agreement. This rate shall be reviewed annually, in accordance with the Company's salary review practices, and increased, in the Company's sole discretion, to reflect increases in the cost of living and such other increases as are awarded in accordance with the Company's regular salary review practices.

(b) Restricted Stock. The Company shall sell Employee and Employee shall purchase from Company 300,000 shares of the Company's Common Stock upon the terms and conditions set forth in that certain Restrictive Stock Purchase Agreement in the form attached hereto as Exhibit A, which the Company shall execute and deliver to Employee concurrently with the signing by both parties of this Agreement.

(c) Bonus. Employee shall be eligible to participate in such bonus plans as the Company may from time to time adopt for the benefit of similarly situated employees of the Company. Employee's right to receive any such bonus shall be subject to the terms of any Company bonus plan for which he may become a participant and the terms determined by the Board or a Committee thereof designating him as a participant or granting him an award thereunder.

(d) Vacation. Employee shall be entitled to vacation in accordance with the Company's vacation policies for similarly situated employees, as such policies may be amended from time to time.

(e) Benefits. As he becomes eligible therefor, the Company shall provide Employee with the right to participate in and to receive benefits from all present and future life, accident, disability, medical, pension, and savings plans and all similar benefits made available generally to executives similarly situated employees of the Company. The amount and extent of benefits to which Employee is entitled shall be governed by the specific benefit plan, as it may be amended from time to time.

(f) Expense. The Company shall reimburse Employee for reasonable travel and other business expenses incurred by Employee in the performance of his duties hereunder in accordance with the Company's general policies, as they may be amended from time to time during the course of this Agreement.

3. Termination of Employment.

(a) By Death. The Period of Employment shall terminate automatically upon the death of the Employee. The Company shall pay to the Employee's beneficiaries or estate, as appropriate, the compensation to which he is entitled pursuant to Section 2(a) through the end of the month in which death occurs. Thereafter, the Company's obligations hereunder shall terminate. Nothing in this Section shall affect any entitlement of the Employee's heirs to the benefits of any life insurance plan.

(b) By Disability. If, in the sole opinion of the Company's Board of Directors (the "Board"), the Employee shall be prevented from properly performing his duties hereunder by reason of any physical or mental incapacity for a period of more than one hundred and twenty (120) consecutive days in any twelve-month period, then, to the extent permitted by law, the Period of Employment shall terminate on and the compensation to which Employee is entitled pursuant to Section 2(a) shall be paid up through the last day of the month in which the one hundred and twentieth day of incapacity occurs, and thereafter the Company's obligations hereunder shall terminate. Nothing in this Section shall affect Employee's rights under any disability plan in which he is a participant.

(c) By Company For Cause. The Company may terminate, without liability, the Period of Employment for Cause (as defined below) at any time with no advance notice to Employee. The Company shall pay Employee the compensation to which he is entitled pursuant to Section 2(a) prorated through the date of termination. Termination shall be for Cause if: (i) because of any intentional act or failure to act by Employee which, in the reasonable opinion of the Board, is in bad faith and to the detriment of the Company or any Affiliated Company; (ii) in the reasonable opinion of the Board, Employee refuses or fails to act in accordance with any direction or order of the Board; (iii) in the reasonable opinion of the Board, Employee shall fail in any material respect and on a continuing basis to perform his

duties pursuant to Section 1 hereof (other than as a result of disability as provided for in Section 3(b)) and shall not have cured such failure following thirty (30) days notice from a majority of the members of the Board; (iv) Employee is convicted of a crime relating to his employment by the Company or that has a material adverse effect on the Company or, in the reasonable opinion of the Board, Employee's ability to perform services hereunder; or (v) because Employee, in the reasonable opinion of the Board, breaches any material term of this Agreement, provided the breach continues for a period of five (5) days after Employee receives written notice of that breach from the Board. Employee hereby agrees that the Company may terminate his employment with the Company under this Section 3(c) without regard (1) to any general or specific policies (whether written or oral) of the Company relating to the employment or termination of its employees, or (2) to any statements made to Employee, whether made orally or contained in any document (other than this Agreement), pertaining to Employee's relationship with the Company.

(d) By Employee For Good Reason. Employee may terminate, without liability, the Period of Employment for Good Reason (as defined below) upon twenty (20) days' advance written notice to the Company. The Company shall pay Employee the compensation to which he is entitled pursuant to Section 2(a) through the end of the notice period plus the Severance Benefits (as defined in Section 3(f) below) and thereafter all obligations of the Company hereunder shall terminate. Good Reason shall exist if (i) there is an assignment to the Employee of any duties materially inconsistent with or which constitute a material change in the Employee's position, duties, responsibilities, or status with the Company, or a material change in the Employee's reporting responsibilities, title, or offices; or removal of the Employee from any of such positions, except in connection with the termination of the Period of Employment for Cause, or due to disability, early or normal retirement as defined by the Company's pension plan, death, or termination of the Period of Employment by the Employee other than for Good Reason (provided that removal and/or failure to re-elect Employee to the Board in accordance with Section 1(c) shall not be deemed Good Reason for purposes of this Section 3 (d)); (ii) there is a reduction by the Company in the Employee's annual salary then in effect other than a reduction similar in percentage to a reduction generally applicable to similarly situated employees of the Company; or (iii) the Company acts in any way that would adversely affect the Employee's participation in or materially reduce the Employee's benefit under any benefit plan of the Company in which the Employee is participating or deprive the Employee of any material fringe benefit enjoyed by the Employee except those changes generally affecting similarly situated employees of the Company.

(e) At Will. At any time, either the Company or the Employee may terminate, without liability, the Period of Employment for any reason, with or without cause, on written notice to the other party. In the event Employee elects to terminate the Period of Employment pursuant to this Section 3(e), Employee shall

give the Company not less than two (2) months' notice of such termination. If the Employee terminates his employment pursuant to this Section 3(e), the Company shall have the option, in its sole discretion, to terminate Employee immediately without the running of the notice period. If the Employee terminates his employment pursuant to this Section 3(e), the Company shall pay Employee the compensation to which he is entitled pursuant to Section 2(a) through the end of the notice period or through the day upon which any early termination is elected by the Company pursuant to the foregoing sentence, and thereafter all obligations of the Company shall terminate. In the event the Company elects to terminate the Period of Employment pursuant to this Section 3(e), the Company shall give Employee not less than three months notice of such termination. Employee hereby agrees that the Company may dismiss him under this Section 3(e) without regard (i) to any general or specific policies (whether written or oral) of the Company relating to the employment or termination of its employees, or (ii) to any statements made to Employee, whether made orally or contained in any document, pertaining to Employee's relationship with the Company.

(f) Severance Benefits.

(1) Employee shall only be entitled to Severance Benefits hereunder in the event that the Period of Employment shall be terminated (i) by Employee in accordance with Section 3(d) and subject to the terms of said Section 3(d) or (ii) by the Company in accordance with Section 3(e) and subject to the terms of said Section 3(e). Upon full payment of and upon providing of such Severance Benefits, Employee shall be deemed to have released the Company and each of its officers, directors and agents from any and all claims, liabilities or causes of action in favor of the Employee arising in connection with his prior employment by the Company.

(2) For purposes of this Agreement, "Severance Benefits" shall mean a continuation by the Company for a period of six (6) months of: (i) Employee's salary payable in accordance with the Company's payroll procedures pursuant to Section 2(a) following termination; (ii) those benefits to which Employee is entitled pursuant to Section 2(f) hereof, including but not limited to medical benefits substantially similar to those provided Employee prior to termination of employment; and (iii) the vesting and right to exercise any stock options held by Employee at the time of termination. As a condition precedent to the continued vesting and exercisability of Employee's stock options during said six (6) month period, Employee agrees to perform, on request from the Company, up to ten (10) hours of consulting service per month during said six (6) month period. Subject to Employee fulfilling his consulting obligations to the Company as provided in this Section 3(f)(2) during the Severance Period (as defined-below), Employee shall be deemed to continue as employee of the Company during the Severance Period for the purpose of such stock options, and such stock options shall thereafter terminate in

accordance with their terms following expiration of the Severance Period. No additional compensation shall be payable by the Company for such consulting services beyond the Severance Benefits. The period in which Employee shall be entitled to Severance Benefits shall hereinafter be referred to as the "Severance Period." Notwithstanding any other provision herein, if Employee accepts employment at any entity or engages in any business activity that is or may be competitive with the Company (or any affiliate thereof) prior to the end of such six (6) month period, Employee shall then immediately inform the Company of such employment and immediately cease to be eligible for any continuing Severance Benefits, including any continued salary payments, medical benefits and option or share vesting.

(g) Termination Obligations.

(1) Employee hereby acknowledges and agrees that all personal property, including, without limitation, all books, manuals, records, reports, notes, contracts, lists, blueprints, and other documents, or materials, or copies thereof, and equipment furnished to or prepared by Employee in the course of or incident to his employment, belong to the Company and shall be promptly returned to the Company upon termination of the Period of Employment. Following termination, the Employee will not retain any written or other tangible material containing any proprietary information of the Company.

(2) Upon termination of the Period of Employment, the Employee shall be deemed to have resigned from all offices and directorships then held with the Company or any Affiliated Company.

4. Proprietary Information Agreement. As a condition to his employment with the Company, Employee shall execute and deliver a copy of the Company's standard form Employee Proprietary Information and Inventions Agreement. Any breach by Employee of such agreement shall be deemed a breach of this Agreement for purposes of Section 3(c) hereof. Employee's obligations under such Employee Proprietary Information and Inventions Agreement shall survive any termination of the Period of Employment.

5. Assignment; Successors and Assigns. Employee agrees that he will not assign, sell, transfer, delegate or otherwise dispose of, whether voluntarily or involuntarily, or by operation of law, any rights or obligations under this Agreement, nor shall Employee's rights be subject to encumbrance or the claims of creditors. Any purported assignment, transfer, or delegation shall be null and void. Nothing in this Agreement shall prevent the consolidation of the Company with, or its merger into, any other corporation, or the sale by the Company of all or substantially all of its properties or assets, or the assignment by the Company of this Agreement and the performance of its obligations hereunder to any successor in interest or any Affiliated

Company. Subject to the foregoing, this Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors, and permitted assigns, and shall not benefit any person or entity other than those enumerated above.

6. Notices. All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered by hand or mailed, postage prepaid, by certified or registered mail, return receipt requested, and addressed to the Company at: 9 Chickadee Court, Bedford, New Hampshire 03110 or to the Employee at: 218 W. Hickory, Hinsdale, IL 60521.

Notice of change of address shall be effective only when done in accordance with this Section.

7. Entire Agreement. The terms of this Agreement are intended by the parties to be the final expression of their agreement with respect to the employment of Employee by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding involving this Agreement.

8. Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by the Employee and by a duly authorized representative of the Company other than Employee. By an instrument in writing similarly executed, either party may waive compliance by the other party with any provision of this Agreement that such other party was or is obligated to comply with or perform, provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy, or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, or power hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, or power provided herein or by law or in equity.

9. Severability; Enforcement. If any provision of this Agreement, or the application thereof to any person, place, or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable, or void, the remainder of this Agreement and such provisions as applied to other persons, places, and circumstances shall remain in full force and effect. It is the intention of the parties that the covenants contained in Section 1(d) shall be enforced to the greatest extent (but to no greater extent) in times area, and degree of participation as is permitted by the law of that jurisdiction whose law is found to be applicable to any acts allegedly in breach of these covenants. It being the purpose of this Agreement to govern

competition by Employee anywhere throughout the world, these covenants shall be governed by and construed according to that law (from among those jurisdictions arguably applicable to this Agreement and those in which a breach of this Agreement is alleged to have occurred or to be threatened) which best gives them effect.

10. Governing Law. Subject to Section 9 hereof, the validity, interpretation, enforceability, and performance of this Agreement shall be governed by and construed in accordance with the law of the State of New Hampshire.

11. Employee Acknowledgment. Employee acknowledges (i) that he has consulted with or has had the opportunity to consult with independent counsel of his own choice concerning this Agreement and has been advised to do so by the Company, and (ii) that he has read and understands the Agreement, is fully aware of its legal effect, and has entered into it freely based on his own judgment.

12. Exclusive. Both parties agree that this Agreement shall provide the exclusive remedies for any breach by the Company of its terms.

The parties have duly executed this Agreement as of the date first written above.

COMPANY:

EMPLOYEE:

SkillSoft Corporation

By: /s/ Charles E. Moran

/s/ Thomas McDonald

Title: President & Chief Executive Officer

SKILLSOFT CORPORATION
RESTRICTED STOCK PURCHASE AGREEMENT

THIS AGREEMENT is entered into as of the 24th day of June 1998, between SkillSoft Corporation, a Delaware corporation (the "Company"), and Thomas J. McDonald (the "Recipient").

RECITALS:

WHEREAS, the Company has adopted the 1998 Stock Incentive Plan (the "Plan"), which Plan is hereby incorporated in this Agreement by reference and made a part of it; and

WHEREAS, the Company regards Recipient as a valuable contributor to the Company, and has determined that it would be in the interest of the Company and its stockholders to sell the Stock (as defined below) to the Recipient as a reward for past efforts and an incentive for continued service with the Company and increased achievements in the future by Recipient;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties to this Agreement hereby agree as follows:

1. Restricted Stock Purchase. Contemporaneously with the execution of this Agreement, the Company will issue to Recipient 300,000 shares of Common Stock of the Company (the "Stock") for a consideration of \$0.175 per share ("Purchase Price"). Payment of the aggregate Purchase Price of \$52,500 for the Stock shall be made to the Company as follows: (i) \$26,250 shall be paid in cash, and (ii) \$26,250 shall be made by delivery of a promissory note, in the form attached hereto as Exhibit A, each upon execution of this Agreement. Recipient shall pledge the non-vested Stock as security for the promissory note pursuant to a security agreement in the form attached hereto as Exhibit B. All shares of Stock issued hereunder shall be deemed issued to Recipient as fully paid and nonassessable shares, and Recipient shall have all rights of a stockholder with respect thereto, including the right to vote, receive dividends (including stock dividends), participate in stock splits or other recapitalizations, and exchange such shares in a merger, consolidation or other reorganization. The Company shall pay any applicable stock transfer taxes.

2. Repurchase Option.

(a) Transfer Restrictions. Except as provided in Section 3(f), no Stock issued to the Recipient hereunder shall be sold, transferred by gift, pledged, hypothecated, or otherwise transferred or disposed of by the Recipient in contravention of Section 2 or Section 3 hereof other than by will or the laws of descent and distribution (the "Permitted Transfers"). Except for Permitted Transfers, no Stock issued to the Recipient hereunder shall be sold, transferred by gift, pledged, hypothecated, or otherwise transferred or disposed of by the

Recipient prior to the date when the Recipient shall become vested in such Stock pursuant to Section 4 hereof, and such Stock shall constitute "Non-Vested Stock" until such date. Any attempt to transfer Stock in violation of this Section 2 or Section 3 shall be null and void and shall be disregarded by the Company.

(b) Repurchase Option. Non-Vested Stock shall be subject to a repurchase option in favor of the Company (the "Repurchase Option"). The Repurchase Option shall be subject to the following terms and conditions. In the event of the voluntary or involuntary termination of employment of Recipient with the Company for any reason, with or without cause (including death or disability), the Company shall, upon the date of such termination, have an irrevocable, exclusive option for a period of three months from such date to repurchase any or all of the Non-Vested Stock from Recipient or any person receiving the Non-Vested Stock by operation of law or other involuntary transfer, at the original Purchase Price for the Non-Vested Stock.

(c) Exercise of Repurchase Option. The Repurchase Option shall be exercised by written notice by the Company to Recipient or his or her executor and, at the Company's option, (i) by delivery to the Recipient or his or her executor, with such notice, of a check in the amount of the original Purchase Price for the Non-Vested Stock being repurchased (the "Repurchase Amount"), or (ii) in the event the Recipient is indebted to the Company for all or a portion of the Repurchase Amount, by cancellation by the Company of an amount of such purchase money indebtedness equal to the Repurchase Amount for the Stock being repurchased, or (iii) by a combination of (i) and (ii) so that the combined payment and cancellation of indebtedness equals such Repurchase Amount. Upon delivery by the Company of such notice and payment of the Repurchase Amount in any of the ways described above, the Company shall become the legal and beneficial owner of the Non-Vested Stock being repurchased and all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of shares of Stock being repurchased by the Company, without further action by Recipient.

(d) Assignment of Repurchase Option. The Repurchase Option may be assigned by the Company to any third party.

(e) Escrow of Stock. For purposes of facilitating the enforcement of the provisions of this Section 2, Recipient agrees, immediately upon receipt of the certificate(s) for the Stock, to deliver such certificate(s), together with an Assignment Separate from Certificate in the form attached hereto as Exhibit C, executed in blank by Recipient and Recipient's spouse (if required for transfer) with respect to each such stock certificate, to the Secretary or Assistant Secretary of the Company, or their designee, to hold in escrow for so long as such Stock remains subject to any Repurchase Option of the Company pursuant to this Section 2, with the authority to take all such actions and to effectuate all such transfers and/or releases as may be necessary or appropriate to accomplish the objectives of this Agreement in accordance with the terms hereof. Stock may be held for an additional period if subject to a Security Agreement as provided in this Agreement. Recipient hereby acknowledges that the appointment of the Secretary or Assistant Secretary of the Company (or their designee) as the escrow holder

hereunder with the stated authorities is a material inducement to the Company to make this Agreement and that such appointment is coupled with an interest and is accordingly irrevocable. Recipient agrees that such escrow holder shall not be liable to any party hereto (or to any other party) for any actions or omissions unless such escrow holder is grossly negligent relative thereto. The escrow holder may rely upon any letter, notice or other document executed by any signature purported to be genuine and may resign at any time.

3. First Refusal Right.

(a) Grant of Right. The Company is hereby granted the right of first refusal (the "First Refusal Right"), exercisable in connection with any proposed sale or other transfer of the Stock acquired by Recipient hereunder. For purposes of this Section 3, the term "transfer" shall include any assignment, pledge, encumbrance or other disposition for value of the Stock intended to be made by the Owner (defined below), but shall not include any of the Permitted Transfers under Section 3(f). For purposes of this Section 3, the term "Owner" shall include the Recipient or any subsequent holder of the Stock who derives his or her chain of ownership through a transfer permitted by Section 3(f).

(b) Notice of Intended Disposition. In the event the Owner desires to accept a bona fide third-party offer for any or all of the Stock (the shares subject to such offer to be hereinafter called, solely for the purposes of this Section 3, the "Target Shares"), Owner shall promptly deliver to the Secretary of the Company written notice (the "Disposition Notice") of the offer and the basic terms and conditions thereof, including the proposed purchase price.

(c) Exercise of Right. The Company (or its assignee) shall, for a period of twenty (20) days following receipt of the Disposition Notice, have the right to repurchase any or all of the Target Shares specified in the Disposition Notice upon substantially the same terms and conditions specified therein. Such right shall be exercisable by written notice (the "Exercise Notice") delivered to Owner prior to the expiration of the twenty (20) day exercise period. If the Exercise Notice pertains to all the Target Shares specified in the Disposition Notice, then the Company (or its assignees) shall effect the repurchase of such Target Shares, including payment of the purchase price, not more than five (5) business days after delivery of the Exercise Notice; and at such time Owner shall deliver to the Company the certificates representing the Target Shares to be repurchased, each certificate to be properly endorsed for transfer. The Target Shares so purchased shall thereupon be canceled and cease to be issued and outstanding shares of the Company's common stock. However, should the purchase price specified in the Disposition Notice be payable in property other than cash or evidences of indebtedness, the Company (or its assignees) shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property. If the Owner and the Company (or its assignees) cannot agree on such cash value within ten (10) days after the Company's receipt of the Disposition Notice, the valuation shall be made by an appraiser of recognized standing selected by the Owner and the Company (or its assignees) or, if they cannot agree on an appraiser within twenty (20) days after the Company's receipt of the Disposition Notice, each shall select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of

such value. The closing shall then be held on the later of (i) the fifth business day following delivery of the Exercise Notice or (ii) the 15th day after such cash valuation shall have been made.

(d) Non-Exercise of Right. In the event the Exercise Notice is not given to Owner within twenty (20) days following the date of the Company's receipt of the Disposition Notice, Owner shall have a period of ninety (90) days thereafter in which to sell or otherwise dispose of the Target Shares upon terms and conditions (including the purchase price) no more favorable to the third party purchaser than those specified in the Disposition Notice. The third-party purchaser shall acquire the Target Shares subject to all the terms and provisions of this Agreement. All transferees of the Target Shares shall be required as a condition of such transfer to agree in writing (in a form satisfactory to the Company) that such transferee shall receive and hold the Target Shares subject to the provisions of this Agreement. In the event Owner does not sell or otherwise dispose of the Target Shares within the specified ninety (90) day period, the Company's First Refusal Right shall continue to be applicable to any subsequent disposition of the Target Shares by Owner until such right lapses in accordance with Section 5.

(e) Partial Exercise of Right. In the event the Company (or its assignees) makes a timely exercise of the First Refusal Right with respect to a portion, but not all, of the Target Shares specified in the Disposition Notice, Owner shall have the option, exercisable by written notice to the Company delivered within ninety (90) days after the date of the Disposition Notice, to effect the sale of the Target Shares pursuant to one of the following alternatives:

(i) sale or other distribution of all the Target Shares to a third-party purchaser in compliance with the requirements of Section 3(d), as if the Company did not exercise the First Refusal Right hereunder; or

(ii) sale to the Company (or its assignees) of the portion of the Target Shares which the Company (or its assignees) has elected to purchase, such sale to be effected in substantial conformity with the provisions of Section 3(c).

Failure of Owner to deliver timely notification to the Company under this Section 3(e) shall be deemed to be an election by Owner to sell the Target Shares pursuant to alternative (ii) above.

(f) Exempt Transfers. The Company's First Refusal Right under this Section 3 shall not apply to transfers of the Stock by will or the laws of descent and distribution; provided, however, that all of the terms of this Agreement shall remain in effect as to such transferred Stock. In addition, Recipient may transfer all or a portion of the Stock to (i) a revocable trust for the sole benefit of Recipient, his or her spouse, or his or her lineal descendants, or (ii) to his or her spouse, siblings, lineal descendants thereof, parents, or his or her lineal descendants subject to a nonrevocable voting trust of a duration of 10 years without the written permission of the Company, provided said Recipient is trustee and prior written notice (together with a copy of the trust agreement) is given the Company within thirty (30) days thereafter. The trustee shall hold such Stock subject to all the provisions hereof, and shall make

no further transfers other than as provided herein. Upon the death, total disability, or termination of employment of the transferor Recipient, the successor trustee or any cotrustee (and any subsequent transferee) shall be required to sell, transfer or present said Stock for purchase as provided herein, for the price and on the terms hereafter set forth as if such successor trustee and subsequent transferee were the transferor Recipient. Transferee shall make no further transfers other than as provided herein, and any attempted transfer in violation of this Section 3 shall be null and void and shall be disregarded by the Company. All references herein to Stock shall be deemed to include Stock owned by any such successor trustee or subsequent transferee, except that payment for such trustee and transferee Stock shall be made to the trustee and transferee instead of to the original Recipient or his or her estate.

4. Vesting. For purposes of this Agreement, the term "vest" shall mean with respect to any share of the Stock that such share is no longer Non-Vested Stock subject to repurchase at the original Purchase Price set forth in Section 2. If Recipient would become vested in any fraction of a share of Stock on any date, such fractional share shall not vest and shall remain Non-Vested Stock until the Recipient becomes vested in the entire share. Commencing on March 1, 1998 and continuing on the monthly anniversary of such date, 1/36 of the Stock subject to this Agreement shall vest.

5. Lapse. The Company's First Refusal Right under Section 3 above shall lapse and cease to have effect upon the closing of the first underwritten public offering of Common Stock of the Company that is pursuant to a registration statement filed with, and declared effective by, the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), covering the offer and sale of any Common Stock to the public for the Company's account in a firmly underwritten offering for at least \$20,000,000.

6. Corporate Transactions.

(a) Definition. For purposes of this Section 6, a "Corporate Transaction" shall include any of the following stockholder-approved transactions to which the Company is a party:

(i) a merger or consolidation in which the Company is not the surviving entity, except for (1) a transaction the principal purpose of which is to change the state of the Company's incorporation, or (2) a transaction in which the Company's stockholders immediately prior to such merger or consolidation hold (by virtue of securities received in exchange for their shares in the Company) securities of the surviving entity representing more than fifty percent (50%) of the total voting power of such surviving entity immediately after such transaction;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company unless the Company's stockholders immediately prior to such sale, transfer or other disposition hold (by virtue of securities received in exchange for their shares in the Company) securities of the purchaser

or other transferee representing more than fifty percent (50%) of the total voting power of such entity immediately after such transaction;
or

(iii) any merger in which the Company is the surviving entity but in which the Company's stockholders immediately prior to such merger do not hold (by virtue of their shares in the Company) securities of the surviving entity held immediately prior to such transaction representing more than fifty percent (50%) of the total voting power of the surviving entity immediately after such transaction.

(b) Effect. In the event of any Corporate Transaction, (i) the Company's Repurchase Option under Section 2 shall lapse and (ii) the Company's First Refusal Right under Section 3 shall lapse.

7. Additional Securities. The term "Stock" also refers to all securities received in replacement of the Stock, as a stock dividend or as a result of any stock split, recapitalization, merger, reorganization, exchange or the like, and all new or additional securities or other properties to which Recipient is entitled by reason of Recipient's ownership of the Stock (hereinafter called "Additional Securities"). Recipient shall be entitled to direct the Company to exercise any warrant or option received as Additional Securities upon supplying the funds necessary to do so, in which event the securities so purchased shall constitute Additional Securities, but the Recipient may not direct Company to sell any such warrant or option. If Additional Securities consist of a convertible security, Recipient may exercise any conversion right, and any securities so acquired shall be deemed Additional Securities. All Stock shall be subject to the restrictions contained in this Agreement.

8. Investment Representations.

(a) Investment Representations. This Agreement is made in reliance upon the Recipient's representation to the Company, which by its acceptance hereof the Recipient hereby confirms, that the shares of Stock to be received by the Recipient will be acquired for investment for his or her own account and not with a view to the sale or distribution of any part thereof within the meaning of the Securities Act.

(b) Availability of Exemptions. The Recipient understands that the Stock is not registered under the Securities Act on the basis that the sale provided for in this Agreement and the issuance of securities hereunder is exempt from registration under the Securities Act pursuant to Section 4(2) thereof, and that the Company's reliance on such exemption is predicated on the Recipient's representations set forth herein.

(c) Restrictions on Transfer. The Recipient understands that the Stock may not be sold, transferred, or otherwise disposed of without registration under the Securities Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Stock or an available exemption from registration under the Securities Act, the Stock must be held indefinitely. In particular, the Recipient is aware that the Stock may not be sold pursuant to Rule 144 or Rule 701 promulgated under the Securities Act unless all of the

conditions of the applicable Rules are met. Among the conditions for use of Rule 144 is the availability of current information to the public about the Company. Such information is not now available, and the Company has no present plans to make such information available. The Recipient represents that, in the absence of an effective registration statement covering the Stock, it will sell, transfer, or otherwise dispose of the Stock only in a manner consistent with its representations set forth herein and then only in accordance with the provisions of Section 8(d) hereof.

(d) Procedure for Transfer. The Recipient agrees that in no event will it make a transfer or disposition of any of the Stock (other than pursuant to an effective registration statement under the Securities Act), unless and until (i) the Recipient shall have notified the Company of the proposed disposition and shall have furnished the Company with a statement of the circumstances surrounding the disposition, (ii) such transfer is made in accordance with the provisions of Section 2 and Section 3 above and (iii) if requested by the Company, at the expense of the Recipient or transferee, the Recipient shall have furnished to the Company either (A) an opinion of counsel, reasonably satisfactory to the Company, to the effect that such transfer may be made without registration under the Securities Act or (B) a "no action" letter from the Securities and Exchange Commission to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the Securities and Exchange Commission that action be taken with respect thereto. The Company will not require such a legal opinion or "no action" letter in any transaction in compliance with Rule 144.

9. Legends; Stop Transfer.

(a) Required Legends. All certificates for shares of the Stock shall bear the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT AS TO THE SECURITIES UNDER SAID ACT OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED."

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED BY THE TERMS OF, AND ARE SUBJECT TO A RIGHT OF FIRST REFUSAL OPTION AND A RIGHT OF REPURCHASE IN FAVOR OF THE COMPANY, AS PROVIDED IN A RESTRICTED STOCK PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE HOLDER HEREOF, OR ITS SUCCESSOR, A COPY OF WHICH IS AVAILABLE FROM THE COMPANY."

(b) Additional Legends. The certificates for shares of the Stock shall also bear any legend required by any applicable state securities law.

10. Lock-Up Agreement.

(a) Agreement. Recipient, if requested by the Company and the lead underwriter of any public offering of the Common Stock or other securities of the Company (the "Lead Underwriter"), hereby irrevocably agrees not to sell, contract to sell, grant any option to purchase, transfer the economic risk of ownership in, make any short sale of, pledge or otherwise transfer or dispose of any interest in any Common Stock or any securities convertible into or exchangeable or exercisable for or any other rights to purchase or acquire Common Stock (except Common Stock included in such public offering or acquired on the public market after such offering) during the 180-day period following the effective date of a registration statement of the Company filed under the Securities Act, or such shorter period of time as the Lead Underwriter shall specify. Recipient further agrees to sign such documents as may be requested by the Lead Underwriter to effect the foregoing and agrees that the Company may impose stop-transfer instructions with respect to such Common Stock subject until the end of such period. The Company and Recipient acknowledge that each Lead Underwriter of a public offering of the Company's stock, during the period of such offering and for the 180-day period thereafter, is an intended beneficiary of this Section 10.

(b) Permitted Transfers. Notwithstanding the foregoing, Section 10(a) shall not prohibit Recipient from transferring any shares of Common Stock or securities convertible into or exchangeable or exercisable for the Company's Common Stock to the extent such transfer is not otherwise prohibited by this Agreement, either during Recipient's lifetime or on death by will or intestacy to Recipient's immediate family or to a trust the beneficiaries of which are exclusively Recipient and/or a member or members of Recipient's immediate family; provided, however, that prior to any such transfer, each transferee shall execute an agreement pursuant to which each transferee shall agree to receive and hold such securities subject to the provisions of Section 10 hereof. For the purposes of this paragraph, the term "immediate family" shall mean spouse, lineal descendant, father, mother, brother or sister of the transferor.

(c) No Amendment Without Consent of Underwriter. During the period from identification as a Lead Underwriter in connection with any public offering of the Company's Common Stock until the earlier of (i) the expiration of the lock-up period specified in Section 10(a) in connection with such offering or (ii) the abandonment of such offering by the Company and the Lead Underwriter, the provisions of the Section 10 may not be amended or waived except with the consent of the Lead Underwriter.

11. NO EMPLOYMENT RIGHTS. THIS AGREEMENT SHALL NOT CONFER UPON RECIPIENT ANY RIGHT WITH RESPECT TO CONTINUATION OF HIS OR HER EMPLOYMENT WITH THE COMPANY OR ITS AFFILIATES, NOR SHALL IT INTERFERE IN ANY WAY WITH THE RIGHT OF RECIPIENT OR THE COMPANY, OR ANY OF ITS AFFILIATES, TO TERMINATE RECIPIENT'S EMPLOYMENT WITH THE

COMPANY AT ANY TIME FOR ANY REASON WITH OR WITHOUT CAUSE OR CHANGE THE TERMS OF EMPLOYMENT OF RECIPIENT.

12. Section 83(b) Election. Recipient hereby represents that he or she understands (a) the contents and requirements of a timely election made pursuant to Section 83(b) of the Internal Revenue Code or similar provision of state law (collectively, an "83(b) Election"), (b) the application of Section 83(b) to the purchase of Stock by Recipient pursuant to this Agreement, (c) the nature of the election to be made by Recipient under Section 83(b) and (d) the effect and requirements of the 83(b) Election under relevant state and local tax laws. Recipient further represents that he or she intends to file an election pursuant to Section 83(b), the form of which Election is attached hereto as Exhibit D, with the Internal Revenue Service within thirty (30) days following purchase of the Stock hereunder, and a copy of such election with his or her federal tax return for the calendar year in which the date of this Agreement falls. Recipient covenants to inform the Company of any change in Recipient's state of residency. Recipient shall provide the Company with a copy of any timely 83(b) Election. If Recipient makes a timely 83(b) Election, Recipient shall immediately pay Company the amount necessary to satisfy any applicable federal, state, and local income and employment tax withholding requirements. If Recipient does not make a timely 83(b) Election, Recipient shall, either at the time that the restrictions lapse under this Agreement or at the time withholding is otherwise required by any applicable law, pay the Company the amount necessary to satisfy any applicable federal, state, and local income and employment tax withholding requirements.

13. Withholding. Recipient agrees to withholding of shares from exercise for satisfaction of any applicable federal, state or local income tax or employment tax withholding requirements.

14. Distributions. The Company shall disburse to Recipient all dividends, interest and other distributions paid or made in cash or property (other than Additional Securities) with respect to Stock and Additional Securities, less any applicable federal or state withholding taxes.

15. Successors. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

16. Notice. Any notice or other paper required to be given or sent pursuant to the terms of this Agreement shall be sufficiently given or served hereunder to any party when transmitted by express or certified mail, postage prepaid, addressed to the party to be served as follows:

Company:	SkillSoft Corporation
	20 Industrial Park Drive
	Nashua, NH 03062
	Attn: Secretary

Recipient: At Recipient's address as it appears under Recipient's signature to this Agreement, or to such other address as Recipient may specify in writing to the Company

Any party may designate another address for receipt of notices so long as notice is given in accordance with this Section.

17. Spousal Consent. Recipient shall cause his or her spouse to execute the Consent of Spouse attached hereto as Exhibit E concurrently with the execution of this Agreement or, if later, at the time Recipient becomes married.

18. Delaware Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have duly executed this Restricted Stock Purchase Agreement as of the date first above written.

SKILLSOFT CORPORATION
a Delaware corporation

By _____

Its _____

Recipient:

Thomas J. McDonald

Address:
218 W. Hickory
Hinsdale, IL 60521

EXHIBIT A
SECURED PROMISSORY NOTE

\$26,250

_____, 1998

FOR VALUE RECEIVED, the undersigned Thomas McDonald, an individual residing at _____ ("Maker"), hereby promises to pay to SkillSoft Corporation, a Delaware corporation ("Payee"), on the earlier of (i) _____, 2003 or (ii) the date Maker ceases to be an employee of Payee, for any reason, the principal sum of Twenty-Six Thousand Two Hundred Fifty Dollars (\$26,250), in lawful money of the United States of America and in immediately available funds, plus simple interest from the date hereof at the rate of _____ percent (___%) per annum, payable in full on the date such principal amount is due, provided however, that the last said installment shall be in an amount necessary to repay in full the unpaid principal and interest hereof.

Interest shall be computed on the basis of a year of 365 days for the actual number of days elapsed. Should interest not be paid when due hereunder, it shall be added to the principal and thereafter bear like interest as the principal, but such unpaid interest so compounded shall not exceed an amount equal to simple interest on the unpaid principal at the maximum rate permitted by law.

This is the Promissory Note referred to in the Security Agreement of even date herewith between Maker and Payee, and Payee is entitled to all the benefits provided therein.

(i) Prepayments. Maker reserves the right to prepay the outstanding principal amount of this Note in full or in part at any time during the term of this Note without notice and without premium or penalty.

(ii) Events of Default and Remedies. Any one of the following occurrences shall constitute an "Event of Default" under this Note:

(a) Maker fails to make payment of full principal amount of this Note as and when the same becomes due and payable in accordance with the terms hereof.

(b) Maker becomes insolvent or bankrupt, commits any act of bankruptcy, generally fails to pay its debts as they become due, becomes the subject of any proceedings or action of any regulatory agency or any court relating to insolvency, or makes an assignment for the benefit of its creditors, or enters into any agreement for the composition, extension, or readjustment of all or substantially all of his or her obligations.

(c) Maker ceases to be an employee of Payee for any reason.

Upon the occurrence of any Event of Default hereunder, the entire unpaid principal balance of this Note (including accrued interest) shall, at the option of the Payee and without notice or demand of any kind to Maker or any other person,

immediately become due and payable, and Payee shall have and may exercise any and all rights and remedies available to it at law or in equity.

(iii) Attorneys' Fees and Costs. Maker promises to pay on demand all reasonable out-of-pocket costs of and expenses of Payee in connection with the collection of amounts due hereunder, including, without limitation, attorneys' fees incurred in connection therewith, whether or not any lawsuit is ever filed with respect thereto.

(iv) Miscellaneous.

(a) Waiver. Maker waives diligence, presentment, protest and demand and also notice of protest, demand, dishonor and nonpayment of this Note. No extension of time for the payment of this Note shall affect the original liability under this Note of Maker. The pleading of any statute of limitations as a defense to any demand against Maker is expressly waived by Maker to the full extent permitted by law.

(b) Setoff. The obligation to pay Payee shall be absolute and unconditional and the rights of Payee shall not be subject to any defense, setoff, counterclaim or recoupment or by reason of any indebtedness or liability at any time owing by Payee to Maker.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Note as of the date first above written.

MAKER

Thomas McDonald

EXHIBIT B
SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made and entered into as of this _____ day of _____, 1998, by and between SkillSoft Corporation, a Delaware corporation ("Secured Party"), and Thomas McDonald, an individual residing at _____ ("Debtor").

In consideration of the mutual covenants contained herein and for other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Definitions. The following terms have the following meanings:

(a) The term "Collateral" shall mean (i) the tangible assets owned by Debtor as of the date hereof and described in Exhibit A attached hereto and (ii) all Proceeds of the foregoing Collateral. For purposes of this Security Agreement, the term "Proceeds" includes whatever is receivable or received when Collateral or proceeds thereof is sold, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, all rights to payment, including return premiums, with respect to any insurance relating thereto.

(b) The term "Obligations" shall mean all of the unpaid principal sum of that certain Secured Promissory Note in the original principal amount of \$26,250 of even date herewith (the "Note") evidencing the indebtedness of Debtor to Secured Party.

(c) The term "UCC" shall mean the Uniform Commercial Code as the same may, from time to time, be in effect in the State of New Hampshire.

(d) Capitalized terms used herein shall have the meaning set forth in the UCC unless otherwise set forth herein.

(e) The term "Event of Default" shall have the meaning set forth in the Note.

2. Grant of Security Interest. As collateral security for prompt and complete payment and performance under the Obligations, Debtor hereby assigns, conveys, grants, pledges and transfers to and creates in favor of Secured Party a security interest in the Collateral, including all Proceeds of the foregoing and all accessions to, substitutions and replacements for the foregoing. Debtor shall, upon execution of this Security Agreement, and of the Note as Payee (as such term is defined in the Note), deliver all certificates representing the Collateral together with a stock power executed in blank by Debtor and Debtor's spouse with respect to such stock certificates to the Secretary of Secured Party to be held in escrow until full satisfaction of Debtor's obligations hereunder and under the Note with the authority to take all such actions and to effectuate all such transfers and/or releases as may be necessary or appropriate to accomplish the objectives of this Security Agreement and the Note. In the event that the Proceeds from the disposition

of the Collateral are insufficient to fully satisfy the amounts due and owing under the Note, Debtor shall, subject to the limitations set forth in the UCC, be liable for any deficiency.

3. Representations, Warranties and Covenants. Debtor represents, warrants and covenants that:

(a) Title. Apart from the security interest in the Collateral granted to Secured Party hereunder, Debtor has good and valid title to the Collateral, free and clear of any and all liens, charges, claims, security interests or encumbrances of any kind whatsoever.

(b) Transfer of Collateral. Debtor shall not sell, assign, transfer, encumber or otherwise dispose of any of the Collateral or any interest therein without the prior written consent of Secured Party. If any such encumbrance is imposed, Debtor shall give Secured Party immediate written notice.

(c) Perfection. Debtor shall, upon demand, do all such acts as Secured Party may reasonably request to establish and maintain a perfected security interest in the Collateral, including, without limitation, executing a financing statement in the form prescribed by the New Hampshire Secretary of State.

4. Remedies. Upon the occurrence of any Event of Default hereunder, the entire unpaid principal balance of the Note shall, at the option of the Payee and without notice or demand of any kind to Debtor or any other person, immediately become due and payable, and Secured Party may proceed to exercise any and all of the rights and remedies of a secured party under the UCC and any other remedies available at law or in equity, with respect to the Collateral.

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be executed as of the date first above written.

SECURED PARTY
SKILLSOFT CORPORATION
a Delaware corporation

By: _____
Its: _____

DEBTOR

Thomas McDonald

EXHIBIT A
DESCRIPTION OF COLLATERAL

150,000 shares of Common Stock of SkillSoft Corporation

EXHIBIT C
STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED, Thomas McDonald hereby sells, assigns and transfers unto SkillSoft Corporation, a Delaware corporation (the "Company"), 150,000 (One Hundred Fifty Thousand) shares of the Common Stock of the Company, standing in his or her name on the books of SkillSoft Corporation, represented by Certificate No. __ herewith, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said stock in the books of SkillSoft Corporation with full power of substitution.

DATED: _____

(Signature)

(Printed Name)

EXHIBIT D
ELECTION UNDER SECTION 83(b)
OF THE INTERNAL REVENUE CODE OF 1986

The undersigned taxpayer hereby elects, pursuant to the Internal Revenue Code, to include in gross income for 1998 the amount of any compensation taxable in connection with the taxpayer's receipt of the property described below;

1. The name, address, taxpayer identification number and taxable year of the undersigned are:

TAXPAYER'S NAME: Thomas J. McDonald
SPOUSE'S NAME: Danielle McDonald

TAXPAYER'S SOCIAL SECURITY NO.: 344-40-8049
SPOUSE'S SOCIAL SECURITY NO.: 338-44-4017

TAXABLE YEAR: Calendar Year 1998

ADDRESS:

2. The property which is the subject of this election is:
300,000 shares of Common Stock of SkillSoft Corporation, a Delaware corporation.

3. The property was transferred to the undersigned on June 24, 1998.

4. The property is subject to the following restriction: Upon a termination of the undersigned's employment with the Company, the Company has the right to repurchase unvested Shares at the original purchase price. The Shares shall vest, and the Company's repurchase right shall lapse as follows: The Shares subject to the Agreement shall vest in thirty-six (36) monthly installments commencing on the monthly anniversary date of the Agreement and continuing thereafter monthly until all Shares covered by the Agreement have become vested.

5. The fair market value of the property at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is: \$0.175 per share x 300,000 shares = \$52,500.

6. The undersigned paid \$0.175 per share x 300,000 shares for the property transferred or a total of \$52,500.

The undersigned has submitted a copy of this statement to the person for whom the services were performed in connection with the undersigned's receipt of the above-described property. The undersigned taxpayer is the person performing the services in connection with the transfer of said property.

The undersigned will file this election with the Internal Revenue Service office in which he or she files his or her annual income tax return not later than 30 days after the date of transfer of the property. A copy of the election also will be furnished to the person for whom the services were performed. Additionally, the undersigned will include a copy of the election with his or her income tax return for the taxable year in which property is transferred. The undersigned understands that this election will also be effective as an election under New Hampshire law.

Dated: _____ Taxpayer

The undersigned spouse of taxpayer joins in this election.

Dated: _____ Spouse of Taxpayer

EXHIBIT E
CONSENT OF SPOUSE

I, _____, spouse of Thomas McDonald, have read and approved the foregoing Agreement. In consideration of the right of my spouse to purchase shares of SkillSoft Corporation, as set forth in the Agreement, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights of the Agreement insofar as I may have any rights under such community property laws of the State of New Hampshire or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: _____

By: _____
[Signature]

Thomas McDonald

</TEXT>
</DOCUMENT>

EMPLOYMENT AGREEMENT

This Employment Agreement among Colm Darcy (the "EXECUTIVE") and SmartForce PLC, a public company limited by shares formed under the laws of the Republic of Ireland ("SMARTFORCE PLC") and its wholly-owned subsidiary, SmartForce, a Delaware corporation ("SMARTFORCE"), is entered into as of September __, 2002. The effectiveness of this Agreement is subject to the occurrence of the Closing Date as that term is defined in the Agreement and Plan of Merger by and among SmartForce, SkillSoft Corporation and Slate Acquisition Corp. (the "EFFECTIVE DATE"). If such Agreement and Plan of Merger is terminated prior to the Closing Date, this Agreement shall be null and void. For purposes of this Agreement, the term "COMPANY" shall be used to refer to both SmartForce PLC and SmartForce.

WHEREAS, the Company desires to employ the Executive and the Executive desires to continue employment with the Company on the terms and conditions set forth below;

NOW, THEREFORE, in consideration of the foregoing recital and the respective covenants and agreements of the parties contained in this document, the Company and the Executive agree as follows:

1. Employment and Duties. The Executive shall be employed as Executive Vice President of Content Development of the Company effective as of the Effective Date reporting to the Chief Executive Officer, and assuming and discharging such responsibilities as are mutually agreed upon by the Executive and the Chief Executive Officer commensurate with such office and position. The Executive shall perform faithfully the executive duties assigned to him to the best of his ability.
2. Base Salary. In consideration of the Executive's services, the Executive shall be paid a minimum base salary at the rate of \$200,000 per year during the period of employment (the "BASE SALARY"), to be paid in installments in accordance with the Company's standard payroll practices. This Base Salary shall be reviewed for increases at least annually by the Board of Directors of the Company (the "Board") on the same basis as the Board shall review the compensation of other executive officers of the Company. In the event that the Board of Directors deems it appropriate to decrease such base salary, the Executive hereby consents to such change provided that the resulting reduced base salary is consistent with the base salary of the other members of the executive management team (ie..EVP, Software Development, Chief Financial Officer and Executive Vice President, Sales).
3. Stock Option. In addition to the Base Salary, Company shall recommend to the Board of Directors or appropriate committee that Executive be granted an option to purchase a total of 50,000 shares of the Company on the Effective Date. The option will vest as to 25% one year from the Effective Date and as to 1/48th of the shares each month thereafter and will be evidenced by the Company's standard form of share option agreement.
4. At-Will Employment. The Company and the Executive acknowledge that the Executive's employment is and shall continue to be at-will, as defined under applicable law. If the Executive's employment terminates for any reason, the Executive shall not be entitled to any

payments, benefits, damages, awards or compensation other than as provided by this Agreement, or as may otherwise be available in accordance with the Company's established employee plans and policies or other written agreements with the Executive at the time of termination.

5. Benefits; Expenses. The Executive, together with his spouse and dependent children, shall be permitted, to the extent eligible, to participate at the Company's expense in any group medical, dental, life insurance and disability insurance plans, or similar benefit plans of the Company that are available to other executive officers in each case pursuant to the terms and conditions of each such plan or program. The Executive shall also be entitled to four (4) weeks' annual vacation. Without limiting the generality of the foregoing, the Company shall reimburse the Executive for all reasonable business and travel expenses actually incurred or paid by the Executive in the performance of services on behalf of the Company, in accordance with the Company's expense reimbursement policy as in effect from time to time. The Company will fund two round trip economy class tickets to Ireland each year for Executive's spouse, for so long as the Executive is based in the United States. The Executive shall be entitled to travel business class on coast-to-coast and international business trips. In addition to any other rights set forth in the event of the Executive's termination, Executive shall be reimbursed for actual, reasonable cost to relocate self and family to Ireland in the event that the Company requests that the Executive relocate to Ireland (and he does so) or an Involuntarily Termination Event with respect to the Executive's employment occurs, and he returns to Ireland within three months thereafter.

6. Voluntary Termination and Termination for Cause. In the event that the Executive terminates his employment with the Company voluntarily (other than for Good Reason, as defined below) or the Company terminates the Executive's employment for Cause, Sections 6(a), 6(b) and 6(c) below shall apply. For purposes of this Agreement, termination for "CAUSE" shall mean (i) any act of personal dishonesty taken by the Executive in connection with his responsibilities as an employee which is intended to cause a material personal financial benefit for the Executive and is intended to cause a material financial detriment to the Company, (ii) the Executive's conviction of or plea of nolo contendere to a felony, (iii) a willful act by the Executive which constitutes misconduct and is injurious to the Company, and (iv) continued willful violations by the Executive of the Executive's obligations to the Company under this Agreement.

(a) Covenant Not to Solicit. Beginning with the effective date of the Executive's voluntary termination (other than for Good Reason) or termination for Cause and until the later of (i) six (6) months thereafter or (ii) the date that is one (1) year after the Effective Date (the "NON-COMPETE PERIOD"), the Executive agrees that he will not:

(i) solicit, encourage, or take any other action which is intended to induce any other employee of the Company to terminate his employment with the Company, or

(ii) interfere in any manner with the contractual or employment relationship between the Company and any such employee of the Company.

The foregoing shall not prohibit the Executive or any entity with which the Executive may be affiliated from hiring a former employee of the Company, provided that such hiring results from

such employee's affirmative response to a general recruitment effort carried out through a public solicitation or a general solicitation.

(b) Covenant Not to Compete. During the Non-Compete Period, the Executive agrees that he will not, directly or indirectly, own, manage, operate, join, control, advise or participate in, as a shareholder (other than as a shareholder with less than one percent (1%) of the outstanding stock of a company), officer, manager, executive, partner, consultant or technical or business advisor (or any foreign equivalents of the foregoing) any company that derives more than ten percent (10%) of its revenues from a Restricted Business, or any company or entity controlling, controlled by or under common control with any company that derives more than ten percent (10%) of its revenues from a Restricted Business (any such company, a "RESTRICTED COMPANY"). For the purposes of this Agreement, the term "RESTRICTED BUSINESS" shall mean the business of developing or selling computer-based training for information technology professionals, on-line business degrees, or any other interactive education business in which the Company is then involved.

The foregoing will not in any way affect the Executive's right to take any of the foregoing positions if he is involved only in parts of a company that do not derive any revenues from the Restricted Business.

(i) In the event that the Executive intends to associate with any Restricted Company during the Non-Compete Period, the Executive must provide information in writing to the Chief Executive Officer of the Company relating to the business engaged in or proposed to be engaged in by such Restricted Company. All such current associations of the Executive are set out in Exhibit A hereto.

In the event that the Chief Executive Officer authorizes the Executive to engage in such activity in writing, any activity by the Executive described in the written information furnished to the Chairman of the Board and so authorized shall be conclusively deemed not to be a violation of Section 6(a) and (b) hereof.

(ii) The Executive acknowledges that the Company will be irreparably injured if the provisions of this Section 6 are not specifically enforced. If the Executive commits or, in the reasonable belief of the Company, threatens to commit a breach of any of the provisions of this Section 6, the Company and each of its subsidiaries and affiliates shall have the right and remedy, in addition to any other remedy that may be available at law or in equity, to have the provisions of this Section 6 specifically enforced by any court having equity jurisdiction together with an accounting for any benefit or gain by the Executive in connection with any such breach, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and its subsidiaries and that money damages will not provide an adequate remedy therefor. Such injunction shall be available without the posting of any bond or other security, and the Executive hereby consents to the issuance of such injunction.

(c) The Executive shall not receive any compensation or benefits under this Agreement on account of his voluntary termination or termination for Cause. The Executive's rights under the Company's benefit plans upon such a termination shall be determined under the provisions of those plans.

7. Termination without Cause and Involuntary Termination. If the Executive's employment with the Company is involuntarily terminated by the Company other than for Cause or by the Executive for Good Reason (an "INVOLUNTARY TERMINATION EVENT"), Sections 7(a) and 7(b) below shall apply. For purposes of this Agreement, the term "GOOD REASON" shall mean (i) without the Executive's express written consent, the assignment to the Executive of any duties, or the removal from or reduction or limitation of the Executive's duties or responsibilities, which in either case is a significant change in the Executive's position, title, organization level, duties, responsibilities, compensation and status with the Company after the Effective Date; (ii) without the Executive's express written consent, a substantial reduction of the facilities and perquisites (including office space and location), available to the Executive immediately prior to such reduction, excluding those related to the potential relocation of the Executive to, at his election, Dublin, Ireland or Nashua, New Hampshire; (iii) without the Executive's express written consent, a reduction by the Company in the base salary of the Executive as in effect immediately prior to such reduction; (iv) without the Executive's express written consent, a reduction by the Company in the kind or level of employee benefits to which the Executive is entitled immediately prior to such reduction with the result that the Executive's overall benefits package is significantly reduced; excluding changes to benefits that are made in order to bring the Executive's benefits in line with other members of the executive management team; (v) without the Executive's express written consent, the relocation of the Executive to a facility or a location more than twenty (20) miles from the Executive's then-present work location, excluding the potential relocation of the Executive to, at his, Dublin, Ireland or Nashua, New Hampshire; (vi) any purported termination of the Executive by the Company other than for Cause or by reason of the Executive's death or Disability; (vii) the failure of the Company to obtain the assumption of this Agreement by any successor as required by Section 12 below; or (viii) any material breach by the Company of any term of this Agreement.

(a) Severance. The Company shall, in addition to paying the Executive all amounts accrued by the Executive on or prior to the date of the Involuntary Termination Event, make a lump sum payment to him equal to (i) his then base salary for a period equal to the greater of (A) six (6) months or (B) the date of the Involuntary Termination Event to the date that is one (1) year after the Effective Date plus (ii) the greater of (A) \$75,000 or (B) \$150,000 multiplied by a fraction, the numerator of which is the number of months remaining in the period from the date of the Involuntary Termination Event to the date that is one (1) year after the Effective Date and the denominator of which is 12.

(b) Stock Options. Notwithstanding that above Sections 6(a) and 6(b) will otherwise not apply to the Executive as a result of the Involuntary Termination Event, the Executive may elect to be bound by above Sections 6(a) and 6(b) in exchange for continued vesting of the stock options granted to him by the Company for the period during which such Sections 6(a) and (b) apply (i.e., through the later of (i) six (6) months following the Involuntary Termination Event or (ii) the date that is one (1) year after the Effective Date); provided, however, that the Executive has to notify the Company of said election within thirty (30) days of such termination. Otherwise, the Executive's stock options will discontinue to vest immediately upon termination of employment.

8. Death. In the event of the Executive's death, except for obligations accrued at such time, the Company shall have no obligation to pay or provide any compensation or benefits under this Agreement. The Executive's rights under the Company's benefit plans in the event of the Executive's death shall be determined under the provisions of those plans.

9. Disability. The Company may terminate the Executive's employment for Disability by giving the Executive thirty (30) days' advance notice in writing. In the event that the Executive resumes the performance of substantially all of his duties hereunder before the termination of his employment under this Section 9 becomes effective, the notice of termination shall automatically be deemed to have been revoked. Except for such obligations that have accrued prior to the Executive's Disability, no compensation or benefits will be paid or provided to the Executive under this Agreement on account of termination for Disability. The Executive's rights under the Company's benefit plans shall be determined under the provisions of those plans. For all purposes under this Agreement, "DISABILITY" shall mean that the Executive, at the time notice is given, has been unable to substantially perform his duties under this Agreement for a period of not less than six (6) consecutive months as the result of his incapacity due to physical or mental illness.

10. Tax Provisions. In the event that all or any part of the benefits provided for in the Agreement, when aggregated with any other payments or benefits received by the Executive, would (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "CODE"), and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "EXCISE TAX"), then the amount of the Executive's benefits to be paid or delivered hereunder shall be either

(a) the full amount of such benefits determined without regard to this Section 10, or

(b) such lesser amount which would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Executive on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Unless the Company and the Executive otherwise agree in writing, any determination required under this paragraph shall be made in writing by the Company's independent public accountants (the "ACCOUNTANTS") whose determination shall be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required by this paragraph, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this paragraph. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this paragraph.

11. Proprietary Information Agreement. In connection with commencement of the Executive's employment with the Company, the Executive will sign the Company's standard

executive proprietary information agreement, provided that its provisions, if any, concerning non-solicitation and non-competition shall be deleted in favor of the provisions herein.

12. Successors. The Company shall require any successor or assignee, in connection with any sale, transfer or other disposition of all or substantially all of the assets or business of SmartForce PLC, whether by purchase, merger, consolidation or otherwise, expressly to assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession or assignment had taken place. In such event, the term SmartForce PLC as used in this Agreement, shall mean SmartForce PLC as defined above and any successor or assignee to the business and assets which by reason hereof becomes bound by the terms and provisions of this Agreement.

13. Confidentiality. Except as required by applicable laws, neither party shall disclose the contents of this Agreement without first obtaining the prior written consent of the other party, provided, however, that (i) the Executive may disclose this Agreement to his attorney, financial planner and tax advisor if such persons agree to keep the terms hereof confidential and (ii) the Company may disclose this Agreement if its counsel advises that it is required to do so under applicable law.

14. Arbitration. Any claim, dispute or controversy arising out of this Agreement, the interpretation, validity or enforceability of this Agreement or the alleged breach thereof shall be submitted by the parties to binding arbitration before the American Arbitration Association in San Francisco County, California; provided, however, that this arbitration provision shall not preclude either party from seeking injunctive relief from any court having jurisdiction with respect to any disputes or claims relating to or arising out of this Agreement or Executive's conduct as an officer, director or employee of the Company. All costs and expenses of arbitration, excluding attorneys' fees, shall be paid by the Company. The arbitrator shall have the power to award attorneys' fees where provided by statute or rule. The arbitrator shall be neutral, and shall issue all decisions in writing. Judgment may be entered on the award of the arbitration in any court having jurisdiction.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to agreements made and to be performed entirely within such state.

16. Integration. This Agreement, any written agreements or other documents evidencing matters referred to herein and any written Company existing plans that are referenced herein represent the entire agreement and understanding between the parties as to the subject matter hereof and thereof and supersede all prior or contemporaneous agreements as to the subject matter hereof and thereof, whether written or oral. No waiver, alteration, or modification, if any, of the provisions of this Agreement shall be binding unless in writing and signed by duly authorized representatives of the parties hereto.

17. Voluntary Execution; Conflict Waiver. The Executive has been advised to obtain independent legal counsel regarding this Agreement. The Executive is signing this Agreement knowingly and voluntarily. The Company and the Executive acknowledge that Wilson Sonsini Goodrich & Rosati, Professional Corporation ("WSGR") has acted as counsel to the Company in

negotiating this Agreement and will continue to serve as the Company's general counsel in the future, and each acknowledges that each has received full disclosure of any potential conflict of interest which may result from such representation, and knowingly and voluntarily waive any such conflict of interest.

18. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address that he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

19. No Mitigation. In the event the Executive's employment with the Company terminates, the Executive shall not be required to mitigate damages or the amount of any payment provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided under this Agreement be reduced by any compensation earned by the Executive as a result of employment by another employer or by retirement benefits after such termination, or otherwise.

20. Waiver. If either party should waive any breach of any provisions of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

21. Counterparts. This Agreement may be executed in counterparts, which together will constitute one instrument.

[Remainder of page intentionally left blank]

EXECUTIVE

By: /s/ Colm Darcy

SMARTFORCE PLC

By: /s/ Charles E. Moran

Name: Charles E. Moran
Title: President & CEO

SMARTFORCE

By: /s/ Charles E. Moran

Name: Charles E. Moran
Title: President & CEO

CONSENT OF SPOUSE: I hereby consent to this Agreement for purposes of any community property interest I may have in the foregoing arrangements. I have had the opportunity to seek independent counsel with regard to this consent and knowingly and voluntarily waive the right to such counsel.

/s/ Carol Radic

Signature of Spouse

Carol Radic

Printed Name of Spouse

November 19, 2002

Date Signed

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LEASE

THIS INDENTURE OF LEASE dated as of this 18th day of February, 1998, by and between FIVE N ASSOCIATES, a New Hampshire general partnership with a principal place of business at 40 Temple Street, Nashua, Hillsborough County, New Hampshire, (hereinafter called "Lessor"), and SkillSoft Corporation of 9 Chickadee Court, Bedford, New Hampshire (hereinafter called "Lessee").

WITNESSETH

SECTION 1

LEASED PREMISES

Lessor hereby leases to Lessee and the Lessee hereby leases from Lessor, upon and subject to the terms and provisions of this Lease, a portion of 20 Industrial Park Drive, Nashua, New Hampshire (which portion is sometimes hereinafter referred to as the "Leased Premises") containing 5,515 gross square feet on the third floor and cross-hatched on Exhibit A annexed hereto and made a part hereof.

The Leased Premises shall extend to the exterior faces of exterior walls or to the building line where there is no wall, or the center line of those walls separating said Premises from other Leased Premises in 20 Industrial Park Drive, Nashua, New Hampshire, together with the appurtenances specifically granted in this Lease, but reserving and excepting to Lessor the right to install, maintain, use, repair and replace pipes, duct work, conduits, utility lines and wires through hung ceiling space, column space and partitions, in or beneath the floor slab, or above or below the Leased Premises, or other parts of 20 Industrial Park Drive, Nashua, New Hampshire, except that Lessor shall not unreasonably interfere with or interrupt the business operations of Lessee within the Leased Premises and except where necessary as determined by Lessor's architect, no pipes, conduits, utility lines or wires installed by Lessor shall be exposed in the office area of the Leased Premises.

SECTION 2

TERM OF LEASE

2.1 The term of this Lease shall be for a period of three (3) years, which period shall commence March 1, 1998 and shall end on February 28, 2001.

2.2 In the event Lessee shall hold over after the expiration of this term, such holding over shall not extend the term of this

Lease, but shall create a month-to-month tenancy upon all the terms and conditions of this Lease; provided, however, that during such holdover, monthly rent during such holdover shall equal 150% of the monthly rent assessed for the last month of the expired term.

SECTION 3

RENT

3.1 Lessee covenants and agrees to pay Lessor at the place provided herein for the giving of notice to Lessor, as annual base rent for said Premises the sum of Thirty Five Thousand Eight Hundred Forty-Seven Dollars and Fifty Cents (\$35,847.50) payable in monthly installments Two Thousand Nine Hundred Eighty-Seven Dollars and Twenty-Nine Cents (\$2,987.29) for each month. Each monthly installment shall be paid in advance on the FIRST DAY of each and every calendar month during the term hereof. If the term of this lease shall begin on a day other than the 1st of a month, the Lessee shall pay a PRO RATA portion of a month's rent on the day the term commences and thereafter the Lessee shall pay a succeeding monthly installment on the 1st day of each succeeding month. Under no circumstances shall Lessee be entitled to withhold any rent due hereunder or setoff against the same on account of Lessor's purported failure to perform any of its obligations hereunder.

3.2 Any payment by Lessee or acceptance by Lessor of a lesser amount than shall be due from Lessee to Lessor shall be treated as a payment on account. The acceptance by Lessor of a check or payment for a lesser amount with an endorsement or statement thereon, or upon any letter accompanying such a check or payment, that such lesser amount is payment in full, shall be given no effect and Lessor may accept such check or payment without prejudice to any other rights or remedies which Lessor may have against Lessee.

3.3 Lessee covenants and agrees to pay Lessor at the place provided herein for the giving of notice to Lessor, as additional rent during the term hereof Lessee's PRO RATA share, which is hereby defined and agreed as being 19.626% of the charges, costs and expenses defined in paragraphs 6.3, 7.2, 10.1 and 19.1 of this Lease. Lessee shall pay Lessor such additional rent in monthly installments coincidental with the monthly base rental payments as set forth in paragraph 3.1 hereof. Lessee acknowledges that Lessor may adjust, once every month, the amount of Lessee's monthly installments to cover any difference between the actual charges, costs and expenses incurred by Lessor and the amount of the monthly installments paid by Lessee. It is agreed that Lessee's additional rent in monthly installments shall be One Thousand Six Hundred Eight Dollars and Fifty-Four Cents (\$1,608.54) until notification of further adjustment in accordance with this Lease. In addition to the foregoing, Lessor may make assessments for expenses incurred

which are over and above the monthly installments paid by Lessee, for any period during the term of this Lease.

3.4 If Lessee shall fail to make payment of any installment of Base Rent or any Additional Rent after the date when such payment is due, Lessee shall pay to Lessor, in addition to such installment of Base Rent or such Additional Rent, as the case may be, as a late charge and as Additional Rent, a sum equal to two (2%) percent per annum above the then current prime rate charged by Bank of New Hampshire, Nashua, New Hampshire or its successor of the amount unpaid computed from the date such payment was due to and including the date of payment.

SECTION 4

SECURITY DEPOSIT

The Lessee hereby deposits the sum of Two Thousand Nine Hundred Eighty-Seven Dollars and Twenty-Nine Cents (\$2,987.29) with the Lessor, the receipt of which is hereby acknowledged, as security for the full and faithful performance by the Lessee of each and every term, covenant and condition of this Lease. Lessee shall maintain the full amount of the security deposit throughout the term of this Lease. In the event that the Lessee defaults with respect to any terms, provisions, covenants and conditions of this Lease, including but not limited to payment of any rentals, the Lessor may use, apply or retain the whole or any part of the security so deposited for the payment of any such rentals in default or for any such sums which Lessor may expend or be required to expend by reason of the Lessee's default, including any damages or deficiency in the reletting of the Demised Premises, whether such damages or deficiency may accrue before or after summary proceedings or other reentry by the Lessor. In the event that the Lessee shall fully and faithfully comply with all terms, provisions, covenants and conditions of this Lease, the security or the balance thereof will be returned to the Lessee after the time fixed as the expiration thereof. The Lessee shall not be entitled to any interest on the security. In the absence of evidence satisfactory to the Lessor of any assignment of the right to receive this security, or the remaining balance thereof, the Lessor may return the security to the original Lessee, regardless of one or more assignments of the Lease itself.

Prior to the time when the Lessee shall be entitled to return of the security deposit, the Lessor shall be entitled to intermingle such deposit with its own funds and to use such funds for purposes as the Lessor may determine.

In the event of a bona fide sale, subject to this Lease, the Lessor shall have the right to transfer the security deposit to the vendee for the benefit of the Lessee, and the Lessor shall be considered released by the Lessee from all liability for return of

such sum, and the Lessee agrees to look to the new landlord solely for the return of the security, and it is agreed that this apply to every transfer or assignment made of the security to a new landlord.

SECTION 5

QUIET ENJOYMENT

Lessor shall put Lessee into possession of the Leased Premises at the beginning of the term hereof, and Lessee, upon paying the rent and observing the other covenants and conditions herein, upon its part to be observed, shall peaceably and quietly hold and enjoy the Leased Premises.

SECTION 6

COMMON AREAS; MAINTENANCE THEREOF

6.1 Lessor hereby further grants and gives to Lessee, its customers, business invitees, employees, agents and suppliers, the privilege during the term of this Lease and any renewal thereof, in common with Lessor, its successors, assigns and other tenants, and others, of using, for purposes of ingress and egress and parking, the parking areas and ways developed and to be developed by the Lessor on or about the Leased Premises, and serving 20 Industrial Park Drive, Nashua, New Hampshire of which the Leased Premises are a part, provided, however:

A. No officers, employees or agents of Lessee shall park vehicles of their own overnight on any portions of said parking areas unless verbal approval is given by Lessor. Lessor agrees to provide suitable and adequate parking facilities for Lessee's officers, employees or agents which are reasonably accessible to the Leased Premises;

B. Said rights of ingress and egress and parking shall be subject to all easements, rights and other claims of record;

C. Lessee shall not obstruct the use of the sidewalks adjacent to the Leased Premises;

D. Lessee shall not conduct an auction, fire, bankruptcy, going out of business or similar sale, in the Leased Premises without the prior written approval of Lessor;

E. Lessee shall not deposit any garbage or refuse on the walkways or other common areas and shall cause all garbage and refuse to be removed to trash dumpsters provided by the Lessor;

F. Lessee shall not burn any trash on or near the Leased

Premises or cause any offensive odors to be emitted from the Leased Premises;

G. Lessee shall not permit or cause to be used on the Leased Premises any device such as a public address system, neon or excessively bright, changing, flashing or flickering lights, or any similar devices, the effect of which shall be visible or audible from the exterior of the Leased Premises;

H. Lessee shall conform to all reasonable rules established by Lessor and uniformly applied by Lessor relative to the operation and use of 20 Industrial Park Drive, Nashua, New Hampshire;

I. Lessor reserves the right from time to time to close the common areas in such manner as it shall deem necessary for the maintenance, operation, replacement or expansion of 20 Industrial Park Drive, Nashua, New Hampshire, or to prevent the acquisition of any rights by public or others with respect thereto, and such interruption shall be done in a manner to reasonably minimize any business interruption of the Lessee. Under the above circumstances shall the Lessor not be liable for any interruption of the Lessee's business.

6.2 Lessor agrees to provide reasonably suitable area lighting for the common areas of 20 Industrial Park Drive, Nashua, New Hampshire, maintenance of pavement on all parking areas, maintenance of all utilities serving 20 Industrial Park Drive, Nashua, New Hampshire, and generally, all other services in the nature of maintenance, repairs and/or renovations as are reasonably required in order to maintain all common areas, and improvements, serving such common areas, in 20 Industrial Park Drive, Nashua, New Hampshire as a whole.

6.3 Lessee shall pay to Lessor, as additional rent during the term hereof and as set forth in paragraph 3.3 of this Lease, its PRO RATA share of the operating costs of the Common Area. "Operating costs" shall mean the total cost and expense incurred in operating, maintaining and managing 20 Industrial Park Drive, Nashua, New Hampshire and the Common Area, including without limitation, painting of the building, roof repair, gardening and landscaping, planting, care of trees and shrubs, repairs, line painting (striping), lighting, removal of snow, trash, rubbish and other refuse, sanitary control, sweeping, cleaning, fixing potholes, resurfacing and sealing parking lot, depreciation of machinery and equipment used in maintenance, and the cost of personnel to implement such service,s including directing parking and policing the Common Area.

SECTION 7

CONDITION OF PREMISES; REPAIRS

7.1 Except as set forth below, Lessee shall accept the building, improvements and any equipment or fixtures on or in the Leased Premises "as is" and in their existing condition and agrees that no representation, statement or warranty, express or implied, has been made by or on behalf of Lessor as to such condition, or as to the use that may be made of such property in accordance with all laws, statutes, requirements and permits.

7.2 Lessee shall pay to the Lessor, as additional rent during the term hereof and set forth in paragraphs 3.3 of this Lease, its pro rata share of the repair and maintenance costs performed by the Lessor on the heating, air conditioning, electrical and plumbing systems of the Leased Premises and of the Common Areas.

7.3 Lessor covenants and agrees that it will maintain in good repair the exterior walls of the Leased Premises, the structural beams, structural columns and other structural parts of the Leased Premises. Lessee covenants and agrees that it will keep, during the term hereof, at its own cost and expense, the interior of the Leased Premises, in as good condition as the same was at the commencement of the term hereof, taking by eminent domain and damage due to fire or casualty insured against excepted. Lessee also agrees to replace, at its own cost and expense, all window glass of the same kind and quality, taking by eminent domain and damage due to fire or other casualty insured against excepted. Lessee further agrees to replace and/or repair, at its own cost and expense, all light bulbs and lighting fixtures which are damaged, broken or cease to function during the term hereof, with bulbs or fixtures of the same kind and quality.

7.4 The Lessee shall not, without written consent of the Lessor, store any materials, goods or equipment outside the Leased Premises.

7.5 The Lessee shall at its expense make any alterations or changes in the leased premises which may be necessary to meet the regulations and standards promulgated and established under the Occupational Safety and Health Act of 1970.

7.6 With the exception of the removal of the interior wall which shall be the Lessor's responsibility, during the term of this lease, the Lessee shall be responsible for any repairs or alterations to the leased premises deemed necessary by local, state or federal officials, in order to meet compliance with any changes in local, state or federal regulations during the term of this lease.

7.7 During the term of this lease, in the event of a claim brought under the Americans with Disabilities Act on the Leased Premises, exclusive of the common area of which Lessee shall pay its pro rata share as described in Section 6.3 of this Lease, Lessee shall be responsible for ensuring satisfaction therewith.

SECTION 8

IMPROVEMENTS BY LESSEE

8.1 Lessee may, with the prior written approval of Lessor, make such alterations, additions or improvements to the Leased Premises, excluding, however, the exterior of the Leased Premises, as it shall deem necessary or desirable; provided, however:

A. No such alteration, addition or improvement shall lessen the fair market value of the Leased Premises;

B. Lessee shall not make any alterations to the structure of the Leased Premises;

C. Any such alteration, addition or improvement shall be made in accordance with previously prepared plans and specifications, and if the estimated cost of such alteration, addition or improvement exceeds One Thousand Dollars (\$1,000.00) such plans and specifications shall have the written approval of Lessor before any work thereon shall be commenced;

D. That prior to the commencement of work on any such alteration, addition or improvement, Lessee shall procure, at its own cost and expense, all necessary permits; furthermore, the plans and specifications covering the same shall have been submitted to and approved by (i) all municipal or other governmental departments or agencies having jurisdiction over the subject matter thereof, and (ii) any mortgagee having an interest in or lien upon the Leased Premises if required by the terms of the mortgage, it being understood that Lessor will not unreasonably refuse to join in any application to any such mortgagee to obtain such approval with respect to any alteration, addition or improvement;

E. In carrying out all such alterations, additions and improvements, Lessee agrees to comply with the standards, guidelines and specifications imposed by all municipal, state and federal departments or other governmental departments and agencies having jurisdiction over the same, including without limitation, all building codes, all ADA codes and to construct all improvements in a workmanlike manner;

F. That prior to the commencement of work on any such alteration, addition or improvement, the Lessee shall have procured

and delivered to Lessor the policy of Builder's Risk insurance hereinafter referred to in Section 18 hereof or additional fire and extended coverage insurance as required by Section 18 hereof whichever is applicable;

G. That Lessee shall pay the increased premiums, if any, for the regular insurance coverage of the Leased Premises resulting from any additional risk during the course of construction or installation of any such alteration, addition or improvement;

H. Any such alteration, addition or improvement made by Lessee pursuant to the terms hereof shall, at the expiration of the term hereof or at the expiration of any renewal term, become and remain the property of Lessor, provided, however, that Lessor may, at its option and upon notice to Lessee not less than One Hundred Twenty (120) days prior to such expiration, require Lessee to remove any such alterations, additions and improvements and to restore the Leased Premises to their condition as at the beginning of the term hereof, reasonable wear and tear, taking be eminent domain and damage due to fire or other casualty insured against excepted.

SECTION 9

MACHINERY AND EQUIPMENT; TRADE FIXTURES

Lessee agrees that all machinery and equipment, and appurtenances thereto, installed in the Leased Premises by it or by any employee, agent or subcontractor of Lessee, or by any subtenant of Lessee, which cannot be removed from the Leased Premises, as determined by Lessor in its sole discretion, shall be and become part of the realty and shall be and become the property of Lessor and shall not be removed from the Leased Premises without the written consent of Lessor. Lessor agrees that (a) all machinery and equipment and appurtenances thereto, installed in the Leased Premises by Lessee, or by any employee, agent or subcontractor of Lessee, or by any subtenant of Lessee, which may be removed from the Leased Premises without permanent and substantial damage to the Leased Premises, as determined by Lessor in its sole discretion, and (b) all furniture, furnishings and movable trade fixtures installed in the Leased Premises shall be deemed to remain personal property and that all such machinery, equipment, appurtenances, furniture, furnishings and movable trade fixtures of Lessee or of any employee, agent or subcontractor of subtenant of Lessee, may be removed prior to the expiration of this Lease or its earlier termination for any cause herein provided for; but Lessee shall repair any damage occasioned by such removal and shall restore the Leased Premises to their condition as at the beginning of the term hereof, taking by eminent domain and damage due to fire or other casualty insured against excepted. Any such property which may be removed pursuant to the preceding sentence and which is not so

removed prior to the expiration or earlier termination of this Lease may be removed from the Leased Premises by Lessor and stored for the account of Lessee; and if Lessee shall fail to reclaim such property within thirty (30) days following such expiration or earlier termination of this Lease, such property shall be deemed to have been abandoned by Lessee, and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without notice to Lessee and without obligation to account therefor. Lessee shall pay to Lessor the cost incurred by Lessor in removing, storing, selling, destroying or otherwise disposing of any such property.

SECTION 10

UTILITIES

10.1 Lessee shall make arrangements for and shall pay when due all charges for gas, electricity, heat, lighting, power, water and sewerage provided to the Leased Premises and the Common Areas. Lessee shall pay to Lessor, as additional rent during the term hereof and as set forth in paragraph 3.3 of this Lease, Lessee's PRO RATA share of the charges for gas, electricity, heat, lighting, power, water and sewerage, provided to the Leased Premises and Common Areas Lessee also agrees to pay for its pro rata share of all changes and improvements in said, water, sewerage, heat and electrical systems required by governmental authorities having jurisdiction over said services, in the event that there are changes in the current statutory requirements.

SECTION 11

USE OF PREMISES

11.1 Without the prior written consent of Lessor, Lessee agrees that it will use the Leased Premises only as a software development facility and for services and purposes reasonably incident thereto.

11.2 Lessee agrees and acknowledges that for itself, any subtenant or any assignee, it shall neither occupy nor use the Leased Premises or permit the same to be occupied or used for any business or use which, under the Zoning Ordinances of the City of Nashua, New Hampshire, requires a number of parking spaces which is greater than 19.626% percent of all the parking spaces provided on the site of 20 Industrial Park Drive, Nashua, New Hampshire. The Lessee agrees that for itself or any subtenant, it shall use no more than 19.626% percent of all the parking spaces provided on the site of 20 Industrial Park Drive, Nashua, New Hampshire.

11.3 In its use of the Leased Premises, Lessee shall comply with all statutes, ordinances and regulations applicable to the use thereof, including, without limiting the generality of the foregoing, the Zoning Ordinances of the City of Nashua, New Hampshire, as now in effect or as hereafter amended, and comply with all reasonable insurance requirements. If in the Lessee's use of the leased premises it engages in any action that would increase the cost of any insurance on 20 Industrial Park Drive, Nashua, New Hampshire possessed by the Lessor, the Lessee shall either pay for any increase in the cost of such insurance or meet the necessary insurance requirements and make the necessary improvements to eliminate the insurance cost increase.

11.4 Lessee shall not injure or deface, or commit waste with respect to the Leased Premises nor occupy or use the Leased Premises, or permit or suffer any part thereof to be occupied or used, for any unlawful or illegal business, use or purpose, nor for any business, use or purpose deemed to be disreputable or high-hazard, nor in such manner as to constitute a nuisance of any kind, nor for any purpose in any manner in violation of any present or future laws, rules, requirements, orders, directions, ordinances or regulations of any governmental or lawful authority including Boards of Fire Underwriters. Lessee shall, immediately upon the discovery of any such unlawful, illegal, disreputable or high-hazard use, take, at its own cost and expense, all necessary steps, legal and equitable, to compel the discontinuance of such use and to oust and remove the subtenants, occupants or other persons guilty of such unlawful, illegal, disreputable or high-hazard use.

11.5 Lessee agrees not to use the Leased Premises for the generation, storage or treatment of hazardous waste, and hereby certifies that his operations or other use of the Leased Premises will not involve same. For purposes of this Lease, the term "hazardous waste" shall be defined by cumulative reference to the following sources as amended from time to time: (1) The Resource Conservation and Recovery Act of 1976, 42 USC Sections 901 et seq (RCRA); (2) EPA Federal Regulations promulgated thereunder and codified in 40 C.F.R. Parts 260-265 and Parts 122-124; (3) New Hampshire R.S.A. ch 147 and 147-A; (4) New Hampshire Regulations promulgated thereunder by any agency or department of state.

11.6 Lessee shall procure any licenses or permits required by any use of the Leased Premises by Lessee.

SECTION 12

ASSIGNMENT; SUBLEASING

Lessee shall not, without prior written consent of Lessor, assign this Lease or sublease the Leased Premises, in whole or in

part. Any assignment or sublease to which Lessor consents in writing shall be on the express terms and conditions of this Lease.

SECTION 13

ALL RISK INSURANCE

13.1 In addition to the rent heretofore reserved, Lessee shall pay to Lessor, as additional rent during the term hereof and within ten (10) days following presentation of invoices thereof, the Lessee's PRO RATA share, which is hereby defined and agreed as being 19.626% of (a) the real property taxes upon the land and/or building comprising 20 Industrial Park Drive, Nashua, New Hampshire and (b) any assessment, betterment charge or other special levy against or upon such land and building.

13.2 "Real estate taxes" shall mean all real estate taxes, sewer taxes and any other charges made by a public authority which upon assessment or failure of payment become a lien or liens upon the Leased Premises or any part thereof, or upon any buildings or appurtenances thereto, or any parts thereof, or which may become due and payable with respect thereto. Real estate taxes shall not include any franchise, estate, inheritance, succession, capital levy or transfer tax of Lessor or any income tax of Lessor.

13.3 Lessee shall automatically pay and discharge all taxes which shall or may during the term of this Lease be charged, laid, levied or imposed upon or become a lien upon the personal property of Lessee attached to or used in connection with Lessee's business conducted on the Leased Premises. Nothing herein contained shall require Lessee to pay any taxes on the rent reserved to Lessor hereunder.

13.4 Lessee shall have the right to contest or review (in the name of Lessee, or of Lessor, or both, as Lessee shall elect) by appropriate proceedings which, if instituted, shall be conducted promptly at Lessee's own expense free of all expense to Lessor, any tax, charge or other governmental imposition aforementioned upon condition that before instituting any such proceeding Lessee shall pay (under protest) such tax, charge or other governmental imposition aforementioned, or furnish to Lessor a surety company performance bond in a company acceptable to Lessor or other security satisfactory to Lessor sufficient to cover the amount of the contested item or items with interest for the period which such proceedings may reasonably be expected to take and costs securing the payment of such contested item or items and all interest and costs in connection therewith when finally determined. Notwithstanding the furnishing of any such bond or security, Lessee shall pay all such items before the date when the Leased Premises or any part thereof would, under applicable law, be forfeited. Lessor shall timely file the annual inventory required by Chapter

74:7 of the Revised Statutes Annotated of New Hampshire, the filing of which, by virtue of Chapter 76:16 of such Revised Statutes Annotated, is a condition precedent to tax abatement.

13.5 Lessor, at its option, may, but shall not be obligated to, contest or review by any appropriate proceedings, and at Lessor's expense, any tax, charge or other governmental imposition aforementioned which shall not be contested or reviewed as aforesaid by Lessee, and unless Lessee shall promptly join with Lessor in such contest or review, Lessor shall be entitled to receive and retain any refund payable by the taxing authorities with respect thereto. The Lessor shall notify the Lessee promptly of the institution of any such proceedings.

SECTION 14

MECHANIC'S LIEN

In the event of the filing in the Hillsborough County Registry of Deeds of any notice of a builder's, supplier's or mechanic's lien on the Leased Premises arising out of any work performed by or on behalf of Lessee, Lessee shall cause without delay proper proceedings to be instituted to test the validity of the lien claimed, and before the end of the term to discharge the same by the posting of bond or otherwise; and during the pendency of any such proceeding, Lessee shall completely defend and indemnify Lessor against any such claim or lien and all costs of such proceedings wherein the validity of such lien is contested by Lessee, and during the pendency of such proceeding such lien may continue until disposition of such proceeding, and after disposition thereof, Lessee shall cause said lien to be released and discharged.

SECTION 15

EMINENT DOMAIN

In the event that the Leased Premises shall be lawfully condemned or taken by any public authority either in their entirety or in such proportion that they are no longer suitable for the intended use by Lessee, this Lease shall automatically terminate without further act of either party hereto on the date when possession of the Leased Premises shall be taken by such public authority, and each party hereto shall be relieved of any further obligation to the other except that Lessee shall be liable for and shall promptly pay to Lessor any rent or other payments due hereunder then in arrears or the Lessor shall promptly rebate to Lessee a PRO RATA portion of any rent or other such payments paid in advance. In the event the proportion of the Leased Premises so condemned or taken is such that they are still suitable for the intended use by Lessee, this Lease shall continue in effect in

accordance with its terms and a portion of the rent and other payments due hereunder shall abate equal to the proportion of the rental value of the Leased Premises so condemned or taken. In either of the above events, the award for the property so condemned or taken shall be payable solely to Lessor except that if the property so condemned or taken includes in whole or in part (a) the land thereon at the beginning of the term hereof and (b) machinery, equipment and appurtenances constructed or installed thereon by Lessee at its expense after the beginning of the term hereof which would have been removable by Lessee pursuant to Section 21 hereof, then such award shall be apportioned between Lessor and Lessee in accordance with the then relative values of the property described in clause (a) and clause (b) above, so condemned or taken.

SECTION 16

LIABILITY

Except for injury or damage caused by the willful act of Lessor, its servants or agents, Lessor shall not be liable for any injury or damage to any person happening on or about the Leased Premises or for any injury or damage to the Leased Premises or to any property of Lessee or to any property of any third person, firm, association or corporation on or about the Leased Premises. The Lessee shall, except for injury or damage caused as aforesaid, defend, indemnify and save the Lessor harmless from and against any and all liability and damages, costs and expenses, including reasonable attorney's fees, and from and against any and all suits, claims and demands of any kind or nature whatsoever, by and on behalf of any person, firm, association or corporation arising out of or based upon any incident, occurrence, injury or damage which shall or may happen on or about the Leased Premises and from and against any matter or thing growing out of the condition, maintenance, repair, alteration, use, occupation or operation of the Leased Premises or the installation of any property therein or the removal of any property therefrom.

SECTION 17

LIABILITY INSURANCE

Lessee shall, from the date on which it takes possession of the Leased Premises even if such date precedes the commencement of the term hereof and throughout the term hereof procure and carry at its expense comprehensive liability insurance on the Leased Premises with an insurance company authorized to do business in New Hampshire and acceptable to Lessor. Such insurance shall be carried in the name of and for the benefit of Lessee and Lessor; shall be written on an "occurrence" basis; and shall provide coverage of at least One Million Dollars (\$1,000,000) in case of death of or injury to one person, Two Million Dollars (\$2,000,000)

in case of death of or injury to more than one person in the same occurrence, and One Hundred Thousand Dollars (\$100,000) in case of loss, destruction or damage to property. If applicable, Lessee shall comply with the requirements of the Boilers and Unfired Pressure Vessels Law (RSA 157-A), and in such event the policy or policies referred to above shall contain an endorsement providing pressure vessels insurance coverage and naming Lessor as an additional insured. Lessee shall furnish to Lessor a certificate of such insurance which shall provide that the insurance indicated therein shall not be cancelled without at least ten (10) days' written notice to Lessor. At the end of the first term of this Lease and every three (3) years thereafter, Lessee shall increase the insurance coverages provided herein if requested to do so by Lessor to such amounts which are then adequate to protect against increases in insurance awards whether caused by inflation or otherwise. Lessee shall also maintain insurance for all glass and all signs installed in the Leased Premises.

SECTION 18

BUILDER'S RISK INSURANCE

During any period or periods of construction by Lessee on the Leased Premises, the construction of which (a) is of a type to which Builder's Risk insurance is applicable and (b) requires the advance written approval of Lessor pursuant to Section 8(F) hereof, Lessee shall obtain and maintain in effect standard Builder's Risk insurance written on a completed value basis, including extended coverage, and utilizing a maximum value at date of completion not less than the greater of (a) the aggregate contract price or prices for the construction of such facilities or (b) the amount which may be required by a mortgagee which is financing such construction. Such insurance shall be obtained from an insurance company authorized to do business in New Hampshire and acceptable to Lessor, and there shall be furnished to Lessor a certificate of such insurance which shall provide that the insurance indicated therein shall not be cancelled without at least ten (10) days' written notice to Lessor. If such construction by Lessee is of a type to which Builder's Risk insurance is not applicable, Lessee shall provide the necessary additional coverage under the policies referred to herein.

SECTION 19

SPECIAL FORM PROPERTY INSURANCE

19.1 Lessor shall procure and continue in force during the term hereof Special Form Property insurance upon the facilities constructed, erected or installed on the Leased Premises by Lessor on a full value, repair or replacement basis. In accordance with

paragraph 3.3 of this Lease, Lessee shall reimburse Lessor for Lessee's pro RATA share of the premiums paid for such insurance as additional rent.

19.2 During the term hereof, Lessee shall procure and continue in force insurance which contains all risk coverage on a full value, repair or replacement basis upon machinery, equipment and appurtenances constructed, erected or installed on or in the Leased Premises by Lessee and which have or may be the property of Lessor pursuant hereto. The policies evidencing such insurance shall provide that loss, if any, payable thereunder shall be payable to Lessor and/or Lessee and/or mortgagee of the Leased Premises as their respective interests may appear, and all such policies together with evidence of payment of the premiums thereon shall be delivered to Lessor and/or any such mortgagee. All such policies shall be taken in such responsible companies authorized to do business in New Hampshire as Lessor shall approve (which approval shall not be unreasonably withheld) and shall be in form satisfactory to the Lessor. Upon receipt of a copy of notice of cancellation of any insurance which is the responsibility of Lessee hereunder, Lessor may pay the premiums necessary to reinstate the same. The amount so paid shall constitute additional rent payable by Lessee at the next rental payment date. Payment of premiums by Lessor shall not be deemed a waiver or release by Lessor of the default by Lessee in failing to pay the same or of any action which Lessor may take hereunder as a result of such default. Lessee shall not violate, nor permit any person, firm, association or corporation to violate, any of the terms, conditions and provisions of such policies. In the event of loss, Lessor shall promptly initiate action to effect a settlement with the insurer, Lessee shall cooperate with Lessor and any mortgagee in connection with the proceeding and collection of claims, and shall execute and deliver to Lessor such proofs of loss, releases and other instruments as may be necessary to settle any such claims and obtain the proceeds thereof, and in the event Lessee shall fail or neglect so to cooperate or to execute and deliver any such instrument Lessor may, as the agent or attorney in fact of Lessee, execute and deliver any such instrument, and Lessee here by nominates and appoints Lessor the proper and legal attorney in fact of Lessee for such purpose, hereby ratifying all that Lessor may lawfully do as such attorney in fact.

19.3 If and to the extent permitted without prejudice to any rights of Lessor under the applicable insurance policies, Lessee shall be held free and harmless from liability for loss or damage to the Leased Premises by fire, the extended coverage perils, sprinkler leakage, vandalism and malicious mischief if and to the extent actually insured against, whether or not such loss or damage be the result of the negligence of Lessee, its employees or agents. This subsection does not impose any added obligation or expense upon Lessor nor require that it carry any insurance of any kind and

is to be construed only as a limitation upon the rights of the insurance carriers to subrogation.

19.4 If and to the extent permitted without prejudice to any rights of the Lessee under the applicable insurance policies, Lessor shall be held free and harmless from liability for loss or damage to personal property of Lessee in the Leased Premises by fire, the extended coverage perils, sprinkler leakage, vandalism and malicious mischief if and to the extent actually insured against, whether or not such loss or damage be the result of the negligence of Lessor, their employees or agents. This subsection does not impose any added obligation or expense upon Lessee nor require that it carry any insurance of any kind and is to be construed only as a limitation upon the rights of the insurance carriers to subrogation.

SECTION 20

DESTRUCTION OR DAMAGE

In the event that the Leased Premises shall be totally destroyed by fire or other casualty insured against, or shall be so damaged that repairs and restoration cannot, in the opinion of Lessor in its sole discretion, be accomplished within a period of one hundred twenty (120) days from the date of such destruction or damage, this Lease shall automatically terminate without further act of either party hereto, and each party shall be relieved of any further obligation to the other except for the rights and obligations of the parties under Sections 18 and 19 hereof, and except that Lessee shall be liable for and shall promptly pay Lessor any rent then in arrears or Lessor shall promptly rebate to Lessee a PRO RATA portion of any rent paid in advance. In the event such facilities shall be so damaged that repairs and restoration can be accomplished within a period of one hundred twenty (120) days from the date of such destruction or damage, this Lease shall continue in effect in accordance with its terms; such repairs and restoration shall, unless otherwise agreed by Lessor and Lessee, be performed as closely as practicable to the original specifications (utilizing therefor the proceeds of the insurance applicable thereto without any apportionment thereof for damages to the leasehold interest created by this Indenture), and until such repairs and restoration have been accomplished a portion of the rent shall abate equal to the proportion of the Leased Premises rendered unusable by the damage. It is understood that Lessor's obligation to restore, replace or rebuild such facilities shall not exceed in amount the sum of the insurance proceeds paid to it and/or released to it by any mortgagee with which settlement was made. Lessee agrees to execute and deliver to Lessor all instruments and documents necessary to evidence the fact that the right to such insurance proceeds is vested in Lessor. Lessor shall

notify Lessee within fifteen (15) days of such casualties whether or not the Lessor will repair the Leased Premises.

SECTION 21

REPOSSESSION BY LESSOR

At the expiration of this Lease or upon the earlier termination of this Lease for any cause herein provided for, Lessee shall peaceably and quietly quit the Leased Premises and deliver possession of the same to Lessor together in good working condition and in a state of repair and readiness for the same use, with the facilities thereon at the beginning of the term hereof and all facilities constructed thereon by Lessee which are not removed pursuant to the terms hereof and all machinery, equipment and appurtenances installed therein which have become part of the Leased Premises, or which are not to be removed pursuant to Section 9 hereof. Lessee covenants and agrees that at the time of delivery of possession to Lessor at the expiration of this Lease any and all machinery, equipment and appurtenances constructed or installed on or in the Leased Premises by Lessee at its expense after the beginning of the term hereof and which have become the property of Lessor pursuant to Section 9 hereof shall be free and clear of any mortgage, lien, pledge or other encumbrance or charge.

SECTION 22

MORTGAGE LIEN

Lessee agrees that this Lease and all rights of Lessee hereunder are and shall be subject and subordinate to the lien of (a) any mortgage or deed of trust constituting a first lien on the Leased Premises, or any part thereof, at the date hereof, and (b) the lien of any mortgage or deed of trust hereafter executed to a person, bank, trust company, insurance company or other recognized lending institution to provide permanent financing or refinancing of the facilities on the Leased Premises, and (c) any renewal, modification, consolidation or extension of any mortgage or deed of trust referred to in clause (a) or (b), and Lessee shall, upon demand at any time or times, execute, acknowledge and deliver to Lessor without any expense to the Lessor, any and all instruments that may be necessary or proper to subordinate this Lease and all rights of Lessee hereunder to the lien of any mortgage, deed of trust or other instrument referred to in clause (b) or clause (c) of the preceding sentence; provided, however, that the subordination of this Lease shall be conditioned upon the execution and delivery by the mortgagee or trustee of an agreement (i) that so long as Lessee is not in default under the terms of this Indenture the mortgagee or trustee, or any person succeeding to the

rights of the mortgagee or trustee, or any purchaser at a foreclosure sale under said mortgage or deed of trust, shall not disturb the peaceful possession of Lessee hereunder, and (ii) that the proceeds of insurance policies held by it will be applied to the cost of repairs and restoration in those instances in which Lessor is obligated to repair and restore pursuant to the provisions hereof.

SECTION 23

DEFAULT

In the event (i) any installment of rent or additional rent shall not be paid within ten (10) days after it's due date; or (ii) failure to remove snow and ice from sidewalks, stairs and dock area adjacent to the Leased Premises for more than 48 hours after such snow or ice appears; or (iii) Lessee defaults in the performance or observance of any other covenant or condition in this Indenture and such default remains unremedied for twenty (20) days after written notice thereof has been given to Lessee by Lessor; or (iv) any warranty or representation made by Lessee herein proves to be false or misleading; or (v) Lessee makes an assignment for the benefit of creditors, is generally not paying its debts as such debts become due, a custodian was appointed or took possession of its assets other than a trustee, receiver or agent appointed or authorized to take charge of less than substantially all of the property of Lessee for the purpose of enforcing a lien against such property, commences any proceeding relating to Lessee or any substantial part of its property arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction whether now or hereafter in effect, or there is commenced against Lessee any such proceeding which remains undismissed for a period of sixty (60) days, or any order approving the petition in any such proceeding is entered, or Lessee by any act indicates its consent to, or acquiescence in, any such proceeding or the appointment of any receiver or trustee for Lessee or any substantial part of its property, or suffers any such receivership or trusteeship to continue undischarged for a period of sixty (60) days, or any party holding a security interest in any of Lessee's fixtures or personal property of any nature whatsoever that are located on the Leased Premises institutes or gives notice of foreclosure against any such property, then, in any of such events, Lessor may immediately or at any time thereafter and without demand or notice enter upon the Leased Premises or any part thereof in the name of the whole and repossess the same as of Lessor's former estate and expel Lessee and those claiming through or under Lessee and remove their effects forcibly if necessary, without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant, and upon such entry this Lease shall terminate, and

Lessee covenants that, in case of such termination or in case of termination under the provisions of statute by reason of the default of Lessee, Lessee shall remain and continue liable to Lessor in an amount equal to the total rent reserved for the balance of the term plus all additional rent reserved for the balance of the term hereof less the net amounts (after deducting the expenses of repair, renovation or demolition) which Lessor realizes, or with due diligence should have realized from the reletting of the Leased Premises, plus all costs associated with the correction of the default or the termination of the Lease, including Lessor's reasonable attorney's fees. As used in this Section, the term "additional rent" means the value of all considerations other than rent agreed to be paid or performed by Lessee hereunder, including, without limiting the generality of the foregoing, taxes, assessments, maintenance charges and insurance premiums. Lessor shall have the right from time to time to relet the Leased Premises upon such terms as they may deem fit, and if a sufficient sum shall not be thus realized to yield the net rent required under this Lease, Lessee agrees to satisfy and pay all deficiencies as they may become due during each month of the remaining term of this Lease. Nothing herein contained shall be deemed to require Lessor to await the date whereon this Lease, or the term hereof, would have expired had there been no default by Lessee, or no such termination or cancellation. Lessee expressly waives service of any notice of intention to reenter and waives any and all right to recover or regain possession of the Leased Premises, or to reinstate or redeem this Lease as may be permitted or provided for by or under any statute or law now or hereafter in force and effect. The rights and remedies given to Lessor in this Lease are distinct, separate and cumulative remedies, and no one of them, whether or not exercised by Lessor, shall be deemed to be in exclusion of any of the others herein or by law or equity provided. Nothing contained in this Section shall limit or prejudice the right of Lessor to prove and obtain, in proceedings involving the bankruptcy or insolvency of, or a composition with creditors by, Lessee the maximum allowed by any statute or rule of law at the time in effect.

SECTION 24

ACCESS TO PREMISES

Lessor or its representatives shall have free access to the Leased Premises at reasonable intervals during normal business hours for the purpose of inspection, or for the purpose of showing the Premises to prospective purchasers or tenants, or for the purpose of making repairs which Lessee is obligated to make hereunder but has failed or refused to make. The preceding sentence does not impose upon Lessor any obligation to make repairs. During the One Hundred Twenty (120) days next preceding the expiration of this Lease, Lessor may keep affixed to any

suitable part of the outside of the building on the Leased Premises a notice that the Leased Premises are for sale or rent.

SECTION 25

NOTICES

Any written notice, request or demand required or permitted by this Indenture shall, until either party shall notify the other in writing of a different address, be properly given if hand delivered or sent by certified or registered first class mail, postage prepaid, and addressed as follows:

If to Lessor: FIVE N ASSOCIATES
40 Temple Street
Nashua, NH 03060

If to Lessee: SKILLSOFT CORPORATION
20 Industrial Park Drive
Nashua, NH 03062

SECTION 26

SIGNS; EXTERIOR APPEARANCE

Lessee may advertise its presence in the Leased Premises, provided, however, that the signage shall conform to the ordinances of the City of Nashua and shall be placed on the sign fronting the Everett Turnpike. Lessor shall have the prior right to approve the signage to be placed by Lessee.

SECTION 27

OPTION TO RENEW

Provided Lessee be not at the time in default in the payment of the rent or in the performance of any of its obligations hereunder, the Lessee, upon not less than one hundred twenty (120) days notice in writing to Lessor, may renew this Lease for one (1) additional term of three (3) years. Such renewal shall be upon all of the terms and conditions of this Lease except that there shall be no further option of renewal following the last renewal term and the rent for the renewal term shall be as set forth in Section 28 hereof.

SECTION 28

RENT FOR RENEWAL TERM

28.1 If the first option to renew shall be exercised, the base monthly rent during such renewal term shall be an amount determined by multiplying the monthly rent of Two Thousand Nine Hundred Eighty-Seven Dollars and Twenty-Nine Cents (\$2,987.29) by a fraction, the numerator of which shall be the Price Index on the first of the month closest to the expiration of the original term hereof, and the denominator of which shall be the Price Index as of the month prior to the beginning of the term hereof; PROVIDED, HOWEVER, that if such fraction is one or less the base monthly rent shall be Two Thousand Nine Hundred Eighty-Seven Dollars and Twenty-Nine Cents (\$2,987.29).

28.2 As used in this paragraph, the term "Price Index" means (i) the "Consumers' Price Index - For all urban consumers, U.S. City Average, All Items, (1982-84 = 100) (referred to as CPI-U)" published by the Bureau of Labor Statistics of the United States Department of Labor, or (ii) if the publication of such Consumers' Price Index shall be discontinued, the comparable index most closely reflecting diminution of the real value of the base rent herein provided for. In the event of a change in the base rent for the Price Index, the numerator of the fraction referred to above, shall be appropriately adjusted to reflect continued use of the 1982-84 base in the case of the Consumers' Price Index or in the case of such comparable index, the continued use of the base period in effect at the time of its adoption for use hereunder. At the request of either party hereto, the other from time to time shall execute an appropriate instrument supplemental to this Indenture evidencing the then current monthly rent payable by the Lessee hereunder.

SECTION 29

SHORT FORM RECORDING

The parties covenant and agree that, if required by the applicable statutes, there shall be recorded in the Hillsborough County Registry of Deeds a notice of this Lease that complies in content and form with the New Hampshire statutes, and that they will execute and deliver a Notice of Lease in such form for such purpose. The parties further covenant and agree that, in the event of termination, cancellation or assignment of this Lease prior to the expiration of the term hereof, they will execute and deliver, in recordable form, an instrument setting forth such termination, cancellation or assignment.

SECTION 30

SUCCESSION

This Indenture shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and permitted assigns of the parties hereto.

SECTION 31

WAIVER

Any consent, express or implied, by Lessor to any breach by Lessee of any covenant or condition of this Lease shall not constitute a waiver by the Lessor of any prior or succeeding breach by Lessee of the same or any other covenant or condition of this Lease. Acceptance by Lessor of rent or other payment with knowledge of a breach of or default under any term hereof by Lessee shall not constitute a waiver of Lessor by such breach or default.

SECTION 32

GOVERNING LAW

This Indenture shall be construed and interpreted in accordance with the laws of the State of New Hampshire.

SECTION 33

FORCE MAJEURE

Except as expressly provided herein, there shall be no abatement, diminution or reduction of the rent or other charges payable by the Lessee hereunder based upon, or claimed as a result of, any act of God, act of the public enemy, governmental action, or other casualty, cause or happening beyond the control of the parties hereto.

SECTION 34

COUNTERPARTS

This Indenture may be executed in two (2) or more counterparts, each of which shall be deemed an original and all collectively but one and the same instrument.

SECTION 35

MODIFICATION; ENTIRE AGREEMENT

This Lease contains and embraces the entire agreement between the parties hereto and neither it nor any part of it may be changed, altered, amended, modified, limited or extended orally or by agreement between the parties unless such agreement be expressed in writing and signed by Lessor and Lessee or their respective successors in interest.

SECTION 36

SECTION HEADINGS

The headings at the beginning of each of the Sections hereof are solely for purposes of convenience and identification and are not to be deemed or construed to be part of this Lease.

SECTION 37

SEVERABILITY

If any term, clause or provision of this Lease is judged to be invalid and/or unenforceable, the validity and/or enforceability of any other term, clause or provision in this Lease shall not be affected thereby.

SECTION 38

DEFINITION AND LIABILITY OF LESSOR

The term "Lessor" as used in this Lease means only the owner or mortgagee in possession for the time being of the building in which the Leased Premises are located or the owner of a leasehold interest in said building and/or the land thereunder (or the Managing Agent of any such owner or mortgagee) so that in the event of sale of said building or leasehold interest or an assignment of this Lease or a demise of said building and/or land, Lessor shall be and hereby is entirely freed and relieved of all obligations of Lessor subsequently accruing.

It is specifically understood and agreed that there shall be no personal liability of Lessor (nor Lessor's agent, if any) in respect to any of the covenants, conditions or provisions of this Lease. In the event of breach or default by Lessor, of any of its obligations under this Lease, Lessee shall look solely to the equity of the Lessor in 20 Industrial Park Drive, Nashua, New Hampshire for the satisfaction of Lessee's remedies.

SECTION 39

BROKERAGE

Each of the parties represents and warrants that there are no claims for brokerage commissions or finder's fees with respect to this Lease or the negotiation hereof except as set forth in this section. The parties further agree to indemnify the other against, hold harmless from, all liabilities arising from any such claim (including without limitation, the cost of attorney fees in connection therewith) except; the broker for this Lease is Tamposi -- Nash Real Estate Group, Inc. whose fee shall be paid by the Landlord.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture of Lease to be executed as of the day and year first above written.

FIVE N ASSOCIATES

/S/ Sandra J. Martinson

Witness

/S/ Q. Peter Nash

Q. Peter Nash, Managing Partner

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

/S/ Thomas J. Mcdonald

Witness

/S/ Charles E. Moran

Lessee

PERSONAL GUARANTEE

In consideration of the execution of this Lease by the Lessor and for other valuable consideration, the undersigned hereby issues his/her personal guarantee for the faithful performance of all terms and conditions of this Lease and accepts full responsibility that all obligations of the Lessee, including the prompt payment of all rental and other charges recited herein, shall be made when due and that in the event of any default of Lessee, the undersigned shall reimburse and indemnify the Lessor for all costs and expenses incurred to correct any such default. The undersigned agrees that the Lessor may proceed directly against him/her for such payments owed or for such activity to be performed without proceeding in the first instance against the Lessee or any other obligor or guarantor of the Lessee as recited herein. The above provision will be effective for a period of 1 1/2 years (8/31/99).

/S/ Thomas J. Mcdonald

Witness

/S/ Charles E. Moran

Lessee

SECOND SUPPLEMENTAL AGREEMENT

SECOND SUPPLEMENTAL AGREEMENT dated as of the 31st day of August, 1999, to the Lease dated February 18, 1998 and the First Supplemental Agreement dated October 26, 1998, by and between FIVE N ASSOCIATES of 40 Temple Street, Nashua, New Hampshire (Lessor) and SKILLSOFT CORPORATION, of 20 Industrial Park Drive, Nashua, New Hampshire (Lessor).

WHEREAS the Lessor and the Lessee desire to amend the Lease, effective upon the execution of this agreement, as follows:

Section 1 -- Leased Premises - The Leased premises shall also include 4,686 square feet of space on the second floor.

Section 3.1 - The base annual rent shall be changed to One Hundred Thousand One Hundred Forty Five Dollars (\$100,145.00) payable in monthly installments of Eight Thousand Three Hundred Forty-Five and 41/100 Dollars (\$8,345.41) with the first monthly installment of base rent commencing October 1, 1999.

Section 3.3 - The Lessee's pro-rata share shall be changed to 52.263%. and the base annual rent shall be changed to One Thousand One Hundred Forty Five (\$100,145) payable in monthly installments of Eight Thousand Three Hundred Forty Five and 41/100 Dollars (\$8,345.41) with the first monthly installment of base rent commencing on October 1, 1999.

Section 11.2 - The parking space percentage shall be changed to 52.263%.

Section 13.1 - The Lessee's pro rata share of real estate taxes shall be changed to 52.263%.

Section 40 - Right of First Refusal to Lease - The Lessee's right of first refusal shall be changed to be the remaining 5,314 square feet of space on the second floor of the building.

Additional Provision - The Lessor, at its expense, shall perform its fit-up work which shall include the construction of the demising wall, the construction of a hallway and entry door to the common electrical room, the replacement of all damaged ceiling tiles, shampooing the common area carpet, cleaning of bathrooms, cleaning or relamping the light fixtures and the removal of the soda vending machine. Lessor shall also patch and paint the leased premises and the Lessee shall be responsible for 50% of the cost, which is estimated to be \$1,200.00.

Except as hereinabove amended, all of the provisions of the above mentioned Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Second Supplemental Agreement to be executed as of the day and year first above written.

FIVE N ASSOCIATES

/s/ Q. Peter Nash

Witness

Q. Peter Nash, Managing Partner

SKILLSOFT CORPORATION

/s/ Sara Buttarini

/s/ Charles E. Moran

Witness

Charles E. Moran, President & CEO

THIRD SUPPLEMENTAL AGREEMENT

THIRD SUPPLEMENTAL AGREEMENT dated as of the 14th day of September, 1999, to the Lease dated February 18, 1998 and the First Supplemental Agreement dated October 26, 1998 and the Second Supplemental Agreement dated August 31, 1999, by and between FIVE N ASSOCIATES of 40 Temple Street, Nashua, New Hampshire (Lessor) and SKILLSOFT CORPORATION, of 20 Industrial Park Drive, Nashua, New Hampshire (Lessee).

WHEREAS the Lessor and the Lessee desire to amend the Lease, effective October 1, 1999, as follows:

Section 1 - Leased Premises - The Leased premises shall also include an additional 810 square feet of space on the second floor.

Section 3.1 - The annual base rent shall be changed to One Hundred Six Thousand Two Hundred Twenty (\$106,220.00) payable in monthly installments of Eight Thousand Eight Hundred Fifty One and 66/100 Dollars (\$8,851.66) with the first such monthly installment of base rent commencing October 1, 1999.

Section 3.3 - The Lessee's pro-rata share shall be changed to 55.146% and the Lessee's additional monthly rent shall be changed to Four Thousand Five Hundred Nineteen and 66/100 Dollars (\$4,519.66), with the first such monthly installment of additional rent, commencing on October 1, 1999.

Section 11.2 - The parking space percentage shall be changed to 55.146%.

Section 13.1 - The Lessee's pro rata share of real estate taxes shall be changed to 55.146%.

Section 28.1 - The rental amount used to calculate the rent for the renewal term shall be changed to Eight Thousand Eight Hundred Fifty One and 66/100 Dollars (\$8,851.66).

Section 40 - Right of First Refusal to Lease - The Lessee's right of first refusal shall be changed to be the remaining 4,504 square feet of space on the second floor of the building.

Additional Provision - The Lessor, at it's expense, shall perform it's fit up work which shall include the construction of the relocated demising wall, the construction of the relocated hallway to back stairway, the replacement of all damaged ceiling tiles and the cleaning or relamping the light fixtures.

Except as hereinabove amended, all of the provisions of the above mentioned Lease and Supplemental Agreements shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Third Supplemental Agreement to be executed as of the day and year first above written.

FIVE N ASSOCIATES

/s/ Sandra J. Martinson

Witness

/s/ Q. Peter Nash

Q. Peter Nash, Managing Partner

SKILLSOFT CORPORATION

/s/ Sara Butturini

Witness

/s/ Charles E. Moran

Charles E. Moran, President & CEO

FOURTH SUPPLEMENTAL AGREEMENT

FOURTH SUPPLEMENTAL AGREEMENT dated as of the 1st day of May, 2000, to the Lease dated February 18, 1998, the First Supplemental Agreement dated October 26, 1998, the Second Supplemental Agreement dated August 31, 1999, and the Third Supplemental Agreement dated September 14, 1999, by and between FIVE N ASSOCIATES of 40 Temple Street, Nashua, New Hampshire (Lessor) and SKILLSOFT CORPORATION, of 20 Industrial Park Drive, Nashua, New Hampshire (Lessee).

WHEREAS the Lessor and the Lessee desire to amend the Lease, effective April 15, 2000, as follows:

Section 1 - Leased Premises - The Leased premises shall include an additional 4,504 square feet of space which is the remaining space on the second floor and an additional 2,100 square feet of space on the southwest corner of the first floor.

Section 3.1 - The annual base rent shall be changed to One Hundred Fifty Five Thousand Seven Hundred Fifty Dollars (\$155,750.50) payable in monthly installments of Twelve Thousand Nine Hundred Seventy Nine and 16/100 Dollars (\$12,979.16) with the first such monthly installment of base rent commencing May 1, 2000.

Section 3.3 - The Lessee's pro-rata share shall be changed to 78.647% and the Lessee's additional monthly rent shall be changed to Six Thousand Four Hundred Forty Five and 83/100 Dollars (\$6,445.83), with the first such monthly installment of additional rent commencing on May 1, 2000.

Section 11.2 - The parking space percentage shall be changed to 78.647%.

Section 13.1 - The Lessee's pro rata share of real estate taxes shall be changed to 78.647%.

Section 28.1 - The rental amount used to calculate the rent for the renewal term shall be changed to One Hundred Fifty Five Thousand Seven Hundred Fifty Dollars (\$155,750.00).

Section 40 - Right of First Refusal to Lease - The Lessee's right of first refusal to lease additional space shall be changed to be the adjacent space on the first floor when it becomes available for lease (currently leased by Mentec, Inc.).

Except as hereinabove amended, all of the provisions of the above mentioned Lease and all Supplemental Agreements shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Fourth Supplemental Agreement to be executed as of the day and year first above written.

FIVE N ASSOCIATES

/s/ Sandra J. Martinson

/s/ Q. Peter Nash

Witness

Q. Peter Nash, Managing Partner

SKILLSOFT CORPORATION

/s/ Sara Butturini

/s/ Charles E. Moran

Witness

Charles E. Moran, President & CEO

FIFTH SUPPLEMENTAL AGREEMENT

FIFTH SUPPLEMENTAL AGREEMENT dated as of the 29th day of September 2000, to the Lease dated February 18, 1998, the First Supplemental Agreement dated October 26, 1998, the Second Supplemental Agreement dated August 31, 1999, the Third Supplemental Agreement dated September 14, 1999 and the Fourth Supplemental Agreement dated May 1, 2000, by and between FIVE N ASSOCIATES of 40 Temple Street, Nashua, New Hampshire (Lessor) and SKILLSOFT CORPORATION, of 20 Industrial Park Drive, Nashua, New Hampshire (Lessee).

WHEREAS the Lessor and the Lessee desire to amend the Lease, effective September 1, 2000, as follows:

Section 27 - Option to Renew - The Lessee shall have an additional three year renewal term which is above and beyond the original three year renewal term called for in this section.

Except as hereinabove amended, all of the provisions of the above mentioned Lease and all Supplemental Agreements shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Fifth Supplemental Agreement to be executed as of the day and year first above written.

FIVE N ASSOCIATES

/s/ Barbara J. [Illegible]

/s/ Q. Peter Nash

Witness

Q. Peter Nash, Managing Partner

SKILLSOFT CORPORATION

/s/ Pamela MacDonald

/s/ Thomas J. McDonald

Witness

Charles E. Moran, President & CEO

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FIFTH SUPPLEMENTAL AGREEMENT

THIS FIFTH SUPPLEMENTAL AGREEMENT, dated as of the 26th day of November, 2001, to the Lease dated February 18, 1998, the First Supplemental Agreement dated October 26, 1998, the Second Supplemental Agreement dated August 31, 1999, the Third Supplemental Agreement dated September 14, 1999 and the Fourth Supplemental Agreement dated May 1, 2000 by and between FIVE N ASSOCIATES of 40 Temple Street, Nashua, New Hampshire (Lessor) and SKILLSOFT CORPORATION of 20 Industrial Park Drive, Nashua, New Hampshire (Lessee).

WHEREAS the Lessor and the Lessee desire to amend the Lease effective November 26, 2001, as follows:

Section 1 - Leased Premises: The Leased Premises shall include an additional 1,683 square feet of space on the first floor.

Section 3.1 - Rent: The annual rent shall be changed to One Hundred Sixty Eight Thousand Four Hundred Forty and 32/00 Dollars (\$168,440.32) and shall be payable in monthly installments of Fourteen Thousand Seven Hundred Forty Nine and 90/00 (\$14,740.90).

Section 3.3 - Pro-rata Share - The Lessee's pro-rata share shall be changed to 84.638% and the additional monthly rent shall be changed to Six Thousand Nine Hundred Thirty Six and 71/00 Dollars (\$6,936.71).

Section 11.2 - Use of the Premises: The Lessee's parking percentage shall be changed to 84.638.

Section 13.1 - Taxes: The Lessee's pro-rata share of real estate taxes and assessments shall be changed to 84.643%

Section 28.1 - Rent for Renewal: The rental amount used to calculate the rent for the renewal term shall be changed to Fourteen Thousand Seven Hundred Forty Nine and 90/00 Dollars (\$14,749.90).

Except as hereinabove amended, all the provisions of the above mentioned Lease and all Supplemental Agreements shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Fifth Supplemental Agreement to be executed as of the day and year first above written.

FIVE N ASSOCIATES

/s/ Barbara J. [Illegible]

Witness

/s/ Q. Peter Nash

Q. Peter Nash, Managing Partner

SKILLSOFT CORPORATION

/s/ Thomas J. McDonald

Witness

/s/ Charles E. Moran

Charles E. Moran, President & CEO

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LEASE

THIS INDENTURE OF LEASE dated as of the "25th of May, 2001, by and between 1987 Tamposi Limited Partnership, a New Hampshire limited partnership with a place of business at 20 Trafalgar Square, Suite 602, Nashua, New Hampshire 03063 (hereinafter called "Lessor") and Skillsoft Corporation having an office and place of business at 20 Industrial Park Drive, Nashua, New Hampshire 03062 (hereinafter called "Lessee").

WITNESSETH that, in consideration of the mutual covenants and agreements herein contained, the Lessor has demised and leased, and by these presents does demise and lease, to the Lessee, for the rental, for the term and upon the other conditions hereinafter set forth, that parcel of land, together with the buildings and improvements thereon, known as 109 Northeastern Boulevard, situated on Lot 58, Sheet 10, in Nashua, Hillsborough County, New Hampshire, more particularly bounded and described as follows:

BEGINNING at an iron pin in the easterly sideline of Northeastern Boulevard as shown on said Plan; thence North 54 degrees 46' 00" East, along Lot #17 and #17C as shown on said Plan, a distance of 300.00 feet, more or less, to an iron pipe; thence North 35 degrees 14' 00" West, along Lot #16 as shown on said Plan a distance of 300.00 feet, more or less, to an iron pipe; thence South 54 degrees 46' 00" West, along said Lot # 16, a distance of 300.00 feet, more or less, to a point in the easterly sideline of Northeastern Boulevard; thence South 35 degrees 14' 00" East, along the easterly sideline of said Northeastern Boulevard, a distance of 300.00 feet, more or less, to the place of beginning.

CONTAINING 2.1 acres, more or less, with a building containing 25,400 square feet. The Leased Premises are shown on Exhibit A outlined in red and incorporated herein and made a part hereof.

TOGETHER with all the rights and easements thereunder belonging and appertaining.

TO HAVE AND TO HOLD the premises hereby leased as above described (hereinafter called the "Leased Premises") to the Lessee, its successors and assigns, to and for the purpose for its and their proper use and benefit.

Section 1 - TERM. The Term of this Lease shall be a period of five (5) years, beginning on June 15, 2001, and ending on June 14, 2006.

SECTION 2 - RENT. For the first, second and third years of the Lease term, the Lessee shall pay to the Lessor as base rent the sum of One Hundred Twenty One Thousand Nine Hundred Twenty Dollars and 00/100 (\$121,920.00) per year payable in equal monthly installments of Ten Thousand One Hundred Sixty Dollars and 00/ 100 (\$10,160.00), the first such installment to be due and payable on June 15, 2001, and a like installment to be due on the fifteenth day of each succeeding month for the balance of the first three (3) years of the term hereof. For the fourth and fifth years of the Lease term, the Lessee shall pay to the Lessor as base rent the sum on One Hundred Twenty Eight Thousand Two Hundred Seventy Dollars and 00/100 (\$128,270.00) per year payable in equal monthly installments of Ten Thousand Six Hundred Eighty Nine Dollars and 17/100 (\$10,689.17), the first such installment to be due and payable on June 15, 2004, and a like installment to be due on the fifteenth day of each succeeding month for the balance of the term hereof.

SECTION 3 - QUIET ENJOYMENT. The Lessor shall put the Lessee in possession of the Leased Premises at the beginning of the term hereof, and the Lessee, upon paying the rent and observing the other covenants and conditions herein upon to be observed, shall peaceably and quietly hold and enjoy the Leased Premises.

SECTION 4 - REPAIRS BY LESSOR. The Lessor's responsibility for maintenance or repair of the Leased Premises is limited to responsibility for repair or replacement necessitated by defective design or construction of the building of which the Leased Premises are a part. The Lessee represents that it has examined the Leased Premises and found them to be in satisfactory condition and the Lessee accordingly accepts the Leased Premises in "as is" condition.

SECTION 5 - REPAIRS BY LESSEE. (a) The Lessee shall, at its cost and expense, maintain the Leased Premises and all mechanical and non-mechanical installations therein and the exterior (including the roof) of that portion which houses the Leased Premises of the building of which the Leased Premises are a part, in good condition and repair, and at the expiration of this Lease or earlier termination hereof for any cause herein provided for shall deliver up the Leased Premises to the Lessor in the same condition and state of repair as at the beginning of the term hereof, reasonable wear and tear, taking by eminent domain and damage insurable under the standard New Hampshire fire insurance policy with extended coverage excepted.

(b) The Lessee shall make normal repairs to and perform normal maintenance to the Leased Premises as needed, including, without limitation, the replacement of broken glass, interior repainting, the repair of floors, the keeping of windows and doors water tight and the maintenance in good operating condition of all plumbing, electrical, heating, sprinkling and other utility systems, it being understood that the Lessee may make any further repairs and replacements which the Lessee may desire although neither party shall be under obligation to do so.

(c) The Lessee shall be responsible for replacement of windows, overhead doors and parking lot resurfacing, together with other repairs and replacements, utilizing, as a guideline, the Criterium-Turner Engineers report entitled, "Property Condition Assessment, 107-109 Northeastern Boulevard, Nashua, New Hampshire, prepared for Skillsoft Corporation, 20 Industrial Park Drive, Nashua, New Hampshire, dated April 16, 2001". (see Appendix B). In the event Tenant converts existing warehouse portion of building to office space, Tenant shall not be responsible for the replacement of overhead doors and other loading dock repairs referenced in the CTE report; however, if Tenant does not convert warehouse area to office space, Tenant shall be responsible for replacement of overhead doors and the other loading dock repairs. The specific repair item referenced within the aforementioned report relating to the replacement of rooftop air conditioning for the warehouse area shall be repaired/replaced by Lessee only as required by Lessee's use (see Appendix B).

(d) The Lessee shall keep in good repair and free from obstructions or encumbrances all surfaced roadways, walks, loading, unloading and parking areas which are part of or which serve the Leased Premises; shall keep clear of dirt, snow and ice all such roadways, walks and areas; shall remove snow and ice from roof of the building on the Leased Premises when necessary; and shall keep the exterior of the Leased Premises clean and neat, including cutting and proper care of lawns and shrubbery.

(e) The Lessee shall at its expense make any alterations or changes in the Leased Premises which may be necessary to meet the regulations and standards promulgated and established under the Occupational Safety and Health Act of 1970.

(f) During the term of this lease, the Lessee shall be responsible for any repairs or alterations to the leased premises deemed necessary by local, state or federal officials, in order to meet compliance with any changes in local, state or federal regulations during the term of this lease.

(g) During the term of this lease, in the event of a claim brought under the Americans with Disabilities Act, Lessee shall be responsible for ensuring satisfaction therewith.

In the event Lessee shall fail to perform its obligations hereunder (a through f above) after ten (10) days telephone notice by Lessor, or in the event of an emergency after an attempt by Lessor to give telephone notice to Lessee, the Lessor may, at its option, perform the same and charge the Lessee the reasonable expense of said obligation.

SECTION 6 - IMPROVEMENTS BY LESSEE. The Lessee may make such alterations, additions or improvements to the Leased Premises as it shall deem necessary or desirable, provided (a) that no such alteration, addition or improvement shall be made which would affect or change the structural character of the Leased Premises without first obtaining the written consent and approval of the Lessor before any work thereon shall be commenced and (b) the Lessee shall not, in any event, commit, suffer or permit waste upon the Leased Premises. Lessee shall be responsible for obtaining all necessary local, state and federal government permits as may be necessary.

SECTION 7 - REMOVAL OF IMPROVEMENTS. At the expiration of this Lease, or at its earlier termination for any cause herein provided for, at the time of consent by Lessor of Lessee's proposed improvements, Lessor will notify Lessee what improvements are to be removed at the expiration or earlier termination of the Lease. The Lessee shall remove any alterations, additions and improvements to the Leased Premises, as provided above, made by it during the term hereof, and shall restore the Leased Premises to their condition as at the beginning of the term hereof, reasonable wear and tear, taking by eminent domain and damage insurable under the standard New Hampshire fire

insurance policy with extended coverage excepted. If the Lessee shall not exercise its option of removal, and if the Lessor shall not give such written direction to the Lessee, all such alterations, additions and improvements shall become and remain the property of the Lessor. If the Lessee shall fail to remove the alterations, additions and improvements, which are required hereunder to be removed, then the reasonable cost of removal of such alterations, additions and improvements, if necessary, shall be the responsibility and obligation of the Lessee.

SECTION 8 - MACHINERY AND EQUIPMENT - TRADE FIXTURES. The Lessee agrees that all machinery and equipment, and appurtenances thereto, installed in the Leased Premises by it or by any employee, agent or subcontractor of the Lessee, or by any subtenant of the Lessee, which cannot be removed from the Leased Premises shall be and become part of the realty and shall be and become the property of the Lessor and shall not be removed from the Leased Premises without the written consent of the Lessor. The Lessor agrees that (a) all machinery and equipment, and appurtenances thereto, installed in the Leased Premises by the Lessee, or by any employee, agent or subcontractor of the Lessee, or by any subtenant of the Lessee, which may be removed from the Leased Premises without permanent and substantial damage to the Leased Premises and (b) all furniture, furnishings and movable trade fixtures installed in the Leased Premises shall be deemed to remain personal property and that all such machinery, equipment, appurtenances, furniture, furnishings and movable trade fixtures of the Lessee or of any employee, agent or subcontractor or subtenant of the Lessee, may be removed prior to the expiration of this Lease or its earlier termination for any cause herein provided for; but the Lessee shall repair any damage occasioned by such removal and shall restore the facilities on the Leased Premises to their condition as at the beginning of the term hereof, reasonable wear and tear, taking by eminent domain, and damage insurable under the standard New Hampshire fire insurance policy with extended coverage excepted. Any such property which may be removed pursuant to the preceding sentence and which is not so removed prior to the expiration or earlier termination of this Lease may be removed from the Leased Premises by the Lessor and stored for the account of the Lessee; and if the Lessee shall fail to reclaim such property within sixty (60) days following such expiration or earlier termination of this Lease such property shall be deemed to have been abandoned by the Lessee, and may be appropriated, sold, destroyed or otherwise disposed of by the Lessor without notice to the Lessee and without obligation to account therefor. The Lessee shall pay to the Lessor a reasonable cost incurred by the Lessor in removing, storing, selling, destroying or otherwise disposing of any such property.

SECTION 9 - UTILITIES. The Lessee shall provide and shall pay when due all charges for water, gas, electricity, sewerage, heat, power and any other services supplied to it at the Leased Premises.

SECTION 10 - USE OF PREMISES. (a) In its use of the Leased Premises, the Lessee shall comply with all statutes, ordinances and regulations applicable to the use thereof, including, without limiting the generality of the foregoing, the Zoning Ordinances of the City of Nashua, New Hampshire, the Resource Conservation and Recovery Act of 1976, and the Hazardous Waste Management Program of the State of New Hampshire (R.S.A. 147:48 et seq).

(b) The Lessee shall not injure or deface the Leased Premises nor occupy or use, or permit or suffer the Leased Premises or any part thereof to be occupied or used, for any unlawful or illegal business, use or purpose, nor for any business, use or purpose which is disreputable or extra hazardous, nor in such manner as to constitute a nuisance of any kind nor for any purpose nor in any manner which would increase the premiums for fire insurance with extended coverage for the Leased Premises. The Lessee shall, immediately upon discovery of any such unlawful, illegal, disreputable or extra-hazardous use, take all necessary steps, legal and equitable, to compel the discontinuance of such use and to oust and remove any sublessee, occupants or other persons guilty of such unlawful, illegal, disreputable or extra-hazardous use.

(c) The Lessee shall procure any licenses or permits required by any use of the Leased Premises by the Lessee.

(d) The Lessee shall indemnify and save the Lessor harmless from and against any and all claims, demands, liabilities, costs and expenses, including reasonable counsel fees, asserted by third parties and arising out of or by reason of any breach or violation by the Lessee of the provisions of this Section.

SECTION 11- ASSIGNMENT - SUBLEASE. The Lessee shall not, without the prior written consent of the Lessor, assign this Lease or sublease the Leased Premises, in whole or in part. Such consent

shall not be unreasonably withheld or delayed, provided Lessor shall be convinced that subtenant or assignee shall have financial capacity to pay the rent hereunder. Notwithstanding any such sublet or assignments, the obligations of Lessee hereunder shall not be released by assignment or sublease and Lessee shall assign such assignment or sublease as additional security for the performance of this lease.

Notwithstanding anything provided herein, in the event of subtenancy or assignment, Lessee shall provide Lessor with the correct and updated name and mailing address of every assignee or subtenant and the requirements if any of all Notice to Lessee in this lease shall be sufficiently satisfied if forwarded in writing to the Lessee and subtenant or assignee at the address given. In the event of Lessee's default hereunder, should subtenant or assignee, at its option, cure such defect or default, the Lessee shall not be relieved of future obligations hereunder.

SECTION 12 - TAXES AND ASSESSMENTS. (a) The Lessee shall pay and discharge all real estate taxes, betterment charges and levies, and charges and governmental impositions, duties and discharges of like kind and nature, which or may during the term of this Lease be charged, laid, levied or imposed upon or become a lien or liens upon the Leased Premises or any part thereof, or upon any buildings or appurtenances thereof, or any part thereof, or which may become due and payable with respect thereto, and any and all taxes charged, laid or levied in addition to the foregoing under or by virtue of any present or future laws, rules, requirements, orders, directions, ordinances or regulations of the United States of America, or of the state, county or city government, or of any other municipal government or lawful authority whatsoever. The Lessee shall also be responsible for the payment of any assessments for improvements; provided, however, that if any such assessment shall be payable in installments, the Lessee shall not be required to pay any installment becoming due subsequent to the termination of this Lease; and provided, further, that if any such assessment shall be payable in a lump sum, the Lessee may submit to arbitration in accordance with Section 24 hereof the question of the proportion of the assessment which the Lessee should equitably be required to pay in the light of the nature of the improvement, the remaining term of this Lease and the existence of the option to renew set forth in Section 25 hereof. Unless required by a mortgagee to make payments into an escrow account for taxes, the Lessee shall, if so requested by the Lessor, pay the Lessor with each installment of rent an amount equal to one twelfth of the real estate taxes for the current year, if the amount thereof is known, or of such taxes for the prior year, if the amount thereof for current year is not known. Such amounts shall be held in escrow by the Lessor and utilized in partial or complete discharge of the Lessee's obligations to pay such taxes on or before the date upon which interest upon such taxes would otherwise start to accrue. If payments into an escrow account for taxes shall not be required by a mortgagee or by the Lessor, (1) the Lessee shall make the required payments directly to the appropriate taxing or other governmental authorities, and (2) the Lessor shall forward all tax bills, statements and charges to the Lessee in time sufficient to enable the Lessee to pay the same without incurring interest or penalties and in time so that the Lessee may contest the same if it so desires. The Lessee shall also punctually pay and discharge all taxes which shall or may during the term of this Lease be charged, laid, levied or imposed upon or become a lien upon the stock in trade or other personal property of the Lessee attached to or used in connection with the Lessee's business conducted on the premises. Nothing herein contained shall require the Lessee to pay the Lessor's income or business profits taxes or any taxes on the rents reserved to the Lessor hereunder. Property taxes for the tax year in which the term hereof commences and for the tax year in which the term hereof terminates shall be apportioned between the Lessor and the Lessee in accordance with the number of months or major fraction thereof during which each party shall be in possession of the Leased Premises during such tax years.

(b) The Lessee shall have the right to contest or review (in the name of the Lessee, or of the Lessor, or both, as the Lessee shall elect) by appropriate proceedings (which if instituted shall be conducted promptly at the Lessee's own expense free of all expense to the Lessor) any tax, charge or other governmental imposition aforementioned upon condition that before instituting any such proceeding the Lessee shall pay (under protest) such tax, charge or other governmental imposition aforementioned, or furnish to the Lessor a surety company performance bond in a company acceptable to the Lessor or other security satisfactory to the Lessor sufficient to cover the amount of the contested item or items with interest for the period which such proceedings may reasonably be expected to take and costs securing the payment of such contested item or items and all interest and costs in connection therewith when finally determined. Notwithstanding the furnishing of any such bond or security, the Lessee shall pay all such items before the date when the Leased Premises or any part thereof would under applicable law

be forfeited. The Lessor shall timely file the annual inventory required by Chapter 74:7 of the Revised Statutes Annotated of New Hampshire the filing of which, by virtue of Chapter 76:16 of such revised Statutes Annotated, is a condition precedent to tax abatement.

(c) The Lessor, at its option may, but shall not be obligated to, contest or review by any appropriate proceedings, and at the Lessor's expense, any tax, charge or other governmental imposition aforementioned which shall not be contested or reviewed as aforesaid by the Lessee, and unless the Lessee shall promptly join with the Lessor in such contest or review, the Lessor shall be entitled to receive and retain any refund payable by the taxing authorities with respect thereto.

SECTION 13 - MECHANIC'S LIEN. In the event of the filing in Hillsborough County Registry of Deeds of any notice of a builder's, supplier's or mechanic's lien on the Leased Premises arising out of any work performed by or on behalf of the Lessee, the Lessee shall either cause such lien to be discharged or released or shall initiate legal proceedings to test the validity of the lien claimed; and if the Lessee shall initiate legal proceedings to test the validity of the lien, the Lessee shall cause such lien to be discharged or released by the posting of bond or otherwise and shall completely indemnify the Lessor against any such claim or lien and all costs of such proceedings wherein the validity of such lien is contested by the Lessee.

SECTION 14 - EMINENT DOMAIN. In the event that the Leased Premises shall be lawfully condemned or taken by any public authority either in their entirety or in such proportion that they are no longer suitable for the intended use by the Lessee, this Lease shall automatically terminate without further act of either party hereto on the date when possession of the Leased Premises shall be taken by such public authority, and each party hereto shall be relieved of any further obligation to the other except that the Lessee shall be liable for and shall promptly pay to the Lessor any rent then in arrears or the Lessor shall promptly rebate to the Lessee a pro rata portion of any rent paid in advance. In the event the proportion of the Leased Premises so condemned or taken is such that they are still suitable for the intended use by the Lessee, this Lease shall continue in effect in accordance with its terms and a portion of the rent shall abate equal to the proportion of the rental value of the Leased Premises so condemned or taken. In either of the above events, the award for the property so condemned or taken shall be apportioned between the Lessor and the Lessee so that the Lessor shall receive the then value of his reversionary interest in the Leased Premises plus the then value of the future rents due under the terms of this Lease if such taking had not occurred, and the Lessee shall receive the then value of its leasehold interest including the then value of any mechanical installations, equipment and appurtenances, if any, constructed or installed by the Lessee after the beginning of the term hereof.

SECTION 15 - LIABILITY. The Lessor shall not be liable to the Lessee for any injury or harm to any person occurring on or about the Leased Premises or for injury or damage to the Leased Premises or to any property of the Lessee or to any property of any third person, firm, association or corporation on or about the Leased Premises except such as may be caused by the willful or grossly negligent act of the Lessor, his servants or agents, and the Lessee shall indemnify and save the Lessor harmless from and against any and all liability and damages and from and against any and all suits, claims and demands of any kind or nature, by and on behalf of any person, firm, association or corporation, arising out of or based upon any incident, occurrence, injury or damage which shall or may happen on or about the Leased Premises and from and against any matter or thing growing out of the condition, maintenance, repair, alteration, use, occupation of the Leased Premises or the installation of any property therein or the removal of any property therefrom except such as may be caused by the willful or grossly negligent act of the Lessor, his servants or agents.

SECTION 16 - LIABILITY INSURANCE. The Lessee shall throughout the term hereof procure and carry at its expense comprehensive liability insurance on the Leased Premises with an insurance company authorized to do business in New Hampshire and acceptable to the Lessor. Such insurance shall be carried in the name of and for the benefit of the Lessee and the Lessor, shall be written on an "occurrence" basis; and shall provide coverage of at least \$2,000,000 in case of death of or injury to one person; \$3,000,000 in case of death of or injury to more than one person in the same occurrence; and at least \$100,000 in case of loss, destruction or damage to property. A single limit policy or policies in the total amount of \$3,000,000 shall be deemed compliance with the preceding sentence. The Lessee shall comply with requirements of the Boilers Unfired Pressured Vessels Law (RSA 157-a), if applicable, and in such event the policies referred to above shall contain an endorsement

providing pressure vessels insurance coverage and naming the Lessor as additional insured. The Lessee shall furnish to the Lessor a certificate of such insurance which shall provide that the insurance indicated therein shall not be canceled without at least ten (10) days written notice to the Lessor. At the date of each adjustment to the base rent as provided for in Section 26 hereof, Lessee agrees to increase the insurance coverages provided for herein, if requested to do so by the Lessor, to an amount mutually agreeable to Lessor and Lessee which is then adequate to protect against increases in insurance awards whether caused by inflation or otherwise. Should the parties be unable to agree on an amount, the matter shall be the subject of arbitration in accordance with Section 24 hereof.

SECTION 17 - ALL RISK INSURANCE. (a) The Lessor shall procure and continue in force during the term hereof such amounts as in its judgment are adequate of All Risk Replacement Cost Insurance with Agreed Amount Endorsement (the latter to be adjusted annually) upon the facilities constructed, erected or installed on the Leased Premises at the beginning of the term hereof. The Lessee shall pay to the Lessor upon presentation of invoice therefor and as additional rent during the term hereof, an amount equal to the premiums for such All Risk Replacement Cost Insurance. During the term hereof the Lessee shall procure and continue in force All Risk Replacement Cost Insurance with Agreed Amount Endorsement (the latter to be adjusted annually) upon facilities, machinery, equipment and appurtenances constructed, erected or installed on or in the Leased Premises by the Lessee and which have or may become the property of the Lessor pursuant to Sections 7 and 8 hereof. The policies evidencing such insurance shall provide that loss, if any, payable thereunder shall be payable to the Lessor and/or the Lessee and/or any mortgagee of the Leased Premises as their respective interests may appear, and all such policies together with evidence of payment of the premiums thereon shall be delivered to the Lessor and/or any such mortgagee. All such policies shall be taken in such responsible companies authorized to do business in New Hampshire as the Lessor shall approve and shall be in form satisfactory to the Lessor. Upon receipt of a copy of notice of cancellation of any insurance which is the responsibility of the Lessee hereunder, the Lessor may pay the premiums necessary to reinstate the same. The amount so paid shall constitute additional rent payable by the Lessee at the next rental payment date. The payment of premiums by the Lessor shall not be deemed a waiver or release by the Lessor of default by the Lessee in failing to pay the same or of any action the Lessor may take hereunder as a result of such default. The Lessee shall not violate, nor permit any person, firm, association or corporation to violate any of the terms, conditions and provisions of such policies. In the event of loss the Lessor shall promptly initiate action to effect a settlement with the insurer, the Lessee shall cooperate with the Lessor and any mortgagee in connection with the processing and collection of claims and shall execute and deliver to the Lessor such proofs of loss, releases and other instruments as may be necessary to settle any such claims and obtain the proceeds thereof, and in the event the Lessee shall fail or neglect so to cooperate or to execute and deliver any such instrument, the Lessor may as the agent or attorney in fact of the Lessee, execute and deliver any such instrument, and the Lessee hereby nominates and appoints the Lessor the proper and legal attorney in fact of the Lessee for such purposes, hereby ratifying all that the Lessor may lawfully do as such attorney in fact.

(b) If and to the extent permitted without prejudice to any rights of the Lessor under applicable insurance policies, the Lessee shall be held free and harmless from liability for loss or damage to the Leased Premises by fire, the extended coverage perils, sprinkler leakage, vandalism and malicious mischief if and to the extent actually insured against, whether or not such loss or damage be the result of the negligence of the Lessee, its employees or agents. This subsection does not impose any added obligation or expense upon the Lessor nor require that it carry insurance of any kind and is to be construed only as a limitation upon the rights of the insurance carriers to subrogation.

(c) If and to the extent permitted without prejudice to any rights of the Lessee under the applicable insurance policies, the Lessor shall be held free and harmless from liability for loss or damage to personal property of the Lessee in the Leased Premises, by fire, the extended coverage perils, water leakage, sewer problems, sprinkler leakage, vandalism and malicious mischief if and to the extent actually insured against, whether or not such loss or damage be the result of the negligence of the Lessor, its employees or agents. This subsection does not impose any added obligation or expense upon the Lessee nor require that it carry any insurance of any kind and is to be construed only as a limitation upon the rights of the insurance carriers to subrogation.

SECTION 18 - DESTRUCTION OF PREMISES. In the event that the Leased Premises shall be totally destroyed by fire or other casualty insured against, or shall be so damaged that repairs and restoration cannot be accomplished both (a) within a period of one hundred twenty (120) days, and (b) more than

ninety (90) days prior to the expiration of the term hereof, including any renewal term for which the option therefor shall have been exercised, or (c) without cost to Lessor in excess of the insurance proceeds available, if any, this Lease shall automatically terminate without further act of either party hereto, and each party shall be relieved of any further obligations to the other except that the Lessee shall be liable for and shall promptly pay the Lessor any rent then in arrears or the Lessor shall promptly rebate to the Lessee a pro rata portion of any rent paid in advance. In the event the Leased Premises shall be so damaged that repairs and restoration can be accomplished both (a) within a period of one hundred twenty (120) days, and (b) more than ninety (90) days prior to the expiration of the term hereof, including the renewal term if the option therefor shall have been exercised, this Lease shall continue in effect in accordance with its terms; the Lessor shall accomplish such repairs and restoration as promptly as practicable (utilizing therefor the proceeds of the insurance applicable thereto without any apportionment therefore for damages to the leasehold interest created by this Indenture); and until such repairs and restoration have been accomplished, a portion of the rent shall abate equal to the proportion of the Leased Premises rendered unusable by the damage. In no event shall the obligation of the Lessor to repair and restore exceed in amount the sum of the insurance proceeds paid to Lessor and/or released to Lessor by any mortgagee with which settlement was made, and the Lessee agrees to execute and deliver to the Lessor all instruments and documents necessary to evidence the fact that the right to such insurance proceeds is vested in the Lessor. The Lessor shall notify the Lessee within thirty (30) days following the date of any such damage or destruction whether or not repairs and restoration can be accomplished both (a) within a period of one hundred twenty (120) days and (b) more than ninety (90) days prior to the expiration of the term hereof, including any renewal term for which the option therefor shall have been exercised.

SECTION 19 - REPOSSESSION BY LESSOR. At the expiration of this Lease or upon an earlier termination of this Lease for any cause herein provided for, the Lessee shall peaceably and quietly quit the Leased Premises and deliver up possession of same to the Lessor, together with all alterations, additions, improvements, mechanical installation, equipment and appurtenances thereto not removed from the Leased Premises pursuant to Sections 7 and 8 hereof. The Lessee covenants and agrees that at the time of delivery of possession to the Lessor at the expiration of this Lease, any and all alterations, additions improvements, mechanical installations, equipment and appurtenances constructed or installed on or in the Leased Premises at its expense after the beginning of the term hereof and which have become the property of the Lessor pursuant to Sections 7 and 8 hereof shall be free and clear of any mortgage, lien, pledge or other encumbrances or charges.

SECTION 20 - SUBORDINATION. The Lessee agrees that this Lease and all rights of the Lessee hereunder are and shall be subject and subordinate to the lien of (a) any mortgage or deed of trust constituting a first lien on the Leased Premises, or any part thereof, at the date hereof, and (b) the lien of any mortgage or deed of trust hereafter executed to provide permanent financing or refinancing of the building of which the Leased Premises are a part, and (c) any renewal, modification, consolidation or extension of any mortgage or deed of trust referred to in clause (a) or clause (b). The Lessee shall, upon demand at any time or times, execute, acknowledge and deliver to the Lessor without any expense to the Lessor, any and all instruments that may be necessary or proper to subordinate this Lease and all rights of the Lessee hereunder to the lien of any mortgage, deed of trust or other instrument referred to in clause (b) or clause (c) of the preceding sentence; provided, however, that such subordination of this Lease may at the option of the Lessee be conditioned upon the mortgagee or trustee executing an agreement (i) that so long as the Lessee is not in default under the terms of this Indenture, the mortgagee or trustee, or any person succeeding to the rights of the mortgagee or trustee, or any purchaser at a foreclosure sale under said mortgage or deed of trust, shall not disturb the peaceful possession of the Lessee hereunder, and (ii) that the proceeds of insurance policies held by it will be applied to the cost and restoration in those instances in which the Lessor is obligated to repair and restore pursuant to the provisions hereof.

SECTION 21 - DEFAULT. In the event (i) any installment of rent shall not be paid within ten (10) days after the Lessor shall have notified the Lessee in writing that the same is due and payable; or (ii) the Lessee defaults in the performance or observation of any covenant or condition in this Indenture and such default remains unremedied for twenty (20) days after written notice thereof has been given to the Lessee by the Lessor, or (iii) the holder of a security interest in all or substantially all of the personal property utilized by the Lessee in, or generated by the operations of the Lessee in, the Leased Premises forecloses the same; or (iv) the Lessee makes an assignment for the benefit of

creditors, files a voluntary petition in bankruptcy, is adjudicated insolvent or bankrupt, petitions or applies to any tribunal for any receiver or any trustee of or for the Lessee or any substantial part of its property, commences any proceeding relating to the Lessee or any substantial part of its property under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or there is commenced against the Lessee any such proceedings which remains undismissed for a period of sixty (60) days, or any order approving the petition in any such proceeding is entered, or the Lessee by any act indicates its consent to, or acquiescence in, any such proceeding or the appointment of any receiver or trustee for the Lessee or any substantial part of its property, or suffers any such receivership or trusteeship to continue undischarged for a period of sixty (60) days, then, in any such events, the Lessor may immediately or at any time thereafter and without demand notice enter upon the Leased Premises or any part thereof in the name of the whole and repossess the same as of the Lessor's former estate and expel the Lessee and those claiming through or under the Lessee and remove their effects forcibly if necessary, without being deemed guilty of any manner of trespass and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant, and upon such entry this Lease shall terminate; and the Lessee covenants that, in case of such termination or in case of termination under the provisions of statute by reason of the default of the Lessee, the Lessee shall remain and continue liable to the Lessor in an amount equal to the total rent reserved for the balance of the term plus all additional rent reserved for the balance of the term hereof less the net amounts (after deducting the expenses of repair, renovation or demolition) which the Lessor realizes, or with due diligence should have realized, from the reletting of the Leased Premises. As used in this Section, the term "additional rent" means the value of all considerations other than rent agreed to be paid or performed by the Lessee hereunder, including, without limiting the generality of the foregoing, taxes, assessments and insurance premiums. The Lessor shall have the right from time to time to relet the Leased Premises upon such terms as he may deem fit, and if a sufficient sum shall not be thus realized to yield the net rent required under this Lease, the Lessee agrees to satisfy and pay all deficiencies as they may become due during each month of the remaining term of this Lease, or the Lessor may require the Lessee to pay to him as damages such lump sum as will suffice to make the Lessor whole for the balance of the then term of this Lease. Nothing herein contained shall be deemed to require the Lessor to await the date whereon this Lease, or the term hereof, would have expired had there been no default by the Lessee, or no such termination or cancellation. The Lessee expressly waives service of any notice of intention to reenter and waives any and all right to recover or regain possession of the Leased Premises, or to reinstate or redeem this Lease as may be permitted or provided for by or under any statute or law now or hereafter in force and effect. The rights and remedies given to the Lessor in this Lease are distinct, separate and cumulative remedies, and no one of them, whether or not exercised by the Lessor, shall be deemed to be in exclusion of any of the others herein or by law or equity provided. Nothing contained in this Section shall limit or prejudice the right of the Lessor to prove and obtain, in proceedings involving the bankruptcy or insolvency of, or a composition with creditors by, the Lessee the maximum allowed by any statute or rule of law at the time in effect.

SECTION 22 - ACCESS TO PREMISES. The Lessor or his representatives shall have free access to the Leased Premises at reasonable intervals during normal business hours for the purpose of inspection, or for the purpose of showing the premises to prospective purchasers or tenants, or for the purpose of making repairs, which the Lessee is obligated to make hereunder but has failed or refused to make. The preceding sentence does not impose upon the Lessor any obligation to make repairs. During the six (6) months next preceding the expiration of this Lease, the Lessor may keep affixed to any suitable part of the outside of the building of which the Leased Premises are a part a notice that the Leased Premises are for sale or rent.

SECTION 23 - HOLDING OVER. In the event the Lessee shall hold over after the expiration of the term hereof, such holding over shall not extend the term of this Lease but shall create a month-to-month tenancy upon all the terms and conditions of this Indenture.

SECTION 24 - ARBITRATION. (a) In the event of any dispute to the meaning or interpretation of any provision of this Lease, either party may, upon ten (10) days' written notice to the other party, require that the dispute be determined by arbitration under the rules, then obtaining, of the Commercial Panel of the American Arbitration Association.

(b) A decision of an arbitrator made in accordance with the provisions of this Section shall be

final and binding upon both parties hereto and enforceable in a court of law.

SECTION 25 - OPTION TO RENEW. Provided it be not at the time in default in payment of the rent or in the performance of any of its other obligations hereunder, the Lessee, upon not less than six (6) months' written notice to the Lessor, may renew this Lease for five (5) additional terms of one (1) year each. Such renewal terms shall be upon all of the terms and conditions of this Lease except the actual base rent will be established for each of the respective five (5) terms of the renewal option by applying the CPI-U as published by the Bureau of Labor Statistics of the United States Department of Labor for all urban consumers, Boston-Brockton-Nashua, MA-NH-ME-CT, All Items (1982-84 = 100) to the preceding year's base rent. In no instance will the increase for each of the five (5) respective option periods be less than three percent (3%).

SECTION 26 - HAZARDOUS SUBSTANCES. Lessee shall not generate, store, dispose of or otherwise handle any hazardous substance or waste or toxic waste on the premises in any fashion contrary to any federal, state or local statutes, laws, ordinances, rules and regulations, as the same may be described by federal, state or local laws. Lessee shall indemnify and save the Lessor harmless from and against any and all claims, demands, liabilities, costs and expenses including reasonable counsel fees, asserted by any third parties and arising out of or by reason of use by Lessee of the premises for or in conjunction with the disposal of hazardous or toxic waste.

SECTION 27 - NOTICES. Any written notice, request or demand required or permitted by this Indenture shall, until either party shall notify the other in writing of a different address, be properly given if sent by certified or registered first class mail, postage prepaid, and addressed as follows:

If to the Lessor: 1987 Tamposi Limited Partnership
20 Trafalgar Square, Suite 602
Nashua, NH 03063

If to the Lessee: Skillsoft Corporation
20 Industrial Park Drive
Nashua, NH 03062

SECTION 28 - SUCCESSION. This Indenture shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the parties hereto.

SECTION 29 - WAIVER. Any consent, express or implied by the Lessor to any breach by the Lessee of any covenant or condition of this Lease shall not constitute a waiver by the Lessor of any prior or succeeding breach by the Lessee of the same or any other covenant or condition of this Lease. Acceptance by the Lessor of rent or other payment with knowledge of a breach of or default under any term hereof by the Lessee shall not constitute a waiver by the Lessor of such breach or default.

SECTION 30 - GOVERNING LAW. This Indenture shall be construed and interpreted in accordance with the laws of the State of New Hampshire and questions or disputes concerning interpretation shall be determined in the court of appropriate jurisdiction.

SECTION 31 - FORCE MAJEURE. Except as expressly provided herein, there shall be no abatement, diminution or reduction of the rent or other charges payable by the Lessee hereunder based upon, or claimed as a result of, any act of God, act of the public enemy, governmental action, or other casualty, cause or happening beyond the control of the parties hereto.

SECTION 32 - BROKERAGE. Each of the parties represents and warrants that there are no claims for brokerage commissions or finder's fees with respect to this Lease or the negotiation hereof except as set forth in this Section. The parties further agree to indemnify the other against, hold harmless from, all liabilities arising from any such claim (including without limitation, the cost of counsel fees in connection therewith) except; the broker for this Lease is a co-broke between The Norwood Group and Tamposi-Nash Real Estate Group, Inc., whose fee will be paid by Lessor.

SECTION 33 - COUNTERPARTS. This Indenture may be executed in two (2) or more counterparts, each of which shall be deemed to be an original, and all collectively but one and the

same instrument.

SECTION 4 - SECURITY DEPOSIT. The Lessee hereby deposits the sum of Ten Thousand One Hundred Sixty Dollars (\$10,160.00) with the Lessor, the receipt of which is hereby acknowledged, as security for the full and faithful performance by the Lessee of each and every term, covenant and condition of this Lease. Lessee shall maintain the full amount of the security deposit throughout the term of this Lease. In the event that the Lessee defaults with respect to any terms, provisions, covenants and conditions of this Lease, including but not limited to payment of any rentals, the Lessor may use, apply or retain the whole or any part of the security so deposited for the payment of any such rentals in default or for any such sums which Lessor may expend or be required to expend by reason of the Lessee's default, including any damages or deficiency in the reletting of the Demised Premises, whether such damages or deficiency may accrue before or after summary proceedings or other re-entry by the Lessor. In the event that the Lessee shall fully and faithfully comply with all terms, provisions, covenants and conditions of this Lease, the security or the balance thereof will be returned to the Lessee after the time fixed as the expiration thereof. The Lessee shall not be entitled to any interest on the security. In the absence of evidence satisfactory to the Lessor of any assignment of the right to receive this security, or the remaining balance thereof, the Lessor may return the security to the original Lessee, regardless of one or more assignments of the Lease itself.

Prior to the time when the Lessee shall be entitled to return of the security deposit, the Lessor shall be entitled to intermingle such deposit with its own funds and to use such funds for purposes as the Lessor may determine.

In the event of a bona fide sale, subject to this Lease, the Lessor shall have the right to transfer the security deposit to the vendee for the benefit of the Lessee, and the Lessor shall be considered released by the Lessee from all liability for return of such sum, and the Lessee agrees to look to the new landlord solely for the return of the security, and it is agreed that this apply to every transfer or assignment made of the security to a new landlord.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be executed and delivered as of the day and year first above written.

LESSOR:

1987 TAMPOSI LIMITED PARTNERSHIP
By its General Partner
Ballinger Properties, L.L.C.

/s/ J

Witness

/s/Samuel A. Tamposi, Jr.

By: Samuel A. Tamposi, Jr., Manager

LESSEE:

SKILLSOFT CORPORATION

/s/ Elisa M. LeMaster

Witness

/s/ Thomas J. McDonald

By:

[PLAN OF LEASED PREMISES APPEARS HERE.]

APPENDIX B: ESTIMATED REPAIR/REPLACEMENT COSTS*

IMMEDIATE PHYSICAL NEEDS+

ITEM	QUANTITY	UNIT	UNIT COST	COST SOURCE	COST
Replace overhead doors	3	Each	1,500	Means	4,500
Replace loading dock roof and other repairs	1	Each	1,000	Means	1,000
Roof repair	3	Each	1,000	Means	3,000
Repair front office south furnace	1	Each	1,000	Means	1,000
TOTAL					\$9,500

LONG-TERM PHYSICAL NEEDS+

ITEM	QUANTITY	UNIT	UNIT COST	COST SOURCE	YEAR 1	YEARS 2-5	YEARS 6-10
Drainage repair					2,000		
Resurface parking area	50,000	Square foot	\$ 0.50	Means	25,000		
Landscaping upgrade						10,000	
Structural					2,000		
Exterior repairs and trim paint					5,000		
Window upgrading	40	Each	\$ 400	Experience		10,000	
Resurface front roof	3,000	Square foot	\$ 5				15,000
Upgrade roof drains	3	Each	\$ 1,000		3,000		
Employee/work area restroom upgrading	2	Each	\$ 8,000		16,000		
Replace rooftop air conditioning	4	Each	\$10,000		40,000		
Upgrade installation of restroom exhaust fan	1	Each	\$ 3,000		3,000		
Electrical system repair and upgrading					Unknown		
Interior upgrading					Unknown		
TOTAL ++					\$96,000	\$20,000	\$15,000

* The recommendations and comments included in this report are based on the collective experience of Criterium Engineers. Any costs or other comments contained herein do not necessarily infer that subcontracts, quotes, or opinions of other professionals were solicited.

+ This table summarizes estimated costs of repairs or replacements, including both labor and materials. These estimates are based on our general knowledge of building systems, local contracting/construction industry conditions, and other sources such as Means Building Construction Cost Data. We have performed no design work as part of this study, nor have we obtained competitive quotations or estimates.

++ Uninflated.

SkillSoft Corporation.
107-109 Northeastern Boulevard, Nashua, NH

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SUBSIDIARIES

JURISDICTION

SkillSoft Corporation	Delaware
SmartForce Limited	Ireland
SmartForce UK Limited	England
SkillSoft UK Limited	England
SkillSoft Australasia Pty Ltd	Australia
Books24x7.com, Inc.	Delaware
CBT Finance Limited	Grand Cayman
CBT Technology Limited	Ireland
SmartForce Canada Ltd	Canada
SmartForce Mentoring Group Ltd	Canada
SmartForce Business Skills Ltd	Ireland
SmartCertify Direct, Inc.	Florida
M2S Prokoda GmbH	Germany
SkillSoft International Holding Corporation	Delaware
SmartForce Australia Pty Ltd	Australia

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