

Huntley David S.
Form 4
February 01, 2018

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Huntley David S.

(Last) (First) (Middle)
208 S. AKARD
(Street)

DALLAS, TX 75202

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
AT&T INC. [T]

3. Date of Earliest Transaction
(Month/Day/Year)
01/30/2018

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
SEVP&Chief Compliance Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
____ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D) Code V Amount (D) Price			
Common Stock	01/30/2018		M	5,446 A	27,969	D	
Common Stock	01/30/2018		F(2)	1,199 D	\$ 37.44 26,770	D	
Common Stock					4,763.7518	I	By 401(k)
Common Stock					5,168.6862	I	By Benefit Plan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Amount or Number of Shares
Restricted Stock Units (2014)	(1)	01/30/2018		M	5,446	(1) (1)	Common Stock	5,446

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Huntley David S. 208 S. AKARD DALLAS, TX 75202			SEVP&Chief Compliance Officer	

Signatures

/s/ Starlene Meyerkord,
Attorney-in-fact
**Signature of Reporting Person

02/01/2018
Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Restricted stock units acquired pursuant to the 2011 Incentive Plan. Each unit will convert into one share of issuer's common stock. Units vest and distribute on 1/30/2018. Vesting (but not distribution) is accelerated on retirement eligibility.
- (2) Mandatory tax withholding on distribution of Restricted Stock Units.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ver to the participants in the SkillSoft Stock Plans an appropriate notice setting forth such participants rights in the SkillSoft Stock Options, as provided in this Section 2.3.

(c) SmartForce shall take all corporate action necessary to reserve for issuance a sufficient number of SmartForce ADSs for delivery upon exercise of SkillSoft Stock Options assumed in accordance with this Section 2.3. Within 30 days after the Effective Time, SmartForce shall file one or more registration statements on Form S-8 (or any successor form) with respect to the SmartForce ADSs subject to such SkillSoft Stock Options (to the extent a Form S-8 is available for such options) and shall maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such options remain outstanding.

(d) SkillSoft shall, prior to the Effective Time, terminate its 2001 Employee Stock Purchase Plan and its 2001 International Employee Stock Purchase Plan and all rights of participants therein and all obligations of SkillSoft thereunder in accordance with the terms thereof, provided that SkillSoft shall permit all participants therein to purchase SkillSoft Common Stock based on accrued payroll deductions as of the date of termination, in accordance with the terms of such Plans.

2.4 *Taking Necessary and Further Action.* If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with the full right, title and possession to all assets, property, rights, privileges, powers and franchises of SkillSoft and the Transitory Subsidiary, the officers and directors of SkillSoft and the Transitory Subsidiary will take all such reasonable, lawful and necessary action.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SKILLSOFT

SkillSoft represents and warrants to SmartForce and the Transitory Subsidiary that the statements contained in this Article III are true and correct, except as expressly set forth herein or in the disclosure schedule delivered by SkillSoft to SmartForce on the date of this Agreement (the SkillSoft Disclosure Schedule). The disclosure in any paragraph of the SkillSoft Disclosure Schedule shall qualify (1) the corresponding paragraph in this Article III and (2) the other paragraphs in this Article III only to the extent that it is reasonably apparent from a reading of such disclosure that it also qualifies or applies to such other paragraphs.

3.1 *Organization, Standing and Power; Subsidiaries.* SkillSoft is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and as proposed to be conducted, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the character of the properties it owns, operates or leases or the nature of its activities makes such qualification necessary, except for such failures to be so organized, qualified or in good standing, individually or in the aggregate, which have not had, and are not reasonably likely to have a SkillSoft Material Adverse Effect. For purposes of this Agreement, the term SkillSoft Material Adverse Effect means any material adverse change, event, circumstance or, development with respect to, or material adverse effect on (i) the business, assets, liabilities, capitalization, condition (financial or other), or results of operations of SkillSoft and its Subsidiaries, taken as a whole (excluding a material adverse effect resulting solely or primarily from factors affecting the United States economy or the corporate training software market in general and provided that a decrease in the market price of SkillSoft Common Stock shall not in and of itself constitute a

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SkillSoft Material Adverse Effect), or (ii) the ability of SkillSoft to consummate the transactions contemplated by this Agreement. SkillSoft has delivered or made available to SmartForce complete and accurate copies of its Certificate of Incorporation and By-laws, as amended to date, and the equivalent organizational documents of each Subsidiary of SkillSoft, all of which documents are in full force and effect. SkillSoft is not in violation of any of the provisions of its Certificate of Incorporation or By-laws, and no Subsidiary of SkillSoft is in material violation of its equivalent organizational documents.

3.2 *Capitalization.*

(a) The authorized capital stock of SkillSoft consists of 50,000,000 shares of SkillSoft Common Stock and 5,000,000 shares of preferred stock, \$.001 par value per share (SkillSoft Preferred Stock), which have not been designated into any class or series. As of June 5, 2002 (i) 17,456,937 shares of SkillSoft Common Stock were issued and outstanding, (ii) no shares of SkillSoft Common Stock were held in the treasury of SkillSoft, and (iii) no shares of SkillSoft Preferred Stock were issued or outstanding.

(b) Section 3.2(b) of the SkillSoft Disclosure Schedule lists all issued and outstanding shares of SkillSoft Common Stock that constitute restricted stock or that are otherwise subject to a repurchase or redemption right or right of first refusal in favor of SkillSoft, indicating the name of the applicable stockholder, the vesting schedule for any such shares, including the extent to which any such repurchase or redemption right or right of first refusal has lapsed as of the date of this Agreement, and whether (and to what extent) the vesting will be accelerated in any way by the Merger or by termination of employment or change in position following consummation of the Merger.

(c) Section 3.2(c) of the SkillSoft Disclosure Schedule sets forth a complete and accurate list, as of the date of this Agreement, of: (i) all SkillSoft Stock Plans, indicating for each SkillSoft Stock Plan, as of June 5, 2002, the number of shares of SkillSoft Common Stock issued to date under such Plan, the number of shares of SkillSoft Common Stock subject to outstanding options under such Plan and the number of shares of SkillSoft Common Stock reserved for future issuance under such Plan; and (ii) all outstanding SkillSoft Stock Options held by an executive officer or director of SkillSoft, indicating with respect to each such SkillSoft Stock Option the name of the holder thereof, the SkillSoft Stock Plan under which it was granted, the number of shares of SkillSoft Common Stock subject to such SkillSoft Stock Option, the exercise price, the date of grant, and the vesting schedule, including whether (and to what extent) the vesting will be accelerated in any way by the Merger or by termination of employment or change in position following consummation of the Merger. All SkillSoft Stock Options have been granted under one of the SkillSoft Stock Plans. SkillSoft has not granted any SkillSoft Stock Options from and including June 5, 2002 through and including the date of this Agreement. Except for shares of SkillSoft Common Stock issued upon exercise of SkillSoft Stock Options outstanding as of June 5, 2002, SkillSoft has not issued any shares of SkillSoft Common Stock or SkillSoft Preferred Stock from and including June 5, 2002 through and including the date of this Agreement. SkillSoft has provided or made available to SmartForce complete and accurate copies of all SkillSoft Stock Plans and the forms of all stock option agreements evidencing SkillSoft Stock Options. Except as set forth in Section 3.2(c) of the SkillSoft Disclosure Schedule, no acceleration of vesting of any SkillSoft Stock Options will occur as a result of or in connection with the Merger.

(d) Except as set forth in Section 3.2(d) of the SkillSoft Disclosure Schedule or pursuant to the SmartForce Option Agreement, (i) no subscription, warrant, option, convertible security or other right (contingent or otherwise) to purchase or acquire any shares of capital stock of SkillSoft is authorized or outstanding, (ii) SkillSoft has no obligation (contingent or otherwise) to issue any subscription, warrant, option, convertible security or other such right, or to issue or distribute to holders of any shares of its capital stock any evidences of indebtedness or assets of SkillSoft, (iii) SkillSoft has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or to make any other distribution in respect thereof, and (iv) there are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to SkillSoft.

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(e) There is no agreement, written or oral, between SkillSoft or any Affiliate of SkillSoft and any holder of the securities of SkillSoft relating to the sale or transfer (including agreements relating to rights of first refusal, co-sale rights or drag-along rights), registration under the Securities Act of 1933, as amended (the Securities Act), or voting, of the capital stock of SkillSoft. There is no rights agreement, poison pill anti-takeover plan or other agreement or understanding to which SkillSoft is a party or by which it is bound with respect to any equity security of any class of SkillSoft. For purposes of this Agreement, the term Affiliate when used with respect to any party means any person who is an affiliate of that party within the meaning of Rule 405 promulgated under the Securities Act.

(f) All outstanding shares of SkillSoft Common Stock are, all shares of SkillSoft Common Stock subject to issuance as specified in Section 3.2(c) above will be upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, and all shares of SkillSoft Common Stock issuable pursuant to the SmartForce Option Agreement will be upon issuance pursuant to the terms of such Agreement, duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of the DGCL, SkillSoft's Certificate of Incorporation or By-laws or any agreement to which SkillSoft is a party or is otherwise bound.

(g) Stockholders of SkillSoft are not entitled to dissenters' or appraisal rights under applicable state or Irish law in connection with the Merger.

(h) No consent of the holders of SkillSoft Stock Options is required in connection with the actions contemplated by Section 2.3.

3.3 *Subsidiaries.*

(a) Section 3.3 of the SkillSoft Disclosure Schedule sets forth, for each Subsidiary of SkillSoft: (i) its name; (ii) the number and type of outstanding equity securities and a list of the holders thereof; and (iii) the jurisdiction of organization. For purposes of this Agreement, the term Subsidiary means, with respect to any party, any corporation, partnership, trust, limited liability company or other non-corporate business enterprise in which such party (or another Subsidiary of such party) holds stock or other ownership interests representing (a) more than 50% of the voting power of all outstanding stock or ownership interests of such entity or (b) the right to receive more than 50% of the net assets of such entity available for distribution to the holders of outstanding stock or ownership interests upon a liquidation or dissolution of such entity.

(b) Each Subsidiary of SkillSoft is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and as proposed to be conducted, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such qualification necessary, except for such failures to be so organized, qualified or in good standing that, individually or in the aggregate, have not had, and are not reasonably likely to have, a SkillSoft Material Adverse Effect. All of the outstanding shares of capital stock and other equity securities or interests of each Subsidiary of SkillSoft are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights and all such shares (other than directors' qualifying shares in the case of non-U.S. Subsidiaries, all of which SkillSoft has the power to cause to be transferred for no or nominal consideration to SkillSoft or SkillSoft's designee) are owned, of record and beneficially, by SkillSoft or another of its Subsidiaries free and clear of all security interests, liens, claims, pledges, agreements, limitations in SkillSoft's voting rights, charges or other encumbrances of any nature. There are no outstanding or authorized options, warrants, rights, agreements or commitments to which SkillSoft or any of its Subsidiaries is a party or which are binding on any of them providing for the issuance, disposition or acquisition of any capital stock of any Subsidiary of SkillSoft. There are no outstanding stock

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appreciation, phantom stock or similar rights with respect to any Subsidiary of SkillSoft. There are no voting trusts, proxies or other agreements or understandings with respect to the voting of any capital stock of any Subsidiary of SkillSoft.

(c) SkillSoft does not control directly or indirectly or have any direct or indirect equity participation or similar interest in any corporation, partnership, limited liability company, joint venture, trust or other business association or entity which is not a Subsidiary of SkillSoft. There are no obligations, contingent or otherwise, of SkillSoft or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of any Subsidiary of SkillSoft or to provide funds to or make any material investment (in the form of a loan, capital contribution or otherwise) in any Subsidiary of SkillSoft or any other entity, other than guarantees of bank obligations of Subsidiaries of SkillSoft entered into in the ordinary course of business consistent with past practice (the *Ordinary Course of Business*).

3.4 Authority; No Conflict; Required Filings and Consents.

(a) SkillSoft has all requisite corporate power and authority to enter into this Agreement, and the SmartForce Option Agreement, subject (in the case of the Merger Agreement) only to the adoption of this Agreement and the approval of the Merger (the *SkillSoft Voting Proposal*) by SkillSoft's stockholders under the DGCL (the *SkillSoft Stockholder Approval*), to consummate the transactions contemplated by this Agreement and the SmartForce Option Agreement. Without limiting the generality of the foregoing, the SkillSoft Board, at a meeting duly called and held, by the unanimous vote of all directors (i) determined that the Merger is fair, advisable and in the best interests of SkillSoft and its stockholders, (ii) adopted this Agreement in accordance with the provisions of the DGCL, and (iii) directed that this Agreement and the Merger be submitted to the stockholders of SkillSoft for their adoption and approval and resolved to recommend that the stockholders of SkillSoft vote in favor of the adoption of this Agreement and the approval of the Merger. The execution and delivery of this Agreement and the SmartForce Option Agreement and the consummation of the transactions contemplated thereby by SkillSoft have been duly authorized by all necessary corporate action on the part of SkillSoft, subject only (in the case of the Merger Agreement) to the required receipt of the SkillSoft Stockholder Approval. This Agreement has been duly executed and delivered by SkillSoft and constitutes the valid and binding obligation of SkillSoft, enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles (the *Bankruptcy and Equity Exception*). The SmartForce Option Agreement, upon its execution, will be duly executed and delivered by SkillSoft and will constitute the valid and binding obligation of SkillSoft, enforceable in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(b) The execution and delivery of this Agreement by SkillSoft do not, and the consummation by SkillSoft of the transactions contemplated by this Agreement and the SmartForce Option Agreement shall not, (i) conflict with, or result in any violation or breach of, any provision of the Certificate of Incorporation or By-laws of SkillSoft or of the charter, by-laws, or other organizational document of any Subsidiary of SkillSoft, (ii) conflict with, or result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any material benefit) under, or require a consent or waiver under, constitute a change in control under, require the payment of a penalty under or result in the imposition of any mortgages, security interests, pledges, liens, charges or encumbrances of any nature (*Liens*) on SkillSoft's or any of its Subsidiaries' assets under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract or other agreement, instrument or obligation to which SkillSoft or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound, or (iii) subject to obtaining the SkillSoft Stockholder Approval and compliance with the requirements specified in clauses (i) through (vi) of Section 3.4(c), conflict with or violate any permit, concession, franchise, license, judgment, injunction, order, decree, statute, law, ordinance, rule or regulation applicable to SkillSoft or any of its Subsidiaries or any of its or their properties or assets, except in the case of clauses (ii) and (iii) of this Section 3.4(b) for any such conflicts, violations, breaches, defaults,

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terminations, cancellations, accelerations or losses which, individually or in the aggregate, are not, reasonably likely to have a SkillSoft Material Adverse Effect. Section 3.4(b) of the SkillSoft Disclosure Schedule lists all consents, waivers and approvals under any of SkillSoft's or any of its Subsidiaries' agreements, licenses or leases required to be obtained in connection with the consummation of the transactions contemplated hereby, which, if individually or in the aggregate were not obtained, would result in a material loss of benefits to SkillSoft, SmartForce or the Surviving Corporation as a result of the Merger.

(c) No consent, approval, license, permit, order or authorization of, or registration, declaration, notice or filing with, any court, arbitral tribunal, administrative agency or commission or other governmental or regulatory authority, agency or instrumentality (a Governmental Entity) or any stock market or stock exchange on which shares of SkillSoft Common Stock are listed for trading is required by or with respect to SkillSoft or any of its Subsidiaries in connection with the execution and delivery of this Agreement and the SmartForce Option Agreement or the consummation by SkillSoft of the transactions contemplated thereby, except for (i) the pre-merger notification requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), (ii) any actions or filings required under the Irish Mergers and Take-Overs (Control) Acts, 1978 to 1996 or any statutory provision supplementing, amending or replacing the same (the Irish Mergers Act), (iii) the filing of the Certificate of Merger with the Delaware Secretary of State and appropriate corresponding documents with the appropriate authorities of other states in which SkillSoft is qualified as a foreign corporation to transact business, (iv) the filing of the Joint Proxy Statement/Prospectus with the Securities and Exchange Commission (the SEC) in accordance with the Securities Exchange Act of 1934, as amended (the Exchange Act), (v) the filing of such reports, schedules or materials under Section 13 of or Rule 14a-12 under the Exchange Act and materials under Rule 165 and Rule 425 of the Securities Act as may be required in connection with this Agreement and the SmartForce Option Agreement and the transactions contemplated hereby, (vi) such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable state securities laws and the laws of any foreign country, including the consent of the Irish Takeover Panel for the purpose of any relevant rules of the Irish Takeover Panel Act, 1997, Takeover Rules and Substantial Acquisition Rules (the Irish Takeover Act) and compliance with any directions or rulings of the Irish Takeover Panel, (vii) if required by The Nasdaq Stock Market, Inc., the filing of a Notification Form: Listing of Additional Shares with The Nasdaq Stock Market, Inc. for the SkillSoft Common Stock issuable under the SmartForce Option Agreement and (viii) such consents, authorizations, orders, filings, approvals and registrations which, if not obtained or made, would not be reasonably likely to have a SkillSoft Material Adverse Effect.

(d) The affirmative vote for adoption of the SkillSoft Voting Proposal by the holders of a majority of the outstanding shares of SkillSoft Common Stock on the record date for the meeting of SkillSoft's stockholders to consider the SkillSoft Voting Proposal (the SkillSoft Meeting) is the only vote of the holders of any class or series of SkillSoft's capital stock or other securities necessary to adopt this Agreement and for consummation by SkillSoft of the other transactions contemplated by this Agreement. There are no bonds, debentures, notes or other indebtedness of SkillSoft having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of SkillSoft may vote.

3.5 SEC Filings; Financial Statements; Information Provided.

(a) SkillSoft has filed all registration statements, forms, reports and other documents required to be filed by SkillSoft with the SEC since January 31, 2000 and has made available to SmartForce copies of all registration statements, forms, reports and other documents filed by SkillSoft with the SEC since such date, all of which are available on the SEC's EDGAR system. All such required registration statements, forms, reports and other documents (including those that SkillSoft may file after the date hereof until the Closing) are referred to herein as the SkillSoft SEC Reports. The SkillSoft SEC Reports (i) were or will be filed on a timely basis, (ii) at the time filed, were or will be prepared in compliance in all material respects with the applicable requirements of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such SkillSoft SEC Reports, and (iii) did not or will not at the time they were or are filed contain

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any untrue statement of a material fact or omit to state a material fact required to be stated in such SkillSoft SEC Reports or necessary in order to make the statements in such SkillSoft SEC Reports, in the light of the circumstances under which they were made, not misleading. No Subsidiary of SkillSoft is subject to the reporting requirements of Sections 13(a) or 15(d) of the Exchange Act.

(b) Each of the consolidated financial statements (including, in each case, any related notes and schedules) contained or to be contained in SkillSoft SEC Reports at the time filed (i) complied or will comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (ii) were or will be prepared in accordance with United States generally accepted accounting principles (GAAP) applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such financial statements or, in the case of unaudited interim financial statements, as permitted by the SEC on Form 10-Q under the Exchange Act) and (iii) fairly presented or will fairly present in all material respects the consolidated financial position of SkillSoft and its Subsidiaries as of the dates indicated and the consolidated results of SkillSoft and its Subsidiaries' operations and cash flows for the periods indicated, consistent with the books and records of SkillSoft and its Subsidiaries, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not or are not expected to be material in amount. The consolidated, unaudited balance sheet of SkillSoft as of April 30, 2002 is referred to herein as the SkillSoft Balance Sheet.

(c) SkillSoft has previously furnished to SmartForce a complete and correct copy of any amendments or modifications, which have not yet been filed with the SEC but which are required to be filed, to agreements, documents or other instruments which previously had been filed by SkillSoft with the SEC pursuant to the Securities Act or the Exchange Act.

(d) The information to be supplied by or on behalf of SkillSoft for inclusion or incorporation by reference in the registration statement on Form S-4 to be filed by SmartForce pursuant to which SmartForce Ordinary Shares underlying the SmartForce ADSs issuable in connection with the Merger shall be registered under the Securities Act (the Registration Statement), or to be supplied by or on behalf of SkillSoft for inclusion in any filing pursuant to Rule 165 and Rule 425 under the Securities Act or Rule 14a-12 under the Exchange Act (each a Regulation M-A Filing), shall not at the time the Registration Statement or such Regulation M-A Filing is filed with the SEC, at any time it is amended or supplemented, or at the time the Registration Statement is declared effective by the SEC contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading. The information to be supplied by or on behalf of SkillSoft for inclusion in the joint proxy statement/prospectus (the Joint Proxy Statement/Prospectus) to be sent to the stockholders of SkillSoft in connection with the SkillSoft Meeting, which shall be deemed to include all information about or relating to SkillSoft, the SkillSoft Voting Proposal or the SkillSoft Meeting, shall not, on the date the Joint Proxy Statement/Prospectus is first mailed to stockholders of SkillSoft, or at the time of the SkillSoft Meeting or at the Effective Time, contain any statement which, at such time and in light of the circumstances under which it shall be made, is false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements made in the Joint Proxy Statement/Prospectus not false or misleading; or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the SkillSoft Meeting which has become false or misleading. If at any time prior to the Effective Time any fact or event relating to SkillSoft or any of its Affiliates is discovered by SkillSoft or occurs which should be set forth in an amendment to the Registration Statement or a supplement to the Joint Proxy Statement/Prospectus, SkillSoft shall promptly inform SmartForce of such fact or event.

3.6 *No Undisclosed Liabilities.* Except as disclosed in the SkillSoft SEC Reports filed prior to the date hereof, and except for normal and recurring liabilities incurred since the date of the SkillSoft Balance Sheet in the Ordinary Course of Business, SkillSoft and its Subsidiaries do not have any liabilities, either accrued, contingent or otherwise (whether or not required to be reflected in financial statements in accordance with generally accepted accounting principles), and whether due or to become due, which individually or in the aggregate are reasonably likely to have a SkillSoft Material Adverse Effect.

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3.7 *Absence of Certain Changes or Events.* Except as set forth in Section 3.7 of the SkillSoft Disclosure Schedule, since the date of the SkillSoft Balance Sheet, SkillSoft and its Subsidiaries have conducted their respective businesses only in the Ordinary Course of Business and, since such date, there has not been any change, event, circumstance, development or effect that individually or in the aggregate has had, or is reasonably likely to have, a SkillSoft Material Adverse Effect.

3.8 *Taxes.*

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) *Tax* or *Taxes* means all taxes, charges, fees, levies or other similar assessments or liabilities, including without limitation income, gross receipts, ad valorem, premium, value-added, excise, real property, personal property, sales, use, transfer, withholding, employment, unemployment insurance, social security, business license, business organization, environmental, workers compensation, payroll, profits, license, lease, service, service use, severance, stamp, capital or occupation, windfall profits, customs, duties, franchise and other taxes imposed by the United States of America or the Republic of Ireland or any state, local or foreign government, or any agency thereof, or other political subdivision of the United States or Ireland or any such government, and any interest, fines, penalties, assessments or additions to tax resulting from, attributable to or incurred in connection with any tax or any contest or dispute thereof.

(ii) *Tax Returns* means all reports, returns, declarations, statements or other information required to be supplied to a taxing authority in connection with Taxes and any amendment thereof.

(iii) *Affiliated Group* means, with respect to SkillSoft or SmartForce, a group of corporations with which SkillSoft or any of its Subsidiaries or SmartForce or any of its Subsidiaries, respectively, has filed (or was required to file) consolidated, combined, unitary or similar Tax Returns.

(iv) *Affiliated Group Tax Return* means, with respect to SkillSoft or SmartForce, any Tax Return in which SkillSoft or any of its Subsidiaries or SmartForce or any of its Subsidiaries, respectively, has joined (or is required to join) with any other corporation.

(v) *Affiliated Period* means any taxable period for which an Affiliated Group Tax Return was or is required to have been or be filed.

(b) SkillSoft and its Subsidiaries have filed on a timely basis all Tax Returns (including Affiliated Group Tax Returns) that are required to have been filed with respect to any of them, and all such Tax Returns were complete and accurate in all material respects. Neither SkillSoft nor any of its Subsidiaries has joined or is required to have joined in any Affiliated Group Tax Return in which any corporation other than SkillSoft and its Subsidiaries are or were members with respect to any Affiliated Period. SkillSoft and its Subsidiaries have paid on a timely basis all Taxes that were due and payable and each member of an Affiliated Group has paid all Taxes that were due and payable with respect to all Affiliated Periods. The unpaid Taxes of SkillSoft and its Subsidiaries for tax periods through the date of the SkillSoft Balance Sheet do not exceed the accruals and reserves for Taxes (excluding accruals and reserves for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the SkillSoft Balance Sheet. Neither SkillSoft nor any of its Subsidiaries has any actual or potential liability for any Tax obligation of any taxpayer other than SkillSoft and its Subsidiaries. All Taxes that SkillSoft or any of its Subsidiaries is or was required by law to have withheld or collected have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Entity.

(c) SkillSoft has delivered or made available to SmartForce complete and accurate copies of all Tax Returns of SkillSoft and its Subsidiaries, together with all related examination reports and statements of deficiency for all periods requested in writing by SmartForce and complete and accurate copies of the portion of all other Tax Returns, examination reports and statements of deficiency assessed against or agreed to with respect to any member of an Affiliated Group relating to the activities of SkillSoft or any of its Subsidiaries for all

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Affiliated Periods requested in writing by SmartForce. To the knowledge of SkillSoft, no examination or audit of any Tax Return of SkillSoft or any of its Subsidiaries or any Affiliated Group Tax Return by any Governmental Entity is currently in progress or threatened or contemplated. Neither SkillSoft nor any of its Subsidiaries has been informed by any jurisdiction that such jurisdiction believes that SkillSoft or any of its Subsidiaries was required to file any Tax Return that was not filed which was not thereafter filed. Neither SkillSoft nor any of its Subsidiaries has waived any statute of limitations with respect to Taxes or agreed to an extension of time with respect to a Tax assessment or deficiency, which waiver is currently in effect.

(d) Neither SkillSoft nor any of its Subsidiaries: (i) is a consenting corporation within the meaning of Section 341(f) of the Code, and none of the assets of SkillSoft or its Subsidiaries are subject to an election under Section 341(f) of the Code; (ii) has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code; (iii) has made any payments, is obligated to make any payments, or is a party to any agreement that could obligate it to make any payments that would be treated as an excess parachute payment under Section 280G of the Code (without regard to Section 280G(b)(4) of the Code) in connection with the Merger and transactions contemplated hereunder; (iv) has any actual or potential liability for any Taxes of any person (other than SkillSoft and its Subsidiaries under Treasury Regulation Section 1.1502-6 (or any similar provision of federal, state, local, or foreign law), or as a transferee or successor, by contract, or otherwise; or (v) is a party to, bound by, or obligated under any Tax allocation, Tax sharing or Tax indemnity agreement.

(e) None of the assets of SkillSoft or any of its Subsidiaries is tax-exempt use property within the meaning of Section 168(h) of the Code.

(f) There are no liens or other encumbrances with respect to Taxes upon any of the assets or properties of SkillSoft or any of its Subsidiaries, other than with respect to Taxes not yet due and payable.

(g) Neither SkillSoft nor any of its Subsidiaries has distributed to its stockholders or security holders stock or securities of a controlled corporation, nor has stock or securities of SkillSoft or any of its Subsidiaries been distributed, in a transaction to which Section 355 of the Code applies (i) in the two years prior to the date of this Agreement or (ii) in a distribution that could otherwise constitute part of a plan or series of related transactions (within the meaning of Section 355(e) of the Code) that includes the transactions contemplated by this Agreement.

(h) The fair market value of the SmartForce ADSs received by each stockholder of SkillSoft will be approximately equal to the fair market value of the shares of SkillSoft Common Stock surrendered in exchange therefor, and the aggregate consideration received by SkillSoft stockholders in exchange for their shares of SkillSoft Common Stock will be approximately equal to the fair market value of all of the outstanding shares of SkillSoft Common Stock immediately prior to the Merger.

(i) Fifty percent or less of each of the total voting power and the total value of the shares of SmartForce will be owned, in the aggregate, immediately after the Merger, by United States persons that are either officers or directors of SkillSoft or that are five-percent stockholders of SkillSoft. For purposes of this representation, any SmartForce Ordinary Shares or SmartForce ADSs owned by United States persons immediately after the transfer will be taken into account, whether or not it was received in the Merger for SkillSoft Common Stock.

(j) Except for Warburg, Pincus Ventures, L.P. and its affiliated persons, no SkillSoft stockholder will receive, as a result of the Merger, an ownership interest in SmartForce equal to or greater than five percent (5%) of the outstanding share capital of SmartForce.

3.9 Owned and Leased Real Properties.

(a) Neither SkillSoft nor any of its Subsidiaries owns or has ever owned any real property.

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(b) Section 3.9 of the SkillSoft Disclosure Schedule sets forth a complete and accurate list of all material real property leased, subleased, licensed or occupied by SkillSoft or any of its Subsidiaries (collectively the SkillSoft Leases) and the location of the premises. Neither SkillSoft, nor any of its Subsidiaries nor, to SkillSoft's knowledge, any other party is in default (nor has any event occurred which with notice or lapse of time, or both, would constitute a default and in respect of which SkillSoft or the Subsidiary has not taken adequate steps to prevent such default from occurring) under any of the SkillSoft Leases, and the SkillSoft Leases are valid and effective in accordance with their respective terms. Neither SkillSoft nor any of its Subsidiaries leases, subleases or licenses any real property to any person other than SkillSoft and its Subsidiaries. SkillSoft has provided or made available to SmartForce complete and accurate copies of all SkillSoft Leases.

3.10 *Intellectual Property.*

(a) SkillSoft and its Subsidiaries own, or license or otherwise possess legally enforceable rights to use, all Intellectual Property used or necessary to conduct the business of SkillSoft and its Subsidiaries as currently conducted, or that would be used or necessary as such business is planned to be conducted (in each case excluding generally commercially available, off-the-shelf software programs licensed pursuant to shrinkwrap or click-and-accept licenses). For purposes of this Agreement, the term Intellectual Property means (i) patents, trademarks, service marks, trade names, domain names, copyrights, designs and trade secrets, (ii) applications for and registrations of such patents, trademarks, service marks, trade names, domain names, copyrights and designs, (iii) rights in processes, formulae, methods, schematics, technology, know-how, computer software programs and applications, and (iv) other tangible or intangible proprietary or confidential information and materials.

(b) The execution and delivery of this Agreement and consummation of the Merger will not result in the breach of, or create on behalf of any third party the right to terminate or modify, (i) any license, sublicense or other agreement relating to any Intellectual Property owned by SkillSoft (the SkillSoft Intellectual Property) or (ii) any license, sublicense and other agreement as to which SkillSoft or any of its Subsidiaries is a party and pursuant to which SkillSoft or any of its Subsidiaries is authorized to use any third party Intellectual Property (the SkillSoft Third Party Intellectual Property). Neither the execution and delivery of this Agreement nor the consummation of the Merger will result in the grant of any license to any SkillSoft Intellectual Property or release of source code for SkillSoft Intellectual Property to any third party.

(c) Section 3.10(c) of the SkillSoft Disclosure Schedule sets forth a complete and accurate list of (i) each patent, patent application, copyright registration or application therefor, and registered trademark or service mark (including, where applicable, the jurisdiction of issuance or application) of SkillSoft or any of its Subsidiaries, (ii) any agreement or license pursuant to which SkillSoft or any of its Subsidiaries licenses or is authorized to use any material SkillSoft Third Party Intellectual Property and (iii) any agreement pursuant to which SkillSoft or any of its Subsidiaries has granted an exclusive license to any SkillSoft Intellectual Property or any rights to source code for any SkillSoft Intellectual Property.

(d) All issued patents and registrations and applications for trademarks, service marks and copyrights which are held by SkillSoft or any of its Subsidiaries are valid and subsisting. SkillSoft and its Subsidiaries have taken reasonable measures to protect the proprietary nature of the SkillSoft Intellectual Property. To the knowledge of SkillSoft, no other person or entity is infringing, violating or misappropriating any of material SkillSoft Intellectual Property or SkillSoft Third Party Intellectual Property.

(e) None of the (i) products previously or currently sold or under development by SkillSoft or any of its Subsidiaries or (ii) business or activities previously or currently conducted by SkillSoft or any of its Subsidiaries infringes, violates or constitutes a misappropriation of, any Intellectual Property of any third party, except for such infringements, violations and misappropriations which are not, individually or in the aggregate, reasonably likely to adversely affect SkillSoft's operations or result in any liability for SkillSoft or any of its Subsidiaries. Neither SkillSoft nor any of its Subsidiaries has received any complaint, claim or notice alleging any such infringement, violation or misappropriation.

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3.11 *Agreements, Contracts and Commitments.*

(a) There are no contracts or agreements that are material contracts (as defined in Item 601(b)(10) of Regulation S-K) with respect to SkillSoft and its Subsidiaries (SkillSoft Material Contracts), other than those SkillSoft Material Contracts identified on the exhibit indices of the SkillSoft SEC Reports filed prior to the date hereof. Each SkillSoft Material Contract is in full force and effect and is enforceable in accordance with its terms. Neither SkillSoft nor any of its Subsidiaries nor, to SkillSoft's knowledge, any other party to any SkillSoft Material Contract is in violation of or in default under (nor does there exist any condition which, upon the passage of time or the giving of notice or both, would cause such a violation of or default under) any loan or credit agreement, note, bond, mortgage, indenture, lease, permit, concession, franchise, license or other contract, arrangement or understanding to which it is a party or by which it or any of its properties or assets is bound in a manner that would permit any other party to cancel or terminate any SkillSoft Material Contract, or would permit any other party to seek material damages or other material remedies.

(b) Section 3.11(b) of the SkillSoft Disclosure Schedule sets forth a complete and accurate list of each contract or agreement to which SkillSoft or any of its Subsidiaries is a party or bound with any Affiliate of SkillSoft (other than any Subsidiary which is a direct or indirect wholly owned subsidiary of SkillSoft). Complete and accurate copies of all the agreements, contracts and arrangements set forth in Section 3.11(b) of the SkillSoft Disclosure Schedule have heretofore been furnished or made available to SmartForce. Except as disclosed in the SkillSoft SEC Reports filed prior to the date of this Agreement, neither SkillSoft nor any of its Subsidiaries has entered into any transaction with any Affiliate of SkillSoft or any of its Subsidiaries or any transaction that would be subject to proxy statement disclosure pursuant to Item 404 of Regulation S-K.

(c) There is no non-competition or other similar agreement, arrangement, understanding, commitment, judgment, injunction or order to which SkillSoft or any of its Subsidiaries is a party or to which SkillSoft or any of its Subsidiaries is subject that has or could reasonably be expected to have the effect of prohibiting or impairing the conduct of the business of SkillSoft or any of its Subsidiaries or SmartForce or any of its Subsidiaries as currently conducted and as proposed to be conducted in any material respect. Neither SkillSoft nor any of its Subsidiaries has entered into (or is otherwise bound by) any agreement under which it is restricted in any material respect from selling, licensing or otherwise distributing any of its technology or products, or providing services to, customers or potential customers or any class of customers, in any geographic area, during any period of time or any segment of the market or line of business.

3.12 *Litigation.* Except as disclosed in the SkillSoft Disclosure Schedule, there is no action, suit, proceeding, claim, arbitration or investigation pending or, to the knowledge of SkillSoft, threatened against or affecting SkillSoft or any of its Subsidiaries or any properties or rights of SkillSoft or its Subsidiaries, by or before any Governmental Entity which, individually or in the aggregate, is reasonably likely to result in material damages or any material injunctive relief against SkillSoft or a Subsidiary. There are no material judgments, orders or decrees outstanding against SkillSoft or any of its Subsidiaries.

3.13 *Environmental Matters.*

(a) Except as disclosed in the SkillSoft SEC Reports filed prior to the date of this Agreement and except for such matters which, individually or in the aggregate, have not had, and are not reasonably likely to have, a SkillSoft Material Adverse Effect:

(i) SkillSoft and its Subsidiaries have complied with all applicable Environmental Laws;

(ii) the properties currently owned, leased or operated by SkillSoft and its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) are not contaminated with any Hazardous Substances;

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(iii) the properties formerly owned, leased or operated by SkillSoft or any of its Subsidiaries were not contaminated with Hazardous Substances during the period of ownership, use or operation by SkillSoft or any of its Subsidiaries;

(iv) neither SkillSoft nor any of its Subsidiaries are subject to liability for any Hazardous Substance disposal or contamination on the property of any third party;

(v) neither SkillSoft nor any of its Subsidiaries have released any Hazardous Substance into the environment;

(vi) neither SkillSoft nor any of its Subsidiaries has received any notice, demand, letter, claim or request for information alleging that SkillSoft or any of its Subsidiaries may be in violation of, liable under or have obligations under any Environmental Law;

(vii) neither SkillSoft nor any of its Subsidiaries is subject to any orders, decrees, injunctions or other arrangements with any Governmental Entity or is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law or relating to Hazardous Substances; and

(viii) there are no circumstances or conditions involving SkillSoft, any of its Subsidiaries or any of their respective properties that could reasonably be expected to result in any claims, liability, obligations, investigations, costs or restrictions on the ownership, use or transfer of any property of SkillSoft or any of its Subsidiaries pursuant to any Environmental Law.

(b) For purposes of this Agreement, the term **Environmental Law** means any law, regulation, order, decree, permit, authorization, opinion, common law or agency requirement of any jurisdiction relating to: (A) the protection, investigation or restoration of the environment, human health and safety, or natural resources, (B) the handling, use, storage, treatment, presence, disposal, release or threatened release of any Hazardous Substance or (C) noise, odor, wetlands, pollution, contamination or any injury or threat of injury to persons or property.

(c) For purposes of this Agreement, the term **Hazardous Substance** means any substance that is: (A) listed, classified, regulated or which falls within the definition of a hazardous substance, hazardous waste or hazardous material pursuant to any Environmental Law; (B) any petroleum product or by-product, asbestos-containing material, lead-containing paint or plumbing, polychlorinated biphenyls, radioactive materials or radon; or (C) any other substance which is the subject of regulatory action by any Governmental Entity pursuant to any Environmental Law.

3.14 *Employees.*

(a) Substantially all current or past employees of SkillSoft or any of its Subsidiaries has entered into a confidentiality and assignment of inventions agreement with SkillSoft, a copy or form of which has previously been delivered or made available to SmartForce. To the knowledge of SkillSoft, no employee of SkillSoft or any Subsidiary of SkillSoft is in violation of any term of any patent disclosure agreement, non-competition agreement, or any restrictive covenant to a former employer relating to the right of any such employee to be employed by SkillSoft or any of its Subsidiaries because of the nature of the business conducted or presently proposed to be conducted by SkillSoft or any of its Subsidiaries or to the use of trade secrets or proprietary information of others, the consequences of which, individually or in the aggregate, are reasonably likely to have a SkillSoft Material Adverse Effect. To the knowledge of SkillSoft, no key employee or group of employees has any plans to terminate employment with SkillSoft or its Subsidiaries.

(b) Neither SkillSoft nor any of its Subsidiaries is a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization. Neither SkillSoft nor any of its Subsidiaries is the subject of any proceeding asserting that SkillSoft or any of its Subsidiaries has committed an unfair labor practice or is seeking to compel it to bargain with any labor union or labor organization that, individually or in the aggregate, is reasonably likely to have a SkillSoft Material Adverse

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Effect, nor is there pending or, to the knowledge of SkillSoft, threatened, any labor strike, dispute, walkout, work stoppage, slow-down or lockout involving SkillSoft or any of its Subsidiaries.

3.15 Employee Benefit Plans.

(a) Section 3.15(a) of the SkillSoft Disclosure Schedule sets forth a complete and accurate list of all Employee Benefit Plans maintained, or contributed to, by SkillSoft, any of SkillSoft's Subsidiaries or any of their ERISA Affiliates (together, the SkillSoft Employee Plans) that are material to SkillSoft (excluding any agreements with individual employees that are covered by Section 3.15(h)). For purposes of this Agreement, the following terms shall have the following meanings: (i) Employee Benefit Plan means any employee pension benefit plan (as defined in Section 3(2) of ERISA), any employee welfare benefit plan (as defined in Section 3(1) of ERISA), and any other written or oral plan, agreement or arrangement involving direct or indirect compensation, including insurance coverage, severance benefits, disability benefits, deferred compensation, bonuses, stock options, stock purchase, phantom stock, stock appreciation or other forms of incentive compensation or post-retirement compensation and all unexpired severance agreements, written or otherwise, for the benefit of, or relating to, any current or former employee of the entity in question or any of its Subsidiaries or ERISA Affiliates; (ii) ERISA means the Employee Retirement Income Security Act of 1974, as amended; and (iii) ERISA Affiliate means any entity which is, or at any applicable time was, a member of (1) a controlled group of corporations (as defined in Section 414(b) of the Code), (2) a group of trades or businesses under common control (as defined in Section 414(c) of the Code), or (3) an affiliated service group (as defined under Section 414(m) of the Code or the regulations under Section 414(o) of the Code), any of which includes or included the entity in question or any of its Subsidiaries.

(b) SkillSoft has made available to SmartForce a complete and accurate copy of each SkillSoft Employee Plan and, for each such Plan, (i) the three most recent annual reports (Form 5500) filed with the U.S. Internal Revenue Service (the IRS), (ii) each trust agreement, group annuity contract, administrative service agreement, policy pertaining to fiduciary liability insurance covering the fiduciaries of each SkillSoft Employee Plan, and summary plan description, if any, relating to such SkillSoft Employee Plan, (iii) the most recent financial statements for each SkillSoft Employee Plan that is funded, and (iv) the three most recent reports regarding the satisfaction of the nondiscrimination requirements applicable to each SkillSoft Employee Plan including those of Sections 410(b), 401(k) and 401(m) of the Code.

(c) Each SkillSoft Employee Plan has been administered in all material respects in accordance with ERISA, the Code and all other applicable laws and the regulations thereunder and in accordance with its terms and each of SkillSoft, SkillSoft's Subsidiaries and their ERISA Affiliates has in all material respects met its obligations with respect to such SkillSoft Employee Plan and has made all required contributions thereto (or reserved such contributions which are required but not yet due on the SkillSoft Balance Sheet). All filings and reports as to each SkillSoft Employee Plan required to have been submitted to the IRS or to the United States Department of Labor have been timely submitted. With respect to SkillSoft Employee Plans, no event has occurred, and there exists no condition or set of circumstances in connection with which SkillSoft or any of its Subsidiaries could be subject to any liability that is reasonably likely, individually or in the aggregate, to have a SkillSoft Material Adverse Effect under ERISA, the Code or any other applicable law.

(d) With respect to SkillSoft Employee Plans, there are no benefit obligations for which contributions have not been made or properly accrued and there are no benefit obligations which have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the financial statements of SkillSoft, which obligations are reasonably likely, individually or in the aggregate, to have a SkillSoft Material Adverse Effect. The assets of each SkillSoft Employee Plan which is funded are reported at their fair market value on the books and records of such plan.

(e) All SkillSoft Employee Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters from the IRS to the effect that such SkillSoft Employee Plans are qualified and the

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plans and trusts related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, no such determination letter has been revoked and revocation has not been threatened, and no such Employee Benefit Plan has been amended or operated since the date of its most recent determination letter or application therefor in any respect, and no act or omission has occurred, that would adversely affect its qualification or materially increase its cost. Each SkillSoft Employee Plan which is required to satisfy Section 401(k)(3) or Section 401(m)(2) of the Code has been tested for compliance with, and satisfies the requirements of Section 401(k)(3) and Section 401(m)(2) of the Code, as the case may be, for each plan year ending prior to the Closing Date.

(f) Neither SkillSoft, any Subsidiary of SkillSoft nor any of their ERISA Affiliates (i) maintains, or has ever maintained, established, sponsored, participated in or contributed to a SkillSoft Employee Benefit Plan which was ever subject to Section 412 of the Code or Title IV of ERISA or (ii) is now, or has ever been, obligated to contribute to a multiemployer plan (as defined in Section 4001(a)(3) of ERISA). No SkillSoft Employee Plan is funded by, associated with or related to a voluntary employee's beneficiary association within the meaning of Section 501(c)(9) of the Code. No SkillSoft Employee Plan holds securities issued by SkillSoft, any of SkillSoft's Subsidiaries or any of their ERISA Affiliates.

(g) Each SkillSoft Employee Plan is amendable and terminable unilaterally by SkillSoft and any of SkillSoft's Subsidiaries which are a party thereto or covered thereby at any time without liability to SkillSoft or any of its Subsidiaries as a result thereof (other than for benefits accrued through the date of termination or amendment and reasonable administrative expenses related thereto) and no SkillSoft Employee Plan, plan documentation or agreement, summary plan description or other written communication distributed generally to employees by its terms prohibits SkillSoft or any of its Subsidiaries from amending or terminating any such SkillSoft Employee Plan. The investment vehicles used to fund SkillSoft Employee Plans may be changed at any time without incurring a material sales charge, surrender fee or other similar expense.

(h) Except as disclosed in SkillSoft SEC Reports filed prior to the date of this Agreement, neither SkillSoft nor any of its Subsidiaries is a party to any oral or written (i) agreement with any current or former stockholders, director, executive officer or other key employee of SkillSoft or any of its Subsidiaries (A) the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving SkillSoft or any of its Subsidiaries of the nature of any of the transactions contemplated by this Agreement, (B) providing any term of employment or compensation guarantee or (C) providing severance benefits or other benefits after the termination of employment of such director, executive officer or key employee; (ii) agreement, plan or arrangement under which any person may receive payments from SkillSoft or any of its Subsidiaries that may be subject to the tax imposed by Section 4999 of the Code or that constitute an excess parachute payment for such person under Section 280G of the Code, without regard to Section 280G(b)(4); or (iii) agreement or plan binding SkillSoft or any of its Subsidiaries, including any stock option plan, stock appreciation right plan, restricted stock plan, stock purchase plan or severance benefit plan, any of the benefits of which shall be increased, or the vesting of the benefits of which shall be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which shall be calculated on the basis of any of the transactions contemplated by this Agreement.

(i) None of the SkillSoft Employee Plans promises or provides retiree medical or other retiree welfare benefits to any person, except as required by applicable law.

3.16 *Compliance With Laws.* SkillSoft and each of its Subsidiaries has complied with, is not in violation of, and has not received any notice alleging any violation with respect to, any applicable provisions of any statute, law or regulation with respect to the conduct of its business, or the ownership or operation of its properties or assets, except for failures to comply or violations which, individually or in the aggregate, have not had, and are not reasonably likely to have, a SkillSoft Material Adverse Effect.

3.17 *Permits.* SkillSoft and each of its Subsidiaries have all permits, licenses and franchises from Governmental Entities required to conduct their businesses as now being conducted or as presently contemplated

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to be conducted (the SkillSoft Permits), except for such permits, licenses and franchises the lack of which, individually or in the aggregate, have not resulted in, and are not reasonably likely to result in, a SkillSoft Material Adverse Effect. SkillSoft and its Subsidiaries are in compliance with the terms of the SkillSoft Permits, except where the failure to so comply, individually or in the aggregate, is not reasonably likely to have a SkillSoft Material Adverse Effect. No SkillSoft Permit shall cease to be effective as a result of the consummation of transactions contemplated by this Agreement.

3.18 *Insurance.* Each of SkillSoft and its Subsidiaries maintains insurance policies (the SkillSoft Insurance Policies) with reputable insurance carriers against all risks of a character as are usually insured against, and in such coverage amounts as are usually maintained, by similarly situated companies in the same or similar businesses. Each SkillSoft Insurance Policy is in full force and effect. There is no material claim by SkillSoft or any of its Subsidiaries pending under any SkillSoft Insurance Policy as to which coverage has been questioned, denied or disputed by the underwriters thereof.

3.19 *Opinion of Financial Advisor.* The financial advisor of SkillSoft, Banc of America Securities LLC, has delivered to SkillSoft an opinion dated the date of this Agreement to the effect, as of such date, that the Exchange Ratio is fair to the holders of SkillSoft Common Stock from a financial point of view, a copy of which will be provided to SmartForce within one business day following the date of this Agreement.

3.20 *Section 203 of the DGCL Not Applicable.* The SkillSoft Board has taken all actions so that the restrictions contained in Section 203 of the DGCL applicable to a business combination (as defined in Section 203) shall not apply to the execution, delivery or performance of this Agreement, the SkillSoft Stockholder Agreement or the SmartForce Option Agreement or the consummation of the Merger or the other transactions contemplated by this Agreement, the SkillSoft Stockholder Agreement or the SmartForce Option Agreement.

3.21 *Brokers.* No agent, broker, investment banker, financial advisor or other firm or person is or shall be entitled, as a result of any action, agreement or commitment of SkillSoft or any of its Affiliates, to any broker s, finder s, financial advisor s or other similar fee or commission in connection with any of the transactions contemplated by this Agreement, except Banc of America Securities LLC, whose fees and expense shall be paid by SkillSoft. SkillSoft has delivered to SmartForce a complete and accurate copy of all agreements pursuant to which Banc of America Securities LLC is entitled to any fees and expenses in connection with any of the transactions contemplated by this Agreement.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SMARTFORCE AND THE TRANSITORY SUBSIDIARY

SmartForce and the Transitory Subsidiary represent and warrant to SkillSoft that the statements contained in this Article IV are true and correct, except as expressly set forth herein or in the disclosure schedule delivered by SmartForce to SkillSoft on the date of this Agreement (the SmartForce Disclosure Schedule). The disclosure in any paragraph of the SmartForce Disclosure Schedule shall qualify (1) the corresponding paragraph in this Article IV and (2) the other paragraphs in this Article IV only to the extent that it is reasonably apparent from a reading of such disclosure that it also qualifies or applies to such other paragraphs.

4.1 *Organization, Standing and Power; Subsidiaries.* SmartForce is a public limited liability company, duly organized, and validly existing under the laws of the Republic of Ireland, has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and as proposed to be conducted, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the character of the properties it owns, operates or leases or the nature of its activities makes such qualification necessary, except for such failures to be so organized, qualified or in good standing, individually or in the aggregate, which have not had, and are not reasonably likely to have a SmartForce Material Adverse Effect. For purposes of this Agreement, the term SmartForce Material Adverse

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Effect means any material adverse change, event, circumstance or, development with respect to, or material adverse effect on (i) the business, assets, liabilities, capitalization, condition (financial or other), or results of operations of SmartForce and its Subsidiaries, taken as a whole (excluding a material adverse effect resulting solely or primarily from factors affecting the United States or Irish economy or the corporate training software market in general and provided that a decrease in the market price of the SmartForce ADSs shall not in and of itself constitute a SmartForce Material Adverse Effect), or (ii) the ability of SmartForce to consummate the transactions contemplated by this Agreement. SmartForce has delivered or made available to SkillSoft complete and accurate copies of the Memorandum and Articles of Association of SmartForce (the SmartForce Charter Documents), as amended to date, and the equivalent organizational documents of each Subsidiary of SmartForce, all of which documents are in full force and effect. SmartForce is not in violation of any of the provisions of the SmartForce Charter Documents, and no Subsidiary of SmartForce is in material violation of its equivalent organizational documents.

4.2 Capitalization.

(a) The authorized share capital of SmartForce is 13,200,000 divided into 120,000,000 SmartForce Ordinary Shares. As of May 31, 2002, (i) 57,043,910 SmartForce Ordinary Shares were issued and outstanding (in the form of SmartForce Ordinary Shares or SmartForce ADSs) and (ii) no SmartForce Ordinary Shares were held in the treasury of SmartForce. Each SmartForce ADS represents one SmartForce Ordinary Share. The authorized capital stock of the Transitory Subsidiary consists of 1,000 shares of common stock, par value \$0.01 per share, all of which, as of the date hereof, are issued and outstanding and held by SmartForce.

(b) There are no issued or outstanding SmartForce Ordinary Shares or SmartForce ADSs held by an executive officer or director of SmartForce that are subject to a repurchase or redemption right or right of first refusal in favor of SmartForce.

(c) Section 4.2(c) of the SmartForce Disclosure Schedule sets forth a complete and accurate list, as of the date of this Agreement, of: (i) all share option plans or other share or equity-related plans of SmartForce (the SmartForce Share Plans), indicating for each SmartForce Share Plan, as of May 31, 2002, the number of SmartForce Ordinary Shares or SmartForce ADSs issued to date under such Plan, the number of SmartForce Ordinary Shares or SmartForce ADSs subject to outstanding options under such Plan and the number of SmartForce Ordinary Shares or SmartForce ADSs reserved for future issuance under such Plan; and (ii) all outstanding options to purchase SmartForce Ordinary Shares or SmartForce ADSs (SmartForce Share Options) held by an executive officer or director of SmartForce, indicating with respect to each such SmartForce Share Option the name of the holder thereof, the SmartForce Share Plan under which it was granted, the number of SmartForce Ordinary Shares or SmartForce ADSs subject to such SmartForce Share Option, the exercise price, the date of grant, and the vesting schedule, including whether (and to what extent) the vesting will be accelerated in any way by the Merger or by termination of employment or change in position following consummation of the Merger. SmartForce has not granted any SmartForce Share Options from and including May 31, 2002 through and including the date of this Agreement. Except for SmartForce Ordinary Shares or SmartForce ADSs issued upon exercise of SmartForce Share Options outstanding as of May 31, 2002, SmartForce has not issued any SmartForce Ordinary Shares or SmartForce ADSs from and including May 31, 2002 through and including the date of this Agreement. SmartForce has provided or made available to SkillSoft complete and accurate copies of all SmartForce Share Plans and the forms of all option agreements evidencing SmartForce Share Options. Except as set forth in Section 4.2(c) of the SmartForce Disclosure Schedule, no acceleration of vesting of any SmartForce Share Options will occur as a result of or in connection with the Merger.

(d) Except as set forth in Section 4.2(d) of the SmartForce Disclosure Schedule or pursuant to the SkillSoft Option Agreement, (i) no subscription, warrant, option, convertible security or other right (contingent or otherwise) to purchase or acquire any shares of SmartForce is authorized or outstanding, (ii) SmartForce has no obligation (contingent or otherwise) to issue any subscription, warrant, option, convertible security or other such right, or to issue or distribute to holders of any of its shares any evidences of indebtedness or assets of

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SmartForce, (iii) SmartForce has no obligation (contingent or otherwise) to purchase, redeem or otherwise acquire any of its shares or any interest therein or to pay any dividend or to make any other distribution in respect thereof, and (iv) there are no outstanding or authorized share appreciation, phantom share or similar rights with respect to SmartForce.

(e) There is no agreement, written or oral, between SmartForce or any Affiliate of SmartForce and any holder of the securities of SmartForce relating to the sale or transfer (including agreements relating to rights of first refusal, co-sale rights or drag-along rights), registration under the Securities Act (including any rights to include securities in the Registration Statement), or voting, of the shares of SmartForce. There is no rights agreement, poison pill anti-takeover plan or other agreement or understanding to which SmartForce is a party or by which it is bound with respect to any equity security of any class of SmartForce, except for the subscription rights issued and issuable under the Declaration of Subscription Rights dated as of October 4, 1998 (the SmartForce Rights Plan).

(f) All outstanding shares of SmartForce are, all SmartForce Ordinary Shares and SmartForce ADSs subject to issuance as specified in Section 4.2(c) above will be upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, and all SmartForce Ordinary Shares underlying the SmartForce ADSs to be issued pursuant to this Agreement or the SkillSoft Option Agreement will be upon issuance pursuant to the terms of such Agreement, duly authorized, validly issued, fully paid and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of Irish law, the SmartForce Charter Documents or any agreement to which SmartForce is a party or is otherwise bound. Upon the due issuance by the Bank of New York, as depositary, of SmartForce ADRs evidencing SmartForce ADSs to be issued pursuant to this Agreement against deposit of the SmartForce Ordinary Shares underlying such SmartForce ADSs in accordance with this Agreement and the provisions of the Deposit Agreement, dated as of April 13, 1995, as amended and restated as of May 22, 1998, among SmartForce, The Bank of New York, as Depositary, and the owners and beneficial owners from time to time of American Depositary Receipts (the Deposit Agreement) or, with respect to Affiliates of SkillSoft, the Deposit Agreement, dated as of November 30, 1995, as amended and restated as of May 22, 1998, among SmartForce, The Bank of New York, as Depositary, and the owners and beneficial owners from time to time of Restricted American Depositary Receipts (the Affiliate Deposit Agreement), such SmartForce ADRs will be duly and validly issued, and the persons in whose name such SmartForce ADRs are registered will be entitled to the rights of registered holders of SmartForce ADRs specified in the Deposit Agreement or the Affiliate Deposit Agreement, as applicable. Except as set forth in the Affiliate Deposit Agreement, the SmartForce ADSs evidenced by SmartForce ADRs to be issued in the Merger, when issued in accordance with the provisions of this Agreement and the Deposit Agreement or the Affiliate Deposit Agreement, as applicable, will not be subject to any restrictions on resale under the Securities Act, other than those restrictions imposed by Rule 145 promulgated under the Securities Act. Upon the due issuance by The Bank of New York, as depositary, of SmartForce ADRs evidencing SmartForce ADSs to be issued pursuant to the SkillSoft Option Agreement against deposit of the SmartForce Ordinary Shares underlying such SmartForce ADRs in accordance with the provisions of the Restricted Deposit Agreement (B), dated as of June 8, 1999, among SmartForce, The Bank of New York, as Depositary, and the owners and beneficial owners from time to time of American Depositary Receipts (the Restricted Deposit Agreement), such SmartForce ADRs will be duly and validly issued, and SkillSoft, as the entity in whose name such SmartForce ADRs are registered, will be entitled to the rights of a registered holder of SmartForce ADRs specified in the Restricted Deposit Agreement.

(g) Shareholders of SmartForce are not entitled to dissenters or appraisal rights under applicable state or Irish law in connection with the Merger.

4.3 *Subsidiaries.*

(a) Section 4.3 of the SmartForce Disclosure Schedule sets forth, for each Subsidiary of SmartForce: (i) its name; (ii) the percentage of outstanding equity securities owned of record and beneficially by SmartForce, and

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the identity of, and the percentage of outstanding equity securities owned of record and beneficially by, any other shareholder of a Subsidiary of SmartForce; and (iii) the jurisdiction of organization.

(b) Each Subsidiary of SmartForce is a corporation duly organized, validly existing and, if applicable, in good standing under the laws of the jurisdiction of its incorporation, has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on its business as now being conducted and as proposed to be conducted, and is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such qualification necessary, except for such failures to be so organized, qualified or in good standing that, individually or in the aggregate, have not had, and are not reasonably likely to have, a SmartForce Material Adverse Effect. All of the outstanding shares of capital stock and other equity securities or interests of each Subsidiary of SmartForce are duly authorized, validly issued, fully paid, and if applicable, nonassessable and free of preemptive rights and all such shares (other than directors' qualifying shares in the case of non-U.S. Subsidiaries, all of which SmartForce has the power to cause to be transferred for no or nominal consideration to SmartForce or SmartForce's designee) are owned, of record and beneficially, by SmartForce or another of its Subsidiaries free and clear of all security interests, liens, claims, pledges, agreements, limitations in SmartForce's voting rights, charges or other encumbrances of any nature. There are no outstanding or authorized options, warrants, rights, agreements or commitments to which SmartForce or any of its Subsidiaries is a party or which are binding on any of them providing for the issuance, disposition or acquisition of any capital stock of any Subsidiary of SmartForce. There are no outstanding stock appreciation, phantom stock or similar rights with respect to any Subsidiary of SmartForce. There are no voting trusts, proxies or other agreements or understandings with respect to the voting of any capital stock of any Subsidiary of SmartForce.

(c) SmartForce does not control directly or indirectly or have any direct or indirect equity participation or similar interest in any corporation, partnership, limited liability company, joint venture, trust or other business association or entity which is not a Subsidiary of SmartForce. There are no obligations, contingent or otherwise, of SmartForce or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of any Subsidiary of SmartForce or to provide funds to or make any material investment (in the form of a loan, capital contribution or otherwise) in any Subsidiary of SmartForce or any other entity, other than guarantees of bank obligations of Subsidiaries of SmartForce entered into in the Ordinary Course of Business.

4.4 Authority; No Conflict; Required Filings and Consents.

(a) Each of SmartForce and the Transitory Subsidiary has all requisite corporate power and authority to enter into this Agreement and (in the case of SmartForce) the SkillSoft Option Agreement and, subject (in the case of this Agreement) only to the approval of the SmartForce Voting Proposal by SmartForce's shareholders under the rules of The Nasdaq Stock Market, Inc. and applicable law (the SmartForce Shareholder Approval), to consummate the transactions contemplated by this Agreement and (in the case of SmartForce) the SkillSoft Option Agreement. Without limiting the generality of the foregoing, the SmartForce Board, at a meeting duly called and held, by the unanimous vote of all directors (i) determined that the Merger is fair, advisable and in the best interests of SmartForce and its shareholders and (ii) directed that the SmartForce Voting Proposal be submitted to the shareholders of SmartForce for their approval and resolved to recommend that the shareholders of SmartForce vote in favor of the approval of the SmartForce Voting Proposal. The execution and delivery of this Agreement and (in the case of SmartForce) the SkillSoft Option Agreement and the consummation of the transactions contemplated thereby by SmartForce and the Transitory Subsidiary have been duly authorized by all necessary corporate action on the part of each of SmartForce and the Transitory Subsidiary (including the approval of the Merger by SmartForce as the sole stockholder of the Transitory Subsidiary), subject (in the case of the Merger Agreement) only to the required receipt of the SmartForce Shareholder Approval. This Agreement has been duly executed and delivered by each of SmartForce and the Transitory Subsidiary and constitutes the valid and binding obligation of each of SmartForce and the Transitory Subsidiary, enforceable in accordance with its terms, subject to the Bankruptcy and Equity Exception. The SkillSoft Option Agreement, upon its execution, will be duly executed and delivered by SmartForce and will constitute the valid and binding obligation of SmartForce, enforceable in accordance with its terms, subject to the Bankruptcy and Equity Exception. For

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purposes of this Agreement, SmartForce Voting Proposal shall mean, collectively, the approval of: (1) this Agreement and the issuance of SmartForce ADSs and the SmartForce Ordinary Shares underlying such SmartForce ADSs in the Merger, (2) the increase of the authorized share capital of SmartForce to 27,500,000 divided into 250,000,000 SmartForce Ordinary Shares, (3) the amendment of paragraph (5)(a) of SmartForce's Memorandum of Association and SmartForce's Articles of Association to reflect the increase in the authorized share capital of SmartForce, (4) the amendment of Article 64 of SmartForce's Articles of Association to change the number of members of the board of directors of SmartForce to seven, (5) the changing of the name of SmartForce to the name agreed to pursuant to Section 6.19 and the amendment of and Memorandum and Articles of Association to reflect the new name, (6) the authorization of the directors of SmartForce to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities up to an amount equal to but not exceeding the authorized but unissued shares in the capital of SmartForce, and (7) the empowerment of the directors of SmartForce in accordance with the provisions of Section 24 (and in particular sub-section 5) of the Companies (Amendment) Act, 1983 to allot equity securities pursuant to the authority conferred on the directors to allot relevant securities as if Section 23(1) of the Companies (Amendment) Act, 1983 (Ireland) did not apply to such allotment or allotments.

(b) The execution and delivery of this Agreement by each of SmartForce and the Transitory Subsidiary do not, and the consummation by SmartForce and the Transitory Subsidiary of the transactions contemplated by this Agreement and the SkillSoft Option Agreement shall not, (i) conflict with, or result in any violation or breach of, any provision of the SmartForce Charter Documents, the Certificate of Incorporation or By-laws of the Transitory Subsidiary or of the charter, by-laws or other organizational document of any other Subsidiary of SmartForce, (ii) conflict with, or result in any violation or breach of, or constitute (with or without notice or lapse of time, or both) a default (or give rise to a right of termination, cancellation or acceleration of any obligation or loss of any material benefit) under, or require a consent or waiver under, constitute a change in control under, require the payment of a penalty under or result in the imposition of any Liens on SmartForce's or any of its Subsidiaries' assets under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, contract or other agreement, instrument or obligation to which SmartForce or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound, or (iii) subject to obtaining the SmartForce Shareholder Approval and compliance with the requirements specified in clauses (i) through (vii) of Section 4.4(c), conflict with or violate any permit, concession, franchise, license, judgment, injunction, order, decree, statute, law, ordinance, rule or regulation applicable to SmartForce or any of its Subsidiaries or any of its or their properties or assets, except in the case of clauses (ii) and (iii) of this Section 4.4(b) for any such conflicts, violations, breaches, defaults, terminations, cancellations or accelerations which, individually or in the aggregate, are not, reasonably likely to have a SmartForce Material Adverse Effect. Section 4.4(b) of the SmartForce Disclosure Schedule lists all consents, waivers and approvals under any of SmartForce's or any of its Subsidiaries' agreements, licenses or leases required to be obtained in connection with the consummation of the transactions contemplated hereby, which, if individually or in the aggregate were not obtained, would result in a material loss of benefits to SmartForce, SkillSoft or the Surviving Corporation as a result of the Merger.

(c) No consent, approval, license, permit, order or authorization of, or registration, declaration, notice or filing with, any Governmental Entity or any stock market or stock exchange on which SmartForce ADSs are listed for trading is required by or with respect to SmartForce or any of its Subsidiaries in connection with the execution and delivery of this Agreement and the SkillSoft Option Agreement or the consummation by SmartForce or the Transitory Subsidiary of the transactions contemplated thereby, except for (i) the pre-merger notification requirements under the HSR Act, (ii) any actions or filings required under the Irish Mergers Act, (iii) the filing of the Certificate of Merger with the Delaware Secretary of State, (iv) the filing of the Registration Statement and the ADS Registration Statement (as defined below) with the SEC in accordance with the Securities Act and the declaration of the effectiveness thereof by the SEC, (v) the filing of the Joint Proxy Statement/Prospectus with the SEC in accordance with the Exchange Act, (vi) the filing of such reports, schedules or materials under Section 13 of or Rule 14a-12 under the Exchange Act and materials under Rule 165 and Rule 425 of the Securities Act as may be required in connection with this Agreement and the SkillSoft Option Agreement and the transactions contemplated hereby, (vii) such consents, approvals, orders,

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authorizations, registrations, declarations and filings as may be required under applicable state securities laws, the laws of any foreign country, including the consent of the Irish Takeover Panel for the purpose of any relevant rules of the Irish Takeover Act and compliance with any directions or rulings of the Irish Takeover Panel, (viii) if required by The Nasdaq Stock Market, Inc., the filing of a Notification Form: Listing of Additional Shares with The Nasdaq Stock Market, Inc. for the SmartForce ADS to be issued in the transactions contemplated by this Agreement and the SkillSoft Option Agreement and (ix) such other consents, authorizations, orders, filings, approvals and registrations which, if not obtained or made, would not be reasonably likely to have a SmartForce Material Adverse Effect.

(d) The affirmative vote for adoption of the SmartForce Voting Proposal by the holders of a majority (for ordinary resolutions) and seventy-five percent (75%) (for special resolutions) of the SmartForce Ordinary Shares present or represented by proxy and voting at the meeting of SmartForce's shareholders to consider the SmartForce Voting Proposal (the SmartForce Meeting) are the only votes of the holders of any class or series of SmartForce's share capital or other securities necessary to approve the SmartForce Voting Proposal. Section 4.4(d) of the SmartForce Disclosure Schedule indicates which aspects of the SmartForce Voting Proposal constitute ordinary resolutions and which constitute special resolutions. There are no bonds, debentures, notes or other indebtedness of SmartForce having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of SmartForce may vote.

4.5 SEC Filings; Financial Statements; Information Provided.

(a) SmartForce has filed all registration statements, forms, reports and other documents required to be filed by SmartForce with the SEC since January 1, 2000 and has made available to SkillSoft copies of all registration statements, forms, reports and other documents filed by SmartForce with the SEC since such date, all of which are available on the SEC's EDGAR system. All such required registration statements, forms, reports and other documents (including those that SmartForce may file after the date hereof until the Closing) are referred to herein as the SmartForce SEC Reports. The SmartForce SEC Reports (i) were or will be filed on a timely basis, (ii) at the time filed, were or will be prepared in compliance in all material respects with the applicable requirements of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations of the SEC thereunder applicable to such SmartForce SEC Reports, and (iii) did not or will not at the time they were or are filed contain any untrue statement of a material fact or omit to state a material fact required to be stated in such SmartForce SEC Reports or necessary in order to make the statements in such SmartForce SEC Reports, in the light of the circumstances under which they were made, not misleading. No Subsidiary of SmartForce is subject to the reporting requirements of Sections 13(a) or 15(d) of the Exchange Act.

(b) Each of the consolidated financial statements (including, in each case, any related notes and schedules) contained or to be contained in SmartForce SEC Reports at the time filed (i) complied or will comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, (ii) were or will be prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such financial statements or, in the case of unaudited interim financial statements, as permitted by the SEC on Form 10-Q under the Exchange Act) and (iii) fairly presented or will fairly present in all material respects the consolidated financial position of SmartForce and its Subsidiaries as of the dates indicated and the consolidated results of SmartForce and its Subsidiaries' operations and cash flows for the periods indicated, consistent with the books and records of SmartForce and its Subsidiaries, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not or are not expected to be material in amount. The consolidated, unaudited balance sheet of SmartForce as of March 31, 2002 is referred to herein as SmartForce Balance Sheet.

(c) SmartForce has previously furnished to SkillSoft a complete and correct copy of any amendments or modifications, which have not yet been filed with the SEC but which are required to be filed, to agreements, documents or other instruments which previously had been filed by SmartForce with the SEC pursuant to the Securities Act or the Exchange Act.

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(d) The information in the Registration Statement to be supplied by or on behalf of SmartForce for inclusion or incorporation by reference in the Registration Statement or to be supplied by or on behalf of SmartForce for inclusion in any Regulation M-A Filing, shall not at the time the Registration Statement or such Regulation M-A Filing is filed with the SEC, at any time it is amended or supplemented, or at the time the Registration Statement is declared effective by the SEC contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading. The information to be supplied by or on behalf of SmartForce for inclusion in the Joint Proxy Statement/Prospectus to be sent to the shareholders of SmartForce in connection with the SmartForce Meeting, which shall be deemed to include all information about or relating to SmartForce, the SmartForce Voting Proposal or the SmartForce Meeting, shall not, on the date the Joint Proxy Statement/Prospectus is first mailed to shareholders of SmartForce, or at the time of the SmartForce Meeting or at the Effective Time, contain any statement which, at such time and in light of the circumstances under which it shall be made, is false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements made in the Joint Proxy Statement/Prospectus not false or misleading; or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the SmartForce Meeting which has become false or misleading. If at any time prior to the Effective Time any fact or event relating to SmartForce or any of its Affiliates is discovered by SmartForce or occurs which should be set forth in an amendment to the Registration Statement or a supplement to the Joint Proxy Statement/Prospectus, SmartForce shall promptly inform SkillSoft of such fact or event.

4.6 *No Undisclosed Liabilities.* Except as disclosed in the SmartForce SEC Reports filed prior to the date hereof, and except for normal and recurring liabilities incurred since the date of the SmartForce Balance Sheet in the Ordinary Course of Business, SmartForce and its Subsidiaries do not have any liabilities, either accrued, contingent or otherwise (whether or not required to be reflected in financial statements in accordance with generally accepted accounting principles), and whether due or to become due, which individually or in the aggregate, are reasonably likely to have a SmartForce Material Adverse Effect.

4.7 *Absence of Certain Changes or Events.* Except as set forth in Section 4.7 of the SmartForce Disclosure Schedule, since the date of the SmartForce Balance Sheet, SmartForce and its Subsidiaries have conducted their respective businesses only in the Ordinary Course of Business and, since such date, there has not been any change, event, circumstance, development or effect that individually or in the aggregate has had, or is reasonably likely to have, a SmartForce Material Adverse Effect.

4.8 *Taxes.*

(a) SmartForce and its Subsidiaries have filed on a timely basis all Tax Returns (including Affiliated Group Tax Returns) that are required to have been filed with respect to any of them, and all such Tax Returns were complete and accurate in all material respects. Neither SmartForce nor any of its Subsidiaries has joined or is required to have joined in any Affiliated Group Tax Return in which any corporation other than SmartForce and its Subsidiaries are or were members with respect to any Affiliated Period. SmartForce and its Subsidiaries have paid on a timely basis all Taxes that were due and payable and each member of an Affiliated Group has paid all Taxes that were due and payable with respect to all Affiliated Periods. The unpaid Taxes of SmartForce and its Subsidiaries for tax periods through the date of the SmartForce Balance Sheet do not exceed the accruals and reserves for Taxes (excluding accruals and reserves for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the SmartForce Balance Sheet. Neither SmartForce nor any of its Subsidiaries has any actual or potential liability for any Tax obligation of any taxpayer other than SmartForce and its Subsidiaries. All Taxes that SmartForce or any of its Subsidiaries is or was required by law to have withheld or collected have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Entity.

(b) SmartForce has delivered or made available to SkillSoft complete and accurate copies of all Tax Returns of SmartForce and its Subsidiaries, together with all related examination reports and statements of

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deficiency for all periods requested in writing by SkillSoft and complete and accurate copies of the portion of all other Tax Returns, examination reports and statements of deficiency assessed against or agreed to with respect to any member of an Affiliated Group relating to the activities of SmartForce or any of its Subsidiaries for all Affiliated Periods requested in writing by SkillSoft. To the knowledge of SmartForce, no examination or audit of any Tax Return of SmartForce or any of its Subsidiaries or any Affiliated Group Tax Return by any Governmental Entity is currently in progress or threatened or contemplated. Neither SmartForce nor any of its Subsidiaries has been informed by any jurisdiction that such jurisdiction believes that SmartForce or any of its Subsidiaries was required to file any Tax Return that was not filed which was not thereafter filed. Neither SmartForce nor any of its Subsidiaries has waived any statute of limitations with respect to Taxes or agreed to an extension of time with respect to a Tax assessment or deficiency, which waiver is currently in effect.

(c) Neither SmartForce nor any of its Subsidiaries: (i) is a consenting corporation within the meaning of Section 341(f) of the Code, and none of the assets of SmartForce or its Subsidiaries are subject to an election under Section 341(f) of the Code; (ii) has been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code; (iii) has made any payments, is obligated to make any payments, or is a party to any agreement that could obligate it to make any payments that would be treated as an excess parachute payment under Section 280G of the Code (without regard to Section 280G(b)(4) of the Code) in connection with the Merger and transactions contemplated hereunder; (iv) has any actual or potential liability for any Taxes of any person (other than SmartForce and its Subsidiaries under Treasury Regulation Section 1.1502-6 (or any similar provision of federal, state, local, or foreign law), or as a transferee or successor, by contract, or otherwise; or (v) is a party to, bound by, or obligated under any Tax allocation, Tax sharing or Tax indemnity agreement.

(d) None of the assets of SmartForce or any of its Subsidiaries is tax-exempt use property within the meaning of Section 168(h) of the Code.

(e) There are no liens or other encumbrances with respect to Taxes upon any of the assets or properties of SmartForce or any of its Subsidiaries, other than with respect to Taxes not yet due and payable.

(f) Neither SmartForce nor any of its Subsidiaries has distributed to its shareholders or security holders stock or securities of a controlled corporation, nor has stock or securities of SmartForce or any of its Subsidiaries been distributed, in a transaction to which Section 355 of the Code applies (i) in the two years prior to the date of this Agreement or (ii) in a distribution that could otherwise constitute part of a plan or series of related transactions (within the meaning of Section 355(e) of the Code) that includes the transactions contemplated by this Agreement.

(g) Neither SmartForce nor any of its Subsidiaries is a passive foreign investment company within the meaning of Sections 1291-1298 of the Code.

(h) SmartForce is an organization properly characterized as a corporation under Section 7701(a)(3) of the Code and Treasury Regulation Section 301.7701-2.

(i) SmartForce will have been engaged in an active trade or business outside of the United States, within the meaning of Treasury Regulation Section 1.367(a)-2T(b)(2) and (3), for the entire 36-month period immediately before the Effective Time. SmartForce does not have any intention, and will not have an intention at the Effective Time, to substantially dispose of or discontinue such trade or business. SmartForce satisfies the substantiality test contained in Treasury Regulation Section 1.367(a)-3(c)(3).

(j) To the knowledge of SmartForce, SmartForce is not a controlled foreign corporation within the meaning of Section 957 of the Code.

(k) The fair market value of the SmartForce ADSs received by each stockholder of SkillSoft will be approximately equal to the fair market value of the shares of SkillSoft Common Stock surrendered in exchange

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therefor, and the aggregate consideration received by SkillSoft stockholders in exchange for their shares of SkillSoft Common Stock will be approximately equal to the fair market value of all of the outstanding shares of SkillSoft Common Stock immediately prior to the Merger. The SmartForce ADSs issued pursuant to the Merger will represent less than fifty percent (50%) of the total outstanding SmartForce ADSs immediately after the Merger.

4.9 Owned and Leased Real Properties.

(a) Neither SmartForce or any of its Subsidiaries owns or has ever owned any real property.

(b) Section 4.9 of the SmartForce Disclosure Schedule sets forth a complete and accurate list of all material real property leased, subleased, licensed or occupied by SmartForce or any of its Subsidiaries (collectively, the SmartForce Leases) and the location of the premises. Neither SmartForce, nor any of its Subsidiaries nor, to SmartForce's knowledge, any other party is in default (nor has any event occurred which with notice or lapse of time, or both, would constitute a default and in respect of which SmartForce or the Subsidiary has not taken adequate steps to prevent such default from occurring) under any of the SmartForce Leases, and the SmartForce Leases are valid and effective in accordance with their respective terms. Neither SmartForce nor any of its Subsidiaries leases, subleases or licenses any real property to any person other than SmartForce and its Subsidiaries. SmartForce has provided or made available to SkillSoft complete and accurate copies of all SmartForce Leases.

4.10 Intellectual Property.

(a) SmartForce and its Subsidiaries own, or license or otherwise possess legally enforceable rights to use, all Intellectual Property used or necessary to conduct the business of SmartForce and its Subsidiaries as currently conducted, or that would be used or necessary as such business is planned to be conducted (excluding, in each case, generally commercially available, off-the-shelf software programs licensed pursuant to shrinkwrap or click-and-accept licenses).

(b) The execution and delivery of this Agreement and consummation of the Merger will not result in the breach of, or create on behalf of any third party the right to terminate or modify, (i) any license, sublicense or other agreement relating to any Intellectual Property owned by SmartForce (the SmartForce Intellectual Property) or (ii) any license, sublicense and other agreement as to which SmartForce or any of its Subsidiaries is a party and pursuant to which SmartForce or any of its Subsidiaries is authorized to use any third party Intellectual Property (the SmartForce Third Party Intellectual Property). Neither the execution and delivery of this Agreement nor the consummation of the Merger will result in the grant of any license to any SmartForce Intellectual Property or release of source code for any SmartForce Intellectual Property to any third party.

(c) Section 4.10(c) of the SmartForce Disclosure Schedule sets forth a complete and accurate list of (i) each patent, patent application, copyright registration or application therefor, and registered trademark or service mark (including, where applicable, the jurisdiction of issuance or application) of SmartForce or any of its Subsidiaries, (ii) any agreement or license pursuant to which SmartForce or any of its Subsidiaries licenses or is authorized to use any material SmartForce Third Party Intellectual Property and (iii) any agreement pursuant to which SmartForce or any of its Subsidiaries has granted an exclusive license to any SmartForce Intellectual Property or any rights to source code for any SmartForce Intellectual Property.

(d) All issued patents and registrations and applications for trademarks, service marks and copyrights which are held by SmartForce or any of its Subsidiaries are valid and subsisting. SmartForce and its Subsidiaries have taken reasonable measures to protect the proprietary nature of the SmartForce Intellectual Property. To the knowledge of SmartForce, no other person or entity is infringing, violating or misappropriating any of material SmartForce Intellectual Property or SmartForce Third Party Intellectual Property.

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(e) None of the (i) products previously or currently sold or under development by SmartForce or any of its Subsidiaries or (ii) business or activities previously or currently conducted by SmartForce or any of its Subsidiaries infringes, violates or constitutes a misappropriation of, any Intellectual Property of any third party, except for such infringements, violations and misappropriations which are not, individually or in the aggregate, reasonably likely to adversely affect SmartForce's operations or result in any liability for SmartForce or any of its Subsidiaries. Neither SmartForce nor any of its Subsidiaries has received any complaint, claim or notice alleging any such infringement, violation or misappropriation.

4.11 *Agreements, Contracts and Commitments.*

(a) There are no contracts or agreements that are material contracts (as defined in Item 601(b)(10) of Regulation S-K) with respect to SmartForce and its Subsidiaries (SmartForce Material Contracts), other than those SmartForce Material Contracts identified on the exhibit indices of the SmartForce SEC Reports filed prior to the date hereof. Each SmartForce Material Contract is in full force and effect and is enforceable in accordance with its terms. Neither SmartForce nor any of its Subsidiaries nor, to SmartForce's knowledge, any other party to any SmartForce Material Contract is in violation of or in default under (nor does there exist any condition which, upon the passage of time or the giving of notice or both, would cause such a violation of or default under) any loan or credit agreement, note, bond, mortgage, indenture, lease, permit, concession, franchise, license or other contract, arrangement or understanding to which it is a party or by which it or any of its properties or assets is bound in a manner that would permit any other party to cancel or terminate any SmartForce Material Contract, or would permit any other party to seek material damages or other material remedies.

(b) Section 4.11(b) of the SmartForce Disclosure Schedule sets forth a complete and accurate list of each contract or agreement to which SmartForce or any of its Subsidiaries is a party or bound with any Affiliate of SmartForce (other than any Subsidiary which is a direct or indirect wholly owned subsidiary of SmartForce). Complete and accurate copies of all the agreements, contracts and arrangements set forth in Section 4.11(b) of the SmartForce Disclosure Schedule have heretofore been furnished or made available to SkillSoft. Except as disclosed in the SmartForce SEC Reports filed prior to the date of this Agreement, neither SmartForce nor any of its Subsidiaries has entered into any transaction with any Affiliate of SmartForce or any of its Subsidiaries or any transaction that would be subject to proxy statement disclosure pursuant to Item 404 of Regulation S-K.

(c) There is no non-competition or other similar agreement, arrangement, understanding, commitment, judgment, injunction or order to which SmartForce or any of its Subsidiaries is a party or to which SmartForce or any of its Subsidiaries is subject that has or could reasonably be expected to have the effect of prohibiting or impairing the conduct of the business of SmartForce or any of its Subsidiaries or SkillSoft or any of its Subsidiaries as currently conducted and as proposed to be conducted in any material respect. Neither SmartForce nor any of its Subsidiaries has entered into (or is otherwise bound by) any agreement under which it is restricted in any material respect from selling, licensing or otherwise distributing any of its technology or products, or providing services to, customers or potential customers or any class of customers, in any geographic area, during any period of time or any segment of the market or line of business.

4.12 *Litigation.* Except as disclosed in the SmartForce Disclosure Schedule, there is no action, suit, proceeding, claim, arbitration or investigation pending or, to the knowledge of SmartForce, threatened against or affecting SmartForce or any of its Subsidiaries or any properties or rights of SmartForce or its Subsidiaries, by or before any Governmental Entity which, individually or in the aggregate, is reasonably likely to result in material damages or any material injunctive relief against SmartForce or a Subsidiary. There are no material judgments, orders or decrees outstanding against SmartForce or any of its Subsidiaries.

4.13 *Environmental Matters.* Except as disclosed in the SmartForce SEC Reports filed prior to the date of this Agreement and except for such matters which, individually or in the aggregate, have not had, and are not reasonably likely to have, a SmartForce Material Adverse Effect:

(i) SmartForce and its Subsidiaries have complied with all applicable Environmental Laws;

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(ii) the properties currently owned, leased or operated by SmartForce and its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) are not contaminated with any Hazardous Substances;

(iii) the properties formerly owned, leased or operated by SmartForce or any of its Subsidiaries were not contaminated with Hazardous Substances during the period of ownership, use or operation by SmartForce or any of its Subsidiaries;

(iv) neither SmartForce nor any of its Subsidiaries are subject to liability for any Hazardous Substance disposal or contamination on the property of any third party;

(v) neither SmartForce nor any of its Subsidiaries have released any Hazardous Substance into the environment;

(vi) neither SmartForce nor any of its Subsidiaries has received any notice, demand, letter, claim or request for information alleging that SmartForce or any of its Subsidiaries may be in violation of, liable under or have obligations under any Environmental Law;

(vii) neither SmartForce nor any of its Subsidiaries is subject to any orders, decrees, injunctions or other arrangements with any Governmental Entity or is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law or relating to Hazardous Substances; and

(viii) there are no circumstances or conditions involving SmartForce, any of its Subsidiaries or any of their respective properties that could reasonably be expected to result in any claims, liability, obligations, investigations, costs or restrictions on the ownership, use or transfer of any property of SmartForce or any of its Subsidiaries pursuant to any Environmental Law.

4.14 *Employees.*

(a) Substantially all current or past employees of SmartForce or any of its Subsidiaries has entered into a confidentiality and assignment of inventions agreement with SmartForce, a copy or form of which has previously been delivered or made available to SkillSoft. To the knowledge of SmartForce, no employee of SmartForce or any Subsidiary of SmartForce is in violation of any term of any patent disclosure agreement, non-competition agreement, or any restrictive covenant to a former employer relating to the right of any such employee to be employed by SmartForce or any of its Subsidiaries because of the nature of the business conducted or presently proposed to be conducted by SmartForce or any of its Subsidiaries or to the use of trade secrets or proprietary information of others, the consequences of which, individually or in the aggregate, are reasonably likely to have a SmartForce Material Adverse Effect. To the knowledge of SmartForce, no key employee or group of employees has any plans to terminate employment with SmartForce or its Subsidiaries.

(b) Neither SmartForce nor any of its Subsidiaries is a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization. Neither SmartForce nor any of its Subsidiaries is the subject of any proceeding asserting that SmartForce or any of its Subsidiaries has committed an unfair labor practice or is seeking to compel it to bargain with any labor union or labor organization that, individually or in the aggregate, is reasonably likely to have a SmartForce Material Adverse Effect, nor is there pending or, to the knowledge of SmartForce, threatened, any labor strike, dispute, walkout, work stoppage, slow-down or lockout involving SmartForce or any of its Subsidiaries.

4.15 *Employee Benefit Plans.*

(a) Section 4.15(a) of the SmartForce Disclosure Schedule sets forth a complete and accurate list of all SmartForce Employee Plans in the United States or Canada that are material to SmartForce (excluding any agreements with individual employees that are covered by Section 4.15(h)). For purposes of this Agreement, SmartForce Employee Plans shall mean all Employee Benefit Plans maintained, or contributed to, by SmartForce, any of SmartForce's Subsidiaries or any of their ERISA Affiliates (together, the SmartForce Employee Plans).

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(b) SmartForce has made available to SkillSoft a complete and accurate copy of each SmartForce Employee Plan and, for each such Plan in the United States or Canada, (i) the three most recent annual reports (Form 5500) filed with the IRS, (ii) each trust agreement, group annuity contract, administrative service agreement, policy pertaining to fiduciary liability insurance covering the fiduciaries of each such SmartForce Employee Plan, and summary plan description, if any, relating to such SmartForce Employee Plan, (iii) the most recent financial statements for each SmartForce Employee Plan that is funded, and (iv) the three most recent reports regarding the satisfaction of the nondiscrimination requirements applicable to each such SmartForce Employee Plan including those of Sections 410(b), 401(k) and 401(m) of the Code.

(c) Each SmartForce Employee Plan has been administered in all material respects in accordance with (as applicable) ERISA, the Code, Irish Pensions Act of 1990 and all other applicable laws and the regulations thereunder and in accordance with its terms and each of SmartForce, SmartForce's Subsidiaries and their ERISA Affiliates has in all material respects met its obligations with respect to such SmartForce Employee Plan and has made all required contributions thereto (or reserved such contributions which are required but not yet due on the SmartForce Balance Sheet). All filings and reports as to each SmartForce Employee Plan required to have been submitted to the IRS or to the United States Department of Labor have been timely submitted. With respect to SmartForce Employee Plans, no event has occurred and there exists no condition or set of circumstances in connection with which SmartForce or any of its Subsidiaries could be subject to any liability that is reasonably likely, individually or in the aggregate, to have a SmartForce Material Adverse Effect under ERISA, the Code or any other applicable law.

(d) With respect to SmartForce Employee Plans, there are no benefit obligations for which contributions have not been made or properly accrued and there are no benefit obligations which have not been accounted for by reserves, or otherwise properly footnoted in accordance with GAAP, on the financial statements of SmartForce, which obligations are reasonably likely, individually or in the aggregate, to have a SmartForce Material Adverse Effect. The assets of each SmartForce Employee Plan which is funded are reported at their fair market value on the books and records of such plan.

(e) All SmartForce Employee Plans that are intended to be qualified under Section 401(a) of the Code have received determination letters from the IRS to the effect that such SmartForce Employee Plans are qualified and the plans and trusts related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, no such determination letter has been revoked and revocation has not been threatened, and no such Employee Benefit Plan has been amended or operated since the date of its most recent determination letter or application therefor in any respect, and no act or omission has occurred, that would adversely affect its qualification or materially increase its cost. Each SmartForce Employee Plan which is required to satisfy Section 401(k)(3) or Section 401(m)(2) of the Code had been tested for compliance with, and satisfies the requirements of Section 401(k)(3) and Section 401(m)(2) of the Code, as the case may be, for each plan year ending prior to the Closing Date. All SmartForce Employee Plans that are intended to be approved by the Irish Revenue Commissioners for the purposes of Chapter 1 of Part 30 of the Taxes Consolidation Act, 1997 have received approval letters from the Irish Revenue Commissioners and no such approval letter has been revoked and, to SmartForce's knowledge, no event, act or omission has occurred that would materially adversely affect such approval.

(f) Neither SmartForce, any Subsidiary of SmartForce nor any of their ERISA Affiliates (i) maintains, or has ever maintained, established, sponsored, participated in or contributed to a SmartForce Employee Benefit Plan which was ever subject to Section 412 of the Code or Title IV of ERISA or (ii) is now, or has ever been, obligated to contribute to a multiemployer plan (as defined in Section 4001(a)(3) of ERISA). No SmartForce Employee Plan is funded by, associated with or related to a voluntary employee's beneficiary association within the meaning of Section 501(c)(9) of the Code. No SmartForce Employee Plan holds securities issued by SmartForce, any of SmartForce's Subsidiaries or any of their ERISA Affiliates.

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(g) Each SmartForce Employee Plan is amendable and terminable unilaterally by SmartForce and any of SmartForce's Subsidiaries which are a party thereto or covered thereby at any time without liability to SmartForce or any of its Subsidiaries as a result thereof (other than for benefits accrued through the date of termination or amendment and reasonable administrative expenses related thereto) and no SmartForce Employee Plan, plan documentation or agreement, summary plan description or other written communication distributed generally to employees by its terms prohibits SmartForce or any of its Subsidiaries from amending or terminating any such SmartForce Employee Plan. The investment vehicles used to fund SmartForce Employee Plans may be changed at any time without incurring a material sales charge, surrender fee or other similar expense.

(h) Except as disclosed in SmartForce SEC Reports filed prior to the date of this Agreement, neither SmartForce nor any of its Subsidiaries is a party to any oral or written (i) agreement with any current or former shareholders, director, executive officer or other key employee of SmartForce or any of its Subsidiaries (A) the benefits of which are contingent, or the terms of which are materially altered, upon the occurrence of a transaction involving SmartForce or any of its Subsidiaries of the nature of any of the transactions contemplated by this Agreement, (B) providing any term of employment or compensation guarantee or (C) providing severance benefits or other benefits after the termination of employment of such director, executive officer or key employee; (ii) agreement, plan or arrangement under which any person may receive payments from SmartForce or any of its Subsidiaries that may be subject to the tax imposed by Section 4999 of the Code or that constitute an excess parachute payment for such person under Section 280G of the Code, without regard to Section 280G(b)(4); or (iii) agreement or plan binding SmartForce or any of its Subsidiaries, including any stock option plan, stock appreciation right plan, restricted stock plan, stock purchase plan or severance benefit plan, any of the benefits of which shall be increased, or the vesting of the benefits of which shall be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which shall be calculated on the basis of any of the transactions contemplated by this Agreement.

(i) None of the SmartForce Employee Plans promises or provides retiree medical or other retiree welfare benefits to any person, except as required by applicable law.

(j) None of the SmartForce Benefit Plans is currently, nor has ever been, a defined benefit scheme as defined in the Irish Pensions Act 1990.

4.16 *Compliance With Laws.* SmartForce and each of its Subsidiaries has complied with, is not in violation of, and has not received any notice alleging any violation with respect to, any applicable provisions of any statute, law or regulation with respect to the conduct of its business, or the ownership or operation of its properties or assets, except for failures to comply or violations which, individually or in the aggregate, have not had, and are not reasonably likely to have, a SmartForce Material Adverse Effect.

4.17 *Permits.* SmartForce and each of its Subsidiaries have all permits, licenses and franchises from Governmental Entities required to conduct their businesses as now being conducted or as presently contemplated to be conducted (the SmartForce Permits), except for such permits, licenses and franchises the lack of which, individually or in the aggregate, have not resulted in, and are not reasonably likely to result in, a SmartForce Material Adverse Effect. SmartForce and its Subsidiaries are in compliance with the terms of the SmartForce Permits, except where the failure to so comply, individually or in the aggregate, is not reasonably likely to have a SmartForce Material Adverse Effect. No SmartForce Permit shall cease to be effective as a result of the consummation of transactions contemplated by this Agreement.

4.18 *Insurance.* Each of SmartForce and its Subsidiaries maintains insurance policies (the SmartForce Insurance Policies) with reputable insurance carriers against all risks of a character as are usually insured against, and in such coverage amounts as are usually maintained, by similarly situated companies in the same or similar businesses. Each SmartForce Insurance Policy is in full force and effect. There is no material claim by SmartForce or any of its Subsidiaries pending under any SmartForce Insurance Policy as to which coverage has been questioned, denied or disputed by the underwriters thereof.

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4.19 *Opinion of Financial Advisor.* The financial advisor of SmartForce, Credit Suisse First Boston Corporation, has delivered to SmartForce an opinion dated the date of this Agreement to the effect, as of such date, that the Exchange Ratio is fair to SmartForce from a financial point of view, a copy of which will be provided to SkillSoft within one business day following the date of this Agreement.

4.20 *Rights Agreement.* The entering into of this Agreement, the SmartForce Shareholder Agreement or the SkillSoft Option Agreement does not result in the ability of any person to exercise any of subscription rights under the SmartForce Rights Plan or enable or require subscription rights issued thereunder to separate from the shares of SmartForce to which they are attached or to be triggered or become exercisable or cease to be redeemable. SmartForce will take all necessary action to effect an amendment to the SmartForce Rights Plan (the SmartForce Rights Plan Amendment), a signed copy of which will be delivered to SkillSoft within five business days following its execution (but in any event prior to the Effective Time) and will take all other action necessary or appropriate so that the consummation of the transactions contemplated by this Agreement, the SmartForce Shareholder Agreement and the SkillSoft Option Agreement do not result in the ability of any person to exercise any of subscription rights under the SmartForce Rights Plan or enable or require subscription rights issued thereunder to separate from the shares of SmartForce to which they are attached or to be triggered or become exercisable or cease to be redeemable.

4.21 *Brokers.* No agent, broker, investment banker, financial advisor or other firm or person is or shall be entitled, as a result of any action, agreement or commitment of SmartForce or any of its Affiliates, to any broker s, finder s, financial advisor s or other similar fee or commission in connection with any of the transactions contemplated by this Agreement, except Credit Suisse First Boston Corporation, whose fees and expense shall be paid by SmartForce. SmartForce has delivered to SkillSoft a complete and accurate copy of all agreements pursuant to which Credit Suisse First Boston Corporation is entitled to any fees and expenses in connection with any of the transactions contemplated by this Agreement.

4.22 *Operations of the Transitory Subsidiary.* The Transitory Subsidiary was formed solely for the purpose of engaging in the transactions contemplated by this Agreement, has engaged in no other business activities and has conducted its operations only as contemplated by this Agreement.

ARTICLE V

CONDUCT OF BUSINESS

5.1 *Covenants of SkillSoft.* Except as expressly provided herein or as consented to in writing by SmartForce, from and after the date of this Agreement until the earlier of the termination of this Agreement in accordance with its terms or the Effective Time, SkillSoft shall, and shall cause each of its Subsidiaries to, (i) act and carry on its business in the usual, regular and ordinary course in substantially the same manner as previously conducted, pay its debts and Taxes and perform its other obligations when due (subject to good faith disputes over such debts, Taxes or obligations), (ii) comply in all material respects with applicable laws, rules and regulations, and (iii) use commercially reasonable efforts, consistent with past practices, to maintain and preserve its and each of its Subsidiaries business organization, assets and properties, keep available the services of its present officers and key employees and preserve its advantageous business relationships with customers, strategic partners, suppliers, distributors and others having business dealings with it. Without limiting the generality of the foregoing, from and after the date of this Agreement until the earlier of the termination of this Agreement in accordance with its terms or the Effective Time, SkillSoft shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, do any of the following without the prior written consent of SmartForce:

(a) (A) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, securities or other property) in respect of, any of its capital stock (other than dividends and distributions by a direct or indirect wholly owned Subsidiary of SkillSoft to its parent); (B) split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for

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shares of its capital stock or any of its other securities; or (C) purchase, redeem or otherwise acquire any shares of its capital stock or any other of its securities or any rights, warrants or options to acquire any such shares or other securities (except, in the case of this clause (C), for the acquisition of shares of SkillSoft Common Stock from former employees, directors and consultants in accordance with agreements providing for the repurchase of shares at their original issuance price in connection with any termination of services to SkillSoft);

(b) issue, deliver, sell, grant, pledge or otherwise dispose of or encumber any shares of its capital stock, any other voting securities or any securities convertible into or exchangeable for, or any rights, warrants or options to acquire, any such shares, voting securities or convertible or exchangeable securities (other than (i) the issuance of shares of SkillSoft Common Stock upon the exercise of SkillSoft Stock Options outstanding on the date of this Agreement in accordance with their present terms, (ii) the grant of options to purchase SkillSoft Common Stock, which grants shall not exceed 2,400,000 shares in the aggregate, and shall have an exercise price equal to the fair market value of SkillSoft Common Stock on the date of grant and shall otherwise be upon SkillSoft's customary terms and (iii) the grant of options and the issuance of SkillSoft Common Stock in the Ordinary Course of Business under SkillSoft's 2001 Employee Stock Purchase Plan and SkillSoft's 2001 International Employee Stock Purchase Plan as currently in effect);

(c) amend its certificate of incorporation, by-laws or other comparable charter or organizational documents, except as expressly provided by this Agreement;

(d) acquire (A) by merging or consolidating with, or by purchasing all or a substantial portion of the assets or any stock of, or by any other manner, any business or any corporation, partnership, joint venture, limited liability company, association or other business organization or division thereof or (B) any assets that are material, in the aggregate, to SkillSoft and its Subsidiaries, taken as a whole;

(e) except in the Ordinary Course of Business, sell, lease, license, pledge, or otherwise dispose of or encumber any properties or assets of SkillSoft or of any of its Subsidiaries;

(f) whether or not in the Ordinary Course of Business, sell, lease, license, encumber, dispose of or otherwise transfer any assets material to SkillSoft and its Subsidiaries, taken as a whole (including any accounts, leases, contracts or intellectual property or any assets or the stock of any of its Subsidiaries, but excluding the sale or license of products in the Ordinary Course of Business);

(g) adopt or implement any stockholder rights plan;

(h) except for a confidentiality agreement as permitted by Section 6.1, enter into an agreement with respect to any merger, consolidation, liquidation or business combination, or any acquisition or disposition of all or substantially all of the assets or securities of SkillSoft or any of its Subsidiaries;

(i) (A) incur or suffer to exist any indebtedness for borrowed money or guarantee any such indebtedness of another person, (B) issue, sell or amend any debt securities or warrants or other rights to acquire any debt securities of SkillSoft or any of its Subsidiaries, guarantee any debt securities of another person, enter into any "keep well" or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing, or (C) make any loans, advances (other than routine advances to employees of SkillSoft in the Ordinary Course of Business) or capital contributions to, or investment in, any other person, other than SkillSoft or any of its direct or indirect wholly owned Subsidiaries;

(j) make any capital expenditures or other expenditures with respect to property, plant or equipment in excess of \$1,000,000 in the aggregate for SkillSoft and its Subsidiaries, taken as a whole, other than as set forth in SkillSoft's budget for capital expenditures previously made available to SmartForce;

(k) make any changes in accounting methods, principles or practices, except insofar as may have been required by the SEC or a change in GAAP or, except as so required, change any assumption underlying, or method of calculating, any bad debt, contingency or other reserve;

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(l) except in the Ordinary Course of Business, modify, amend or terminate any material contract or agreement to which SkillSoft or any of its Subsidiaries is party, or knowingly waive, release or assign any material rights or claims (including any write-off or other compromise of any accounts receivable of SkillSoft of any of its Subsidiaries);

(m) (A) except in the Ordinary Course of Business, enter into any material contract or agreement or (B) license any material intellectual property rights to or from any third party;

(n) except as required to comply with applicable law or agreements, plans or arrangements existing on the date hereof, (A) take any action with respect to, adopt, enter into, terminate or amend any employment, severance or similar agreement or benefit plan for the benefit or welfare of any current or former director, officer, employee or consultant or any collective bargaining agreement (other than severance or similar payments, and any agreements related thereto, for non-officer employees in the Ordinary Course of Business), (B) increase in any material respect the compensation or fringe benefits of, or pay any bonus to, any director, officer, employee or consultant (whether in cash, stock, equity securities, property or otherwise) (except for annual increases of the salaries of non-officer employees in the Ordinary Course of Business), (C) except as set forth in Section 5.1(n) of the SkillSoft Disclosure Schedule, waive any stock repurchase rights, accelerate, amend or change the period of exercisability of options or restricted stock or reprice options granted under any employee, consultant, director or other stock plans or authorize cash payments in exchange for any options granted under any of such plans, (D) pay any material benefit not provided for as of the date of this Agreement under any SkillSoft Employee Plan, (E) grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or benefit plan, or (F) take any action other than in the Ordinary Course of Business to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or benefit plan;

(o) make or rescind any material Tax election, settle or compromise any Tax liability or amend any Tax return;

(p) initiate, compromise, pay, discharge or settle any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), litigation or arbitration proceeding for an amount in the aggregate that exceeds \$2,500,000, exclusive of any amounts covered by SkillSoft Insurance Policies;

(q) fail to maintain insurance at levels substantially comparable to levels existing as of the date of this Agreement; or

(r) authorize any of, or commit or agree, in writing or otherwise, to take any of, the foregoing actions or any action which would make any representation or warranty of SkillSoft in this Agreement untrue or incorrect in any material respect, or would materially impair or prevent the satisfaction of any conditions in Article VII hereof.

5.2 Covenants of SmartForce. Except as expressly provided herein or as consented to in writing by SkillSoft, from and after the date of this Agreement until the earlier of the termination of this Agreement in accordance with its terms or the Effective Time, SmartForce shall, and shall cause each of its Subsidiaries to, (i) act and carry on its business in the usual, regular and ordinary course in substantially the same manner as previously conducted, pay its debts and Taxes and perform its other obligations when due (subject to good faith disputes over such debts, Taxes or obligations), (ii) comply in all material respects with applicable laws, rules and regulations, and (iii) use commercially reasonable efforts, consistent with past practices, to maintain and preserve its and each of its Subsidiaries' business organization, assets and properties, keep available the services of its present officers and key employees and preserve its advantageous business relationships with customers, strategic partners, suppliers, distributors and others having business dealings with it. Without limiting the generality of the foregoing, from and after the date of this Agreement until the earlier of the termination of this Agreement in accordance with its terms or the Effective Time, SmartForce shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, do any of the following without the prior written consent of SkillSoft:

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(a) except as provided in Section 5.2(a) of the SmartForce Disclosure Schedule, (A) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, securities or other property) in respect of, any of its share capital (other than dividends and distributions by a direct or indirect wholly owned Subsidiary of SmartForce to its parent); (B) split, combine or reclassify any of its share capital or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for any of its share capital or any of its other securities; or (C) purchase, redeem or otherwise acquire any of its share capital or any other of its securities or any rights, warrants or options to acquire any such shares or other securities (except, in the case of this clause (C), for the acquisition in compliance with any applicable laws of SmartForce Ordinary Shares or SmartForce ADSs from former employees, directors and consultants in accordance with agreements providing for the repurchase of shares at their original issuance price in connection with any termination of services to SmartForce);

(b) except as provided in Section 5.2(b) of the SmartForce Disclosure Schedule, issue, deliver, sell, grant, pledge or otherwise dispose of or encumber any of its share capital, any other voting securities or any securities convertible into or exchangeable for, or any rights, warrants or options to acquire, any such shares, voting securities or convertible or exchangeable securities (other than (i) the issuance of SmartForce Ordinary Shares or SmartForce ADSs upon the exercise of SmartForce Share Options outstanding on the date of this Agreement in accordance with their present terms, (ii) the grant of options to purchase SmartForce Ordinary Shares or SmartForce ADSs, which grants shall not exceed 3,825,000 shares in the aggregate, and shall have an exercise price equal to the fair market value thereof on the date of grant and shall otherwise be upon SmartForce's customary terms and (iii) the grant of options and the issuance of SmartForce ADSs in the Ordinary Course of Business under SmartForce's Employee Share Purchase Plan as currently in effect);

(c) except as provided in Section 5.2(c) of the SmartForce Disclosure Schedule, amend the SmartForce Charter Documents or other comparable charter or organizational documents, except to the extent necessary to carry into effect the provisions of Sections 6.16 and 6.19 or as otherwise expressly provided by this Agreement;

(d) except as provided in Section 5.2(d) of the SmartForce Disclosure Schedule, acquire (A) by merging or consolidating with, or by purchasing all or a substantial portion of the assets or any stock of, or by any other manner, any business or any corporation, partnership, joint venture, limited liability company, association or other business organization or division thereof or (B) any assets that are material, in the aggregate, to SmartForce and its Subsidiaries, taken as a whole;

(e) except as provided in Section 5.2(e) of the SmartForce Disclosure Schedule and except in the Ordinary Course of Business, sell, lease, license, pledge, or otherwise dispose of or encumber any properties or assets of SmartForce or of any of its Subsidiaries;

(f) except as provided in Section 5.2(f) of the SmartForce Disclosure Schedule, whether or not in the Ordinary Course of Business, sell, lease, license, encumber, dispose of or otherwise transfer any assets material to SmartForce and its Subsidiaries, taken as a whole (including any accounts, leases, contracts or intellectual property or any assets or the stock of any of its Subsidiaries, but excluding the sale or license of products in the Ordinary Course of Business);

(g) adopt or implement any shareholder rights plan or, except as provided in Section 4.20, amend the SmartForce Rights Plan;

(h) except for a confidentiality agreement as permitted by Section 6.1, and except as provided in Section 5.2(h) of the SmartForce Disclosure Schedule, enter into an agreement with respect to any merger, consolidation, liquidation or business combination, or any acquisition or disposition of all or substantially all of the assets or securities of SmartForce or any of its Subsidiaries;

(i) (A) incur or suffer to exist any indebtedness for borrowed money or guarantee any such indebtedness of another person, (B) issue, sell or amend any debt securities or warrants or other rights to acquire any debt securities of SmartForce or any of its Subsidiaries, guarantee any debt securities of another

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person, enter into any keep well or other agreement to maintain any financial statement condition of another person or enter into any arrangement having the economic effect of any of the foregoing, or (C) make any loans, advances (other than routine advances to employees of SmartForce in the Ordinary Course of Business) or capital contributions to, or investment in, any other person, other than SmartForce or any of its direct or indirect wholly owned Subsidiaries;

(j) except as provided in Section 5.2(j) of the SmartForce Disclosure Schedule, make any capital expenditures or other expenditures with respect to property, plant or equipment in excess of \$7,500,000 in the aggregate for SmartForce and its Subsidiaries, taken as a whole;

(k) make any changes in accounting methods, principles or practices, except insofar as may have been required by the SEC or a change in GAAP or, except as so required, change any assumption underlying, or method of calculating, any bad debt, contingency or other reserve;

(l) except as provided in Section 5.2(l) of the SmartForce Disclosure Schedule and except in the Ordinary Course of Business, modify, amend or terminate any material contract or agreement to which SmartForce or any of its Subsidiaries is party, or knowingly waive, release or assign any material rights or claims (including any write-off or other compromise of any accounts receivable of SmartForce or any of its Subsidiaries);

(m) except as provided in Section 5.2(m) of the SmartForce Disclosure Schedule, (A) except in the Ordinary Course of Business, enter into any material contract or agreement or (B) license any material intellectual property rights to or from any third party;

(n) except as provided in Section 5.2(n) of the SmartForce Disclosure Schedule and except as required to comply with applicable law or agreements, plans or arrangements existing on the date hereof, (A) take any action with respect to, adopt, enter into, terminate or amend any employment, severance or similar agreement or benefit plan for the benefit or welfare of any current or former director, officer, employee or consultant or any collective bargaining agreement (other than severance or similar payments, and any agreements related thereto, for non-officer employees in the Ordinary Course of Business), (B) increase in any material respect the compensation or fringe benefits of, or pay any bonus to, any director, officer, employee or consultant (whether in cash, stock, equity securities, property or otherwise) (except for annual increases of the salaries of non-officer employees in the Ordinary Course of Business), (C) waive any stock repurchase rights, accelerate, amend or change the period of exercisability of options or restricted stock or reprice options granted under any employee, consultant, director or other stock plans or authorize cash payments in exchange for any options granted under any of such plans, (D) pay any material benefit not provided for as of the date of this Agreement under any SmartForce Employee Plan, (E) grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or benefit plan, or (F) take any action other than in the Ordinary Course of Business to fund or in any other way secure the payment of compensation or benefits under any employee plan, agreement, contract or arrangement or benefit plan;

(o) except as provided in Section 5.2(o) of the SmartForce Disclosure Schedule, make or rescind any material Tax election, settle or compromise any Tax liability or amend any Tax return;

(p) initiate, compromise, pay, discharge or settle any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), litigation or arbitration proceeding for an amount in the aggregate that exceeds \$3,000,000, exclusive of any amounts covered by SmartForce Insurance Policies;

(q) fail to maintain insurance at levels substantially comparable to levels existing as of the date of this Agreement; or

(r) authorize any of, or commit or agree, in writing or otherwise, to take any of, the foregoing actions or any action which would make any representation or warranty of SmartForce in this Agreement untrue or incorrect in any material respect, or would materially impair or prevent the satisfaction of any conditions in Article VII hereof.

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5.3 *Confidentiality.* The parties acknowledge that SmartForce and SkillSoft have previously executed a Mutual Nondisclosure Agreement dated as of April 11, 2002 (the Confidentiality Agreement), which Confidentiality Agreement shall continue in full force and effect in accordance with its terms, except as expressly modified by this Agreement.

ARTICLE VI

Additional Agreements

6.1 *No Solicitation.*

(a) *No Solicitation or Negotiation.* From and after the date of this Agreement until the Effective Time or the termination of this Agreement pursuant to Article VIII hereof, and except as set forth in this Section 6.1, SkillSoft and SmartForce shall not, nor shall either of them authorize or permit any of their respective Subsidiaries or any of their or their Subsidiaries' respective directors, officers, investment bankers, attorneys, accountants or other advisors or representatives (such directors, officers, investment bankers, attorneys, accountants, other advisors and representatives, collectively, Representatives) to directly or indirectly:

(i) solicit, initiate, encourage or take any other action to facilitate any inquiries or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, any Acquisition Proposal (as defined in Section 6.1(f)), including without limitation (A) approving any transaction under Section 203 of the DGCL or any applicable provision of Irish law, (B) approving any person becoming an interested stockholder under Section 203 of the DGCL and (C) amending or granting any waiver or release under any standstill or similar agreement with respect to any SkillSoft Common Stock or SmartForce Ordinary Shares or SmartForce ADSs, respectively; or

(ii) enter into, continue or otherwise participate in any discussions or negotiations regarding, furnish to any person any information with respect to, assist or participate in any effort or attempt by any person with respect to, or otherwise cooperate in any way with, any Acquisition Proposal.

Notwithstanding the foregoing, prior to (1) in the case of SkillSoft, the adoption of this Agreement at the SkillSoft Meeting or, (2) in the case of SmartForce, the approval of the SmartForce Voting Proposal at the SmartForce Meeting (in each case, the Specified Time), SkillSoft or SmartForce may, to the extent required by their respective fiduciary obligations, as determined in good faith by the SkillSoft Board or the SmartForce Board, as the case may be, after consultation with outside counsel, in response to a Superior Proposal (as defined in Section 6.1(f)) that did not result from a breach by SkillSoft or SmartForce, as the case may be, of this Section 6.1, and subject to compliance with Section 6.1(c), (x) furnish information with respect to SkillSoft or SmartForce, as the case may be, to the person making such Superior Proposal and its Representatives pursuant to a customary confidentiality agreement not less restrictive of the other party than the Confidentiality Agreement and (y) participate in discussions or negotiations with such person and its Representatives regarding any Superior Proposal. Without limiting the foregoing, it is agreed that any violation of the restrictions set forth in this Section 6.1(a) by any Representative of SkillSoft or SmartForce, as the case may be, or any of their Subsidiaries, whether or not such person is purporting to act on behalf of SkillSoft or SmartForce, as the case may be, or otherwise, shall be deemed to be a breach of this Section 6.1(a) by SkillSoft or SmartForce, as the case may be.

(b) *No Change in Recommendation or Alternative Acquisition Agreement.* Beginning immediately upon the release of the press release announcing the execution of this Agreement, neither the SkillSoft Board nor the SmartForce Board nor any committee thereof shall:

(i) except as set forth in this Section 6.1, withdraw or modify, or publicly propose to withdraw or modify, in a manner adverse to the other party, its approval or recommendation with respect to the SkillSoft Voting Proposal or the SmartForce Voting Proposal, as the case may be;

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(ii) cause or permit SkillSoft or SmartForce to enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement or similar agreement constituting or relating to any Acquisition Proposal (other than a confidentiality agreement referred to in Section 6.1(a) entered into in the circumstances referred to in Section 6.1(a)); or

(iii) adopt, approve or recommend, or propose to adopt, approve or recommend, any Acquisition Proposal.

Notwithstanding the foregoing, the SkillSoft Board or the SmartForce Board may, in response to a Superior Proposal that did not result from a breach by SkillSoft or SmartForce, as the case may be, of this Section 6.1, withdraw or modify its recommendation with respect to the SkillSoft Voting Proposal or the SmartForce Voting Proposal, as the case may be, if the SkillSoft Board or the SmartForce Board, as the case may be, determines in good faith (after consultation with outside counsel) that its fiduciary obligations require it to do so, but only at a time that is prior to the Specified Time and is after the fifth business day following receipt by SmartForce (if SkillSoft has received a Superior Proposal) or SkillSoft (if SmartForce has received a Superior Proposal) of written notice advising it that the SkillSoft Board or the SmartForce Board, as the case may be, desires to withdraw or modify the recommendation due to the existence of a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal. Nothing in this Section 6.1 shall be deemed to (A) permit SkillSoft or SmartForce to take any action described in clauses (ii) or (iii) of the first sentence of this Section 6.1(b), (B) affect any obligation of SkillSoft or SmartForce under this Agreement or (C) limit SkillSoft's or SmartForce's obligation to call, give notice of, convene and hold the SkillSoft Meeting or the SmartForce Meeting, respectively, regardless of whether the SkillSoft Board or the SmartForce Board, as the case may be, has withdrawn or modified its recommendation.

(c) *Notices; Additional Negotiations.* Each party shall immediately advise the other party orally, with written confirmation to follow promptly (and in any event within 24 hours), of any Acquisition Proposal or any request for nonpublic information in connection with any Acquisition Proposal, or of any inquiry with respect to, or that could reasonably be expected to lead to, any Acquisition Proposal, the material terms and conditions of any such Acquisition Proposal or inquiry and the identity of the person making any such Acquisition Proposal or inquiry. Neither party shall provide any information to or participate in discussions or negotiations with the person or entity making any Superior Proposal until two business days after such party has first notified the other party of such Acquisition Proposal as required by the preceding sentence. The party receiving an Acquisition Proposal shall (i) keep the other party fully informed, on a current basis, of the status and details (including any change to the terms) of any such Acquisition Proposal or inquiry, (ii) provide to the other party as soon as practicable after receipt or delivery thereof copies of all correspondence and other written material sent or provided to the party receiving an Acquisition Proposal from any third party in connection with any Acquisition Proposal or sent or provided by such party to any third party in connection with any Superior Proposal, and (iii) if the other party shall make a counterproposal, consider and cause its financial and legal advisors to negotiate on its behalf in good faith with respect to the terms of such counterproposal. Contemporaneously with providing any information to a third party in connection with any such Superior Proposal or inquiry, the party receiving a Superior Proposal shall furnish a copy of such information to the other party to the extent that such copy has not previously been provided to the other party. In addition to the foregoing, SkillSoft or SmartForce shall (i) provide the other party with at least 24 hours prior notice (or such lesser prior notice as provided to the members of SkillSoft's or SmartForce's Board of Directors but in no event less than eight hours) of any meeting of SkillSoft's or SmartForce's Board of Directors at which SkillSoft's or SmartForce's Board of Directors is reasonably expected to consider a Superior Proposal and (ii) provide the other party with at least two business days prior written notice of a meeting of SkillSoft's or SmartForce's Board of Directors at which SkillSoft's or SmartForce's Board of Directors is reasonably expected to recommend a Superior Proposal to its stockholders and together with such notice a copy of the definitive documentation relating to such Superior Proposal to the extent that such copy has not previously been provided to the other party.

(d) *Certain Permitted Disclosure.* Nothing contained in this Section 6.1 or in Section 6.5 shall be deemed to prohibit either party from taking and disclosing to its stockholders a position with respect to a tender offer

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contemplated by Rule 14e-2(a) promulgated under the Exchange Act or the provisions of the Irish Takeover Panel Act of 1997 or any rules or directions made by the Irish Takeover Panel thereunder or any direction or ruling of the Irish Takeover Panel with regard to an Acquisition Proposal, if, in the good faith judgment of the SkillSoft Board or the SmartForce Board, as the case may be, based on the advice of outside counsel, failure to so disclose would be inconsistent with its obligations under applicable law.

(e) *Cessation of Ongoing Discussions.* Each party shall, and shall cause its Subsidiaries and its and their Representatives to, cease immediately all discussions and negotiations regarding any proposal that constitutes, or could reasonably be expected to lead to, an Acquisition Proposal. As of the date of this Agreement, each of SkillSoft and SmartForce represents that neither it nor any of its Subsidiaries is engaged, directly or indirectly, in any discussions or negotiations with any other party with respect to an Acquisition Proposal.

(f) *Definitions.* For purposes of this Agreement:

Acquisition Proposal means, with respect to any party, (i) any inquiry, proposal or offer for a merger, consolidation, dissolution, sale of substantial assets, tender offer, recapitalization, share exchange or other business combination involving such party or any of its Subsidiaries, (ii) any proposal for the issuance by such party or any of its Subsidiaries of over 10% of its equity securities or (iii) any proposal or offer to acquire in any manner, directly or indirectly, over 10% of the equity securities or consolidated total assets of such party, in each case other than the Merger contemplated by this Agreement.

Superior Proposal means, with respect to any party, any unsolicited, bona fide written proposal made by a third party to acquire more than 50% of the equity securities or assets of such party, pursuant to a tender or exchange offer, a merger, a consolidation or a sale of its assets, (i) on terms which such party's Board of Directors determines in its good faith judgment to be more favorable from a financial point of view to the stockholders of such party than the transactions contemplated by this Agreement (after taking into account the advice with respect thereto of an internationally recognized independent financial advisor), taking into account all the terms and conditions of such proposal and this Agreement (including any proposal by either party to amend the terms of this Agreement) and (ii) that is reasonably capable of being completed on the terms proposed, taking into account all financial, regulatory, legal and other aspects of such proposal; *provided, however*, that no Acquisition Proposal shall be deemed to be a Superior Proposal if any financing required to consummate the Acquisition Proposal is not committed.

6.2 Joint Proxy Statement/Prospectus; Registration Statement; ADSs Registration Statement.

(a) As promptly as practical after the execution of this Agreement, SmartForce and SkillSoft shall jointly prepare the Registration Statement, which shall include the Joint Proxy Statement/Prospectus, and SmartForce shall file the Registration Statement with the SEC and SkillSoft shall file the Joint Proxy Statement/Prospectus with the SEC. Each of SkillSoft and SmartForce shall provide promptly to the other party such information concerning its business and financial statements and affairs as, in the reasonable judgment of the providing party or its counsel, may be required or appropriate for inclusion in the Joint Proxy Statement/Prospectus and the Registration Statement, or in any supplements or amendments thereto, and cause its counsel and auditors to cooperate with the other's counsel and auditors in the preparation of the Joint Proxy Statement/Prospectus and the Registration Statement. Each of SmartForce and SkillSoft shall respond to any comments of the SEC and shall use its respective commercially reasonable efforts to have the Joint Proxy Statement/Prospectus cleared by the SEC and the Registration Statement declared effective under the Securities Act as promptly as practicable after such filings and SmartForce and SkillSoft shall cause the Joint Proxy Statement/Prospectus to be mailed to their respective stockholders at the earliest practicable time after both the Joint Proxy Statement/Prospectus is cleared by the SEC and the Registration Statement is declared effective under the Securities Act. Each of SmartForce and SkillSoft shall notify the other promptly upon the receipt of any comments from the SEC or its staff or any other government officials and of any request by the SEC or its staff or any other government officials for amendments or supplements to the Registration Statement, the Joint Proxy Statement/Prospectus or any filing pursuant to Section 6.2(b) or for additional information and shall supply the other with copies of all

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correspondence between such party or any of its representatives, on the one hand, and the SEC, or its staff or any other government officials, on the other hand, with respect to the Registration Statement, the Joint Proxy Statement/Prospectus, the Merger or any filing pursuant to Section 6.2(b). Each of SmartForce and SkillSoft shall use commercially reasonable efforts to cause all documents that it is responsible for filing with the SEC or other regulatory authorities under this Section 6.2 to comply in all material respects with all applicable requirements of law and the rules and regulations promulgated thereunder. Whenever any event occurs which is required to be set forth in an amendment or supplement to the Joint Proxy Statement/Prospectus, the Registration Statement or any filing pursuant to Section 6.2(b), SmartForce or SkillSoft, as the case may be, shall promptly inform the other of such occurrence and cooperate in filing with the SEC or its staff or any other Governmental Entity or government officials, and/or mailing to stockholders of SmartForce and SkillSoft, such amendment or supplement.

(b) SmartForce and SkillSoft shall promptly make all necessary filings with respect to the Merger under the Securities Act, the Exchange Act, applicable state blue sky laws, the applicable laws of any other jurisdiction and the rules and regulations thereunder.

(c) After the execution of this Agreement, SmartForce shall cause the filing of a Registration Statement on Form F-6 (the ADS Registration Statement) with the SEC for the purpose of registering up to 130,000,000 additional SmartForce ADSs evidenced by SmartForce ADRs.

6.3 *Nasdaq Quotations.* SmartForce and SkillSoft each agree to continue the quotation of the SmartForce ADSs and SkillSoft Common Stock, respectively, on Nasdaq during the term of this Agreement.

6.4 *Access to Information.* Each of SmartForce and SkillSoft shall (and shall cause each of its Subsidiaries to) afford to the other party's officers, employees, accountants, counsel and other representatives, reasonable access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, commitments, personnel and records and, during such period, each of SmartForce and SkillSoft shall (and shall cause each of its Subsidiaries to) furnish promptly to the other party (a) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of federal or state securities laws or the securities laws of any other applicable jurisdiction and (b) all other information concerning its business, properties, assets and personnel as the other party may reasonably request. Each of SmartForce and SkillSoft will hold any such information which is nonpublic in confidence in accordance with the Confidentiality Agreement. No information or knowledge obtained in any investigation pursuant to this Section 6.4 or otherwise shall affect or be deemed to modify any representation or warranty contained in this Agreement or the conditions to the obligations of the parties to consummate the Merger.

6.5 *Stockholders Meetings.*

(a) SkillSoft, acting through the SkillSoft Board, shall take all actions in accordance with applicable law, its Certificate of Incorporation and By-laws and the rules of The Nasdaq Stock Market, Inc. to promptly and duly call, give notice of, convene and hold as promptly as practicable after the declaration of effectiveness of the Registration Statement, the SkillSoft Stockholders Meeting for the purpose of considering and voting upon the SkillSoft Voting Proposal. Subject to Section 6.1(b), to the fullest extent permitted by applicable law, (i) the SkillSoft Board shall unanimously recommend approval and adoption of the SkillSoft Voting Proposal by the stockholders of SkillSoft and include such unanimous recommendation in the Joint Proxy Statement/Prospectus, and (ii) neither the SkillSoft Board nor any committee thereof shall withdraw or modify, or propose or resolve to withdraw or modify in a manner adverse to SmartForce, the recommendation of the SkillSoft Board that SkillSoft's stockholders vote in favor of the SkillSoft Voting Proposal. SkillSoft shall take all action that is both reasonable and lawful to solicit from its stockholders proxies in favor of the SkillSoft Voting Proposal and shall take all other action necessary or advisable to secure the vote or consent of the SkillSoft Stockholders required by the DGCL, the Certificate of Incorporation and By-laws of SkillSoft, the rules of The Nasdaq Stock Market, Inc. and all other applicable legal requirements to obtain such approvals. Notwithstanding anything to the contrary contained in this Agreement, after consultation with SmartForce, SkillSoft may adjourn or postpone the SkillSoft

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Stockholder Meeting to the extent necessary to ensure that any required supplement or amendment to the Joint Proxy Statement/Prospectus is provided to SkillSoft's stockholders or, if as of the time for which the SkillSoft Stockholders Meeting is originally scheduled (as set forth in the Joint Proxy Statement/Prospectus) there are insufficient shares of SkillSoft Common Stock represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the SkillSoft Stockholders Meeting.

(b) SmartForce, acting through the SmartForce Board, shall take all actions in accordance with applicable law, the SmartForce Charter Documents, the Irish Takeover Act and the rules of The Nasdaq Stock Market, Inc. to promptly and duly call, give notice of, convene and hold as promptly as practicable after the declaration of effectiveness of the Registration Statement, the SmartForce Shareholders Meeting for the purpose of considering and voting upon the SmartForce Voting Proposal. Subject to Section 6.1(b), to the fullest extent permitted by applicable law, (i) the SmartForce Board shall unanimously recommend approval of the SmartForce Voting Proposal by the shareholders of SmartForce and include such unanimous recommendation in the Joint Proxy Statement/Prospectus, and (ii) neither the SmartForce Board nor any committee thereof shall withdraw or modify, or propose or resolve to withdraw or modify in a manner adverse to SkillSoft, the recommendation of the SmartForce Board that SmartForce's shareholders vote in favor of the SmartForce Voting Proposal. SmartForce shall take all action that is both reasonable and lawful to solicit from its shareholders proxies in favor of the SmartForce Voting Proposal and shall take all other action necessary or advisable to secure the vote or consent of the shareholders of SmartForce required by the rules of The Nasdaq Stock Market, Inc., the SmartForce Charter Documents and all other applicable legal requirements to obtain such approvals. Notwithstanding anything to the contrary contained in this Agreement, after consultation with SkillSoft, SmartForce may adjourn or postpone the SmartForce Shareholders Meeting to the extent necessary to ensure that any required supplement or amendment to the Joint Proxy Statement/Prospectus is provided to SmartForce's shareholders or, if as of the time for which the SmartForce Shareholders Meeting is originally scheduled (as set forth in the Joint Proxy Statement/Prospectus) there are insufficient SmartForce Ordinary Shares represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of the SmartForce Shareholders Meeting.

(c) SkillSoft and SmartForce shall call, give notice of, convene and hold the SkillSoft Meeting and the SmartForce Meeting, respectively, in accordance with this Section 6.5 for the purpose of voting upon the SkillSoft Voting Proposal and the SmartForce Voting Proposal, respectively, and shall submit the SkillSoft Voting Proposal and the SmartForce Voting Proposal, respectively, to their respective stockholders for the purpose of acting upon such proposal whether or not (i) the SkillSoft Board or the SmartForce Board, as the case may be, at any time subsequent to the date hereof determines, in the manner permitted by Section 6.1(b), that this Agreement is no longer advisable or recommends that the stockholders of SkillSoft or SmartForce, as the case may be, reject it, or (ii) any actual, potential or purported Acquisition Proposal or Superior Proposal has been commenced, disclosed, announced or submitted to SkillSoft or SmartForce, as the case may be.

6.6 Stockholder and Employee Agreements.

(a) Warburg Pincus Ventures L.P. and each director and executive officer of SkillSoft shall execute and deliver the SkillSoft Stockholder Agreement to SmartForce immediately after the signing of this Agreement.

(b) Each director and executive officer of SmartForce shall execute and deliver the SmartForce Shareholder Agreement to SkillSoft immediately after the signing of this Agreement.

6.7 Legal Conditions to Merger.

(a) Subject to the terms hereof, including Section 6.7(b), SkillSoft and SmartForce shall each use commercially reasonable efforts to (i) take, or cause to be taken, all actions, and do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective the transactions contemplated hereby as promptly as practicable, (ii) as promptly as practicable, obtain from any Governmental Entity or any other third party any consents, licenses, permits, waivers, approvals, authorizations, or orders required to be obtained or made by SkillSoft or SmartForce or any of their Subsidiaries

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in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby (iii) as promptly as practicable, make all necessary filings, and thereafter make any other required submissions, with respect to this Agreement and the Merger required under (A) the Securities Act and the Exchange Act, and any other applicable federal or state securities laws, (B) the HSR Act and any related governmental request thereunder, (C) the Irish Mergers Act, (D) the Irish Takeover Act, and (E) any other applicable law and (iv) execute or deliver any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. SkillSoft and SmartForce shall cooperate with each other in connection with the making of all such filings, including providing copies of all such documents to the non-filing party and its advisors prior to filing and, if requested, accepting all reasonable additions, deletions or changes suggested in connection therewith. SkillSoft and SmartForce shall use their respective commercially reasonable efforts to furnish to each other all information required for any application or other filing to be made pursuant to the rules and regulations of any applicable law (including all information required to be included in the Joint Proxy Statement/Prospectus and the Registration Statement) in connection with the transactions contemplated by this Agreement. For the avoidance of doubt, SmartForce and SkillSoft agree that nothing contained in this Section 6.7(a) shall modify or affect their respective rights and responsibilities under Section 6.7(b).

(b) Subject to the terms hereof, SmartForce and SkillSoft agree, and shall cause each of their respective Subsidiaries, to cooperate and to use their respective commercially reasonable efforts to obtain any government clearances or approvals required for Closing under the HSR Act, the Irish Mergers Act and any other federal, state or foreign law or, regulation or decree designed to prohibit, restrict or regulate actions for the purpose or effect of monopolization or restraint of trade reasonably determined by the parties to apply (collectively Antitrust Laws), to respond to any government requests for information under any Antitrust Law, and to contest and resist any action, including any legislative, administrative or judicial action, and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order (whether temporary, preliminary or permanent) (an Antitrust Order) that restricts, prevents or prohibits the consummation of the Merger or any other transactions contemplated by this Agreement under any Antitrust Law. The parties hereto will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any party hereto in connection with proceedings under or relating to any Antitrust Law. Notwithstanding anything in this Agreement to the contrary in this Section 6.7, neither SmartForce nor SkillSoft shall be under any obligation to (i) make proposals, execute or carry out agreements or submit to orders providing for the sale or other disposition or holding separate (through the establishment of a trust or otherwise) of any material assets or categories of assets of SmartForce or SkillSoft or the holding separate of the shares of SkillSoft Common Stock (or shares of stock of the Surviving Corporation) or imposing or seeking to impose any material limitation on the ability of SmartForce or SkillSoft to conduct its business or own such assets or to acquire, hold or exercise full rights of ownership of the shares of SkillSoft Common Stock (or shares of stock of the Surviving Corporation) or (ii) take any action under this Section 6.7 if the United States Department of Justice or the United States Federal Trade Commission or any applicable foreign regulatory agency authorizes its staff to seek a preliminary injunction or restraining order to enjoin consummation of the Merger.

(c) Each of SkillSoft and SmartForce shall give (or shall cause their respective Subsidiaries to give) any notices to third parties, and use, and cause their respective Subsidiaries to use, their commercially reasonable efforts to obtain any third party consents related to or required in connection with the Merger that are (A) necessary to consummate the transactions contemplated hereby, (B) disclosed or required to be disclosed in SkillSoft Disclosure Schedule or SmartForce Disclosure Schedule, as the case may be, or (C) required to prevent a SkillSoft Material Adverse Effect or a SmartForce Material Adverse Effect from occurring prior to or after the Effective Time.

6.8 *Public Disclosure.* Except as may be required by law or stock market regulations, (i) the press release announcing the execution of this Agreement shall be issued only in such form as shall be mutually agreed upon by SmartForce and SkillSoft and (ii) SmartForce and SkillSoft shall use commercially reasonable efforts to

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consult with each other before issuing any press release or otherwise making any public statement with respect to the Merger or this Agreement and shall not issue any such press release or make any such public statement prior to using such efforts.

6.9 *Section 368(a) Reorganization.* SmartForce and SkillSoft shall each use commercially reasonable efforts to cause the Merger to be treated as a reorganization within the meaning of Section 368(a) of the Code. The parties hereto hereby adopt this Agreement as a plan of reorganization. From and after the Effective Time, SmartForce shall cause SkillSoft to comply with all applicable reporting requirements set forth in Treasury Regulations under Section 367 of the Code, including, without limitation, Regulation Section 1.367(a)-(3)(c)(6).

6.10 *Affiliate Legends.* Section 6.10 of the SkillSoft Disclosure Schedule sets forth a list of those persons who are, in SkillSoft's reasonable judgment, affiliates of SkillSoft within the meaning of Rule 145 promulgated under the Securities Act (Rule 145 Affiliates). SkillSoft shall notify SmartForce in writing of any change in the identity of its Rule 145 Affiliates prior to the Closing. SmartForce shall be entitled to place appropriate legends on the SmartForce ADRs evidencing any SmartForce ADSs to be received by Rule 145 Affiliates of SkillSoft in the Merger reflecting the restrictions set forth in the Affiliate Deposit Agreement and Rule 145 promulgated under the Securities Act and to issue appropriate stop transfer instructions to the transfer agent for SmartForce ADSs. SkillSoft will use commercially reasonable efforts to deliver or cause to be delivered to SmartForce, as promptly as practicable on or following the date hereof, from each Rule 145 Affiliate, an executed Affiliate Agreement in substantially the form attached hereto as Exhibit C (an Affiliate Agreement).

6.11 *Nasdaq National Market Listing.* SmartForce shall, if required by the rules of The Nasdaq Stock Market, Inc., file with The Nasdaq Stock Market, Inc. a Notification Form: Listing of Additional Shares with respect to the SmartForce ADSs issuable pursuant to the transactions contemplated by this Agreement.

6.12 *Stockholder Litigation.* Until the earlier of the termination of this Agreement in accordance with its terms or the Effective Time, each party shall give the other party the opportunity to participate in the defense or settlement of any stockholder litigation relating to this Agreement or any of the transactions contemplated by this Agreement, and shall not settle any such litigation without the other party's prior written consent, which will not be unreasonably withheld or delayed.

6.13 *Indemnification.*

(a) From and after the Effective Time, SmartForce shall, to the fullest extent permitted by law, cause the Surviving Corporation, for a period of six years from the Effective Time, to, indemnify and hold harmless each present and former director and officer of SkillSoft (the Indemnified Parties), against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages, liabilities or amounts paid in settlement incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent that SkillSoft would have been permitted under Delaware law and its Certificate of Incorporation or By-laws in effect on the date hereof to indemnify an Indemnified Party (and SmartForce and the Surviving Corporation shall also advance expenses as incurred to the fullest extent permitted under applicable law, provided the Indemnified Party to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such Indemnified Party is not entitled to indemnification). Without limiting the generality of the foregoing, SmartForce acknowledges and agrees that the litigation described in SkillSoft's Annual Report on Form 10-K for the fiscal year ended January 31, 2002 constitutes litigation to which the directors, officers and employees of SkillSoft named as defendants therein are entitled to indemnification in accordance with the terms of Delaware law and/or SkillSoft's Certificate of Incorporation (provided they satisfy the conditions for litigation set forth therein), and SmartForce agrees, subject to the terms of Delaware law and/or SkillSoft's Certificate of Incorporation, to cause the Surviving Corporation to continue to reimburse such defendants for the cost of such

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litigation, including without limitation the reasonable fees and expenses of the attorneys currently retained by such defendants in connection with the defense of such litigation.

(b) For a period of six years after the Effective Time, SmartForce shall cause the Surviving Corporation to maintain (to the extent available in the market) in effect a directors' and officers' liability insurance policy covering those persons who are currently covered by SkillSoft's directors' and officers' liability insurance policy (a copy of which has been heretofore delivered or made available to SmartForce) with coverage in amount and scope at least as favorable to such persons as SkillSoft's existing coverage; *provided*, that in no event shall SmartForce or the Surviving Corporation be required to expend in excess of 150% of the annual premium currently paid by SkillSoft for such coverage; provided, further, that if the annual premium exceeds such amount, SmartForce will cause the Surviving Corporation to obtain as much coverage as possible for such amount.

(c) The provisions of this Section 6.13 are intended to be in addition to the rights otherwise available to the current officers and directors of SkillSoft by law, charter, statute, bylaw or agreement, and shall operate for the benefit of, and shall be enforceable by, each of the Indemnified Parties, their heirs and their representatives.

6.14 *Notification of Certain Matters.* SmartForce shall give prompt notice to SkillSoft, and SkillSoft shall give prompt notice to SmartForce, of the occurrence, or failure to occur, of any event, which occurrence or failure to occur would be reasonably likely to cause (a) (i) any representation or warranty of such party contained in this Agreement that is qualified as to materiality to be untrue or inaccurate in any respect or (ii) any other representation or warranty of such party contained in this Agreement to be untrue or inaccurate in any material respect, in each case at any time from and after the date of this Agreement until the Effective Time, or (b) any material failure of SmartForce and the Transitory Subsidiary or SkillSoft, as the case may be, or of any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Notwithstanding the above, the delivery of any notice pursuant to this Section will not limit or otherwise affect the remedies available hereunder to the party receiving such notice or the conditions to such party's obligation to consummate the Merger.

6.15 *Exemption from Liability Under Section 16(b).*

(a) The SmartForce Board, or a committee thereof consisting of non-employee directors (as such term is defined for purposes of Rule 16b-3(d) under the Exchange Act), shall adopt a resolution in advance of the Effective Time providing that the receipt by SkillSoft Insiders (as defined below) of SmartForce securities in exchange for shares of SkillSoft Common Stock, and of options to purchase SmartForce securities upon assumption and conversion of SkillSoft Stock Options, in each case pursuant to the transactions contemplated hereby and to the extent such securities are listed in the Section 16 Information, is intended to be exempt pursuant to Rule 16b-3 under the Exchange Act.

(b) For purposes of Section 6.15(a), Section 16 Information shall mean information regarding SkillSoft Insiders and the number of shares of SkillSoft Common Stock or other SkillSoft equity securities deemed to be beneficially owned by each such SkillSoft Insider and expected to be exchanged for SmartForce securities, or options to purchase SmartForce securities, in each case, in connection with the Merger which shall be provided by SkillSoft to SmartForce no later than 10 business days prior to the Closing.

(c) For purposes of Section 6.15(a), SkillSoft Insiders shall mean those officers and directors of SkillSoft who are subject to the reporting requirements of Section 16(a) of the Exchange Act as listed in the Section 16 Information.

6.16 *Board of Directors of SmartForce.* SmartForce shall take all necessary action to cause, effective as of the Effective Time, (i) the number of members of the SmartForce Board to be fixed at seven, (ii) the election of Charles E. Moran, Stewart K.P. Gross, William T. Coleman III and Howard Edelstein to the SmartForce Board, and (iii) the resignation, or removal without cause, of all directors of SmartForce other than Gregory Priest, James S. Krzywicki and Ferdinand von Prondzynski.

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6.17 *Management.* SmartForce shall take all necessary action to cause Charles E. Moran to be appointed as President and Chief Executive Officer of SmartForce and Gregory M. Priest to be appointed as Chairman and Chief Strategy Officer of SmartForce, each effective as of the Effective Time.

6.18 *Headquarters of SmartForce.* Immediately following the Effective Time, the operating headquarters of SmartForce in the United States shall be located in Nashua, New Hampshire.

6.19 *Corporate Name.* SmartForce and SkillSoft shall in good faith discuss and attempt to agree, as promptly as practicable following the date of this Agreement, on the corporate name of SmartForce following the Closing.

6.20 *Employee Benefits.* Following the Effective Time, SmartForce will give each Continuing Employee full credit for prior service with SkillSoft or its Subsidiaries for purposes of (i) eligibility and vesting under any SmartForce Employee Plans, (ii) determination of benefits levels under any SmartForce Employee Plan or policy relating to vacation or severance and (iii) determination of retiree status under any SmartForce Employee Plan, in each case for which the Continuing Employee is otherwise eligible and in which the Continuing Employee is offered participation, but except where such crediting would (A) result in a duplication of benefits or (B) otherwise cause SmartForce or its Subsidiaries or any SmartForce Employee Plan or trust relating thereto to accrue or pay for benefits that relate to any time period prior to the Continuing Employee's participation in the SmartForce Employee Plan. SmartForce agrees that each Continuing Employee shall be eligible to either: (i) participate in SmartForce Employee Plans as permitted by the terms of such SmartForce Employee Plans, (ii) participate in SkillSoft Employee Plans that are continued by SmartForce, or (iii) a combination of clauses (i) and (ii) so that each Continuing Employee is eligible for benefits that are substantially similar in the aggregate to those of similarly situated employees of SmartForce.

6.21 *Termination of Pension Plan.* Effective as of the day immediately preceding the Effective Time, SkillSoft and its ERISA Affiliates, as applicable, shall each terminate any and all group severance, separation or salary continuation plans, programs or arrangements and any and all plans intended to include a Code Section 401(k) arrangement (unless SmartForce consents, as evidenced by written notice to SkillSoft, to the continuation of any such plan, program or arrangement, which consent shall not be unreasonably withheld) (collectively, SkillSoft Terminating Plan(s)). SmartForce agrees that the Continuing Employees shall be eligible to participate, to the extent they were eligible to participate in the SkillSoft Terminating Plan, in a comparable SmartForce plan, program or arrangement, as promptly following the Effective Time as is permitted by the terms of such SmartForce plan, program or arrangement. Unless SmartForce provides such written consent to SkillSoft, no later than three business days prior to the Effective Time, SkillSoft shall provide SmartForce with evidence that such SkillSoft Terminating Plan(s) have been terminated (effective as of the day immediately preceding the Effective Time) pursuant to resolutions of SkillSoft's Board of Directors. SkillSoft also shall take such other actions in furtherance of terminating such SkillSoft Terminating Plan(s) as SmartForce may reasonably require.

6.22 *FIRPTA Certificate.* On or prior to the Closing Date, SkillSoft shall deliver to SmartForce a properly executed statement in a form reasonably acceptable to SmartForce for purposes of satisfying SmartForce's obligations under Treasury Regulation Section 1.1445-2(c)(3).

ARTICLE VII

Conditions to Merger

7.1 *Conditions to Each Party's Obligation To Effect the Merger.* The respective obligations of each party to this Agreement to effect the Merger shall be subject to the satisfaction prior to the Closing Date of the following conditions:

(a) *Stockholder Approvals.* The SkillSoft Voting Proposal shall have been approved and adopted at the SkillSoft Meeting, at which a quorum is present, by the requisite vote of the stockholders of SkillSoft

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under applicable law and SkillSoft's Certificate of Incorporation. The SmartForce Voting Proposal shall have been approved at the SmartForce Meeting, at which a quorum is present, by the requisite vote of the shareholders of SmartForce under applicable law, the rules of The Nasdaq Stock Market, Inc. and the SmartForce Charter Documents.

- (b) *HSR Act.* The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated.
- (c) *Irish Mergers Act.* Either (i) the Minister for Enterprise, Trade and Employment of Ireland (the Minister) shall state in writing that he or she does not intend to make an order under Section 9 of the Irish Mergers Act in relation to the Merger; (ii) the Minister shall have made a conditional order permitting the Merger, which conditions do not require SmartForce or SkillSoft to divest any shares of capital stock, assets or properties which are material to their respective businesses, or impose any material limitations on the ability of SmartForce or SkillSoft to conduct their business or to own or exercise control of any such material capital stock, assets or properties (in which case SmartForce shall accept the conditions to the proposed Merger set forth in the order); or (iii) the relevant period within the meaning of Section 6 of the Irish Mergers Act shall have expired without the Minister having made any order or, in each case above, the Minister shall have issued an equivalent decision or determination under any legislative provision amending or replacing any such Section or provision.
- (d) *Governmental Approvals.* Other than the filing of the Certificate of Merger, all authorizations, consents, orders or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any Governmental Entity in connection with the Merger and the consummation of the other transactions contemplated by this Agreement, the failure of which to file, obtain or occur is reasonably likely to have a SmartForce Material Adverse Effect or a SkillSoft Material Adverse Effect shall have been filed, been obtained or occurred on terms and conditions which could not reasonably be likely to have a SmartForce Material Adverse Effect or a SkillSoft Material Adverse Effect.
- (e) *Registration Statement; ADS Registration Statement; Joint Proxy Statement/Prospectus.* The Registration Statement and the ADS Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Registration Statement or the ADS Registration Statement shall have been issued and no proceeding for that purpose, and no similar proceeding with respect to the Joint Proxy Statement/Prospectus, shall have been initiated or threatened in writing by the SEC or its staff.
- (f) *No Injunctions or Proceedings.* No Governmental Entity of competent jurisdiction shall have (i) enacted, issued, promulgated, enforced or entered any order, executive order, stay, decree, judgment or injunction (preliminary or permanent) or statute, rule or regulation which is in effect and which has the effect of making the Merger illegal or otherwise prohibiting consummation of the Merger or the other transactions contemplated by this Agreement, or (ii) commenced any action or proceeding seeking any of the foregoing.
- (g) *Nasdaq Notification.* If required by the rules of The Nasdaq Stock Market, Inc., SmartForce shall have submitted to The Nasdaq Stock Market, Inc. a Notification Form: Listing of Additional Shares with respect to the SmartForce ADSs to be issued pursuant to the transactions contemplated by this Agreement.
- 7.2 Additional Conditions to the Obligations of SmartForce and the Transitory Subsidiary.** The obligations of SmartForce and the Transitory Subsidiary to effect the Merger shall be subject to the satisfaction on or prior to the Closing Date of each of the following additional conditions, any of which may be waived in writing exclusively by SmartForce and the Transitory Subsidiary:
- (a) *Representations and Warranties.* The representations and warranties of SkillSoft set forth in this Agreement and in any certificate or other writing delivered by SkillSoft pursuant hereto shall be true and correct as of the Closing Date as though made on and as of the Closing Date (except (x) to the extent such

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representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct in all material respects as of such date, (y) for changes contemplated by this Agreement and (z) where the failure to be true and correct (without regard to any materiality, SkillSoft Material Adverse Effect or knowledge qualifications contained therein), individually or in the aggregate, have not had, and are not reasonably likely to have, a SkillSoft Material Adverse Effect); and SmartForce shall have received a certificate signed on behalf of SkillSoft by the chief executive officer and the chief financial officer of SkillSoft to such effect.

(b) *Performance of Obligations of SkillSoft.* SkillSoft shall have performed in all material respects all obligations required to be performed by it under this Agreement on or prior to the Closing Date; and SmartForce shall have received a certificate signed on behalf of SkillSoft by the chief executive officer and the chief financial officer of SkillSoft to such effect.

(c) *Tax Opinion.* SmartForce shall have received the written opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, counsel to SmartForce, to the effect that the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code; provided that if Wilson, Sonsini, Goodrich & Rosati, Professional Corporation, does not render such opinion, this condition shall nonetheless be deemed satisfied if Hale and Dorr LLP renders such opinion to SmartForce (it being agreed that SmartForce and SkillSoft shall each provide reasonable cooperation, including making reasonable and customary representations, to Wilson, Sonsini, Goodrich & Rosati, Professional Corporation, or Hale and Dorr LLP, as the case may be, to enable them to render such opinion and that counsel shall be entitled to rely on such representations and such assumptions as they may deem appropriate in rendering such opinion).

(d) *Affiliate Agreements.* Each of the Rule 145 Affiliates shall have entered into the Affiliate Agreement and each of such agreements shall be in full force and effect as of the Effective Time.

7.3 *Additional Conditions to the Obligations of SkillSoft.* The obligation of SkillSoft to effect the Merger shall be subject to the satisfaction on or prior to the Closing Date of each of the following additional conditions, any of which may be waived, in writing, exclusively by SkillSoft:

(a) *Representations and Warranties.* The representations and warranties of SmartForce and the Transitory Subsidiary set forth in this Agreement and in any certificate or other writing delivered by SmartForce or the Transitory Subsidiary pursuant hereto shall be true and correct as of the Closing Date as though made on and as of the Closing Date (except (x) to the extent such representations and warranties are specifically made as of a particular date, in which case such representations and warranties shall be true and correct in all material respects as of such date, (y) for changes contemplated by this Agreement and (z) where the failure to be true and correct (without regard to any materiality, SmartForce Material Adverse Effect or knowledge qualifications contained therein), individually or in the aggregate, have not had, and are not reasonably likely to have, a SmartForce Material Adverse Effect); and SkillSoft shall have received a certificate signed on behalf of SmartForce by the chief executive officer or the chief financial officer of SmartForce to such effect.

(b) *Performance of Obligations of SmartForce and Sub.* SmartForce and the Transitory Subsidiary shall have performed in all material respects all obligations required to be performed by them under this Agreement on or prior to the Closing Date, and SkillSoft shall have received a certificate signed on behalf of SmartForce by the chief executive officer or the chief financial officer of SmartForce to such effect.

(c) *Tax Opinion.* SkillSoft shall have received the written opinion of Hale and Dorr LLP, counsel to SkillSoft, to the effect that the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code; provided that if Hale and Dorr LLP does not render such opinion, this condition shall nonetheless be deemed satisfied if Wilson, Sonsini, Goodrich & Rosati, Professional Corporation, renders such opinion to SkillSoft (it being agreed that SmartForce and SkillSoft shall each provide reasonable cooperation, including making reasonable and customary representations, to Hale and Dorr LLP or Wilson, Sonsini, Goodrich & Rosati, Professional Corporation, as the case may be, to

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enable them to render such opinion and that counsel shall be entitled to rely on such representations and such assumptions as they may deem appropriate in rendering such opinion).

(d) *Registration Rights Agreement.* SmartForce shall have entered into the Registration Rights Agreement with Warburg, Pincus Ventures, L.P. in the form attached hereto as *Exhibit D*.

ARTICLE VIII

TERMINATION AND AMENDMENT

8.1 *Termination.* This Agreement may be terminated at any time prior to the Effective Time (with respect to Sections 8.1(b) through 8.1(i), by written notice by the terminating party to the other party), whether before or after approval of the Merger by the stockholders of SkillSoft:

(a) by mutual written consent duly authorized by the Boards of Directors of SmartForce and SkillSoft; or

(b) by either SmartForce or SkillSoft if the Merger shall not have been consummated by November 30, 2002 (the *Outside Date*) (provided that the right to terminate this Agreement under this Section 8.1(b) shall not be available to any party whose action or failure to act, in breach of this Agreement, has been a principal cause of or resulted in the failure of the Merger to occur on or before the *Outside Date*); or

(c) by either SmartForce or SkillSoft if a Governmental Entity of competent jurisdiction shall have issued a nonappealable final order, decree or ruling or taken any other nonappealable final action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger; or

(d) by either SmartForce or SkillSoft if at the SkillSoft Meeting (including any adjournment or postponement permitted by this Agreement), at which a vote on the SkillSoft Voting Proposal is taken, the requisite vote of the stockholders of SkillSoft in favor of the SkillSoft Voting Proposal shall not have been obtained (provided that the right to terminate this Agreement under this Section 8.1(d) shall not be available (x) to any party whose failure to fulfill any obligation under this Agreement has been a principal cause of or resulted in the failure to obtain such requisite vote or (y) to SkillSoft, if the failure to obtain such requisite vote has been caused by a breach of the SkillSoft Stockholder Agreement by any party thereto other than SmartForce); or

(e) by either SmartForce or SkillSoft if at the SmartForce Meeting (including any adjournment or postponement permitted by this Agreement), at which a vote on the SmartForce Voting Proposal is taken, the requisite vote of the shareholders of SmartForce in favor of the SmartForce Voting Proposal shall not have been obtained (provided that the right to terminate this Agreement under this Section 8.1(e) shall not be available (x) to any party whose failure to fulfill any obligation under this Agreement has been a principal cause of or resulted in the failure to obtain such requisite vote or (y) to SmartForce, if the failure to obtain such requisite vote has been caused by a breach of the SmartForce Shareholder Agreement by any party thereto other than SkillSoft); or

(f) by SmartForce, if: (i) the SkillSoft Board shall have failed to give its recommendation to the approval of the SkillSoft Voting Proposal in the Joint Proxy Statement/Prospectus or shall have withdrawn or modified in a manner adverse to SmartForce its recommendation of the SkillSoft Voting Proposal; (ii) the SkillSoft Board (or any committee thereof) shall have approved or recommended to the stockholders of SkillSoft an Acquisition Proposal; (iii) a tender offer or exchange offer for outstanding shares of SkillSoft Common Stock is commenced (other than by SmartForce or an Affiliate of SmartForce), and the SkillSoft Board (or any committee thereof) (A) recommends that the stockholders of SkillSoft tender their shares in such tender or exchange offer, (B) within 10 business days after the commencement of such tender or exchange offer, the SkillSoft Board fails to recommend rejection of such offer or (C) the SkillSoft Board fails to reconfirm its recommendation of this Agreement or the Merger within 10 business days after its receipt of a request by SmartForce to do so; or (iv) SkillSoft shall have materially breached its obligations under Section 6.1 or Section 6.5(a) of this Agreement;

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(g) by SkillSoft, if: (i) the SmartForce Board shall have failed to give its recommendation to the approval of the SmartForce Voting Proposal in the Joint Proxy Statement/Prospectus or shall have withdrawn or modified in a manner adverse to SkillSoft its recommendation of the SmartForce Voting Proposal; (ii) the SmartForce Board (or any committee thereof) shall have approved or recommended to the shareholders of SmartForce an Acquisition Proposal; (iii) a tender offer or exchange offer for outstanding SmartForce Ordinary Shares or SmartForce ADSs is commenced (other than by SkillSoft or an Affiliate of SkillSoft), and the SmartForce Board (or any committee thereof) (A) recommends that the shareholders of SmartForce tender their shares in such tender or exchange offer, (B) within 10 business days after the commencement of such tender or exchange offer, the SmartForce Board fails to recommend rejection of such offer, or (C) the SmartForce Board fails to reconfirm its recommendation of this Agreement or the Merger within 10 business days after its receipt of a request by SkillSoft to do so; or (iv) SmartForce shall have materially breached its obligations under Section 6.1 or Section 6.5(b) of this Agreement;

(h) by SmartForce, if there has been a breach of or failure to perform any representation, warranty, covenant or agreement (other than those referred to elsewhere in this Section 8.1) on the part of SkillSoft set forth in this Agreement, which breach (i) would cause the conditions set forth in Section 7.2(a) or (b) not to be satisfied, and (ii) shall not have been cured within 15 days following receipt by SkillSoft of written notice of such breach from SmartForce (it being agreed that SmartForce may not terminate this Agreement pursuant to this paragraph (h) if it shall be in material breach of this Agreement or if such breach by SkillSoft is cured during such 15 day period); and

(i) by SkillSoft, if there has been a breach of or failure to perform any representation, warranty, covenant or agreement (other than those referred to elsewhere in this Section 8.1) on the part of SmartForce set forth in this Agreement, which breach (i) would cause the conditions set forth in Section 7.3(a) or (b) not to be satisfied, and (ii) shall not have been cured within 15 days following receipt by SmartForce of written notice of such breach from SkillSoft (it being agreed that SkillSoft may not terminate this Agreement pursuant to this paragraph (i) if it shall be in material breach of this Agreement or if such breach by SmartForce is cured during such 15 day period).

8.2 *Effect of Termination.* In the event of termination of this Agreement as provided in Section 8.1, this Agreement shall immediately become void and there shall be no liability or obligation on the part of SmartForce, SkillSoft, the Transitory Subsidiary or their respective officers, directors, stockholders or Affiliates, provided that (i) any such termination shall not relieve any party from liability for any willful or intentional breach of this Agreement (which includes without limitation the making of any representation or warranty by a party in this Agreement that the party knew was not true and accurate when made) and (ii) the provisions of this Section 8.2, Section 8.3 and Article IX of this Agreement and the Confidentiality Agreement shall remain in full force and effect and survive any termination of this Agreement.

8.3 *Fees and Expenses.*

(a) Except as set forth in this Section 8.3, all fees and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, whether or not the Merger is consummated; provided however, that SkillSoft and SmartForce shall share equally (i) the aggregate filing fees of both Parties pre-merger notification report under the HSR Act, any filing fees under the Irish Mergers Act and any fees of the Irish Takeover Panel and (ii) all fees and expenses, other than accountant's and attorneys' fees, incurred with respect to the printing and filing of the Joint Proxy Statement/Prospectus (including any related preliminary materials) and the Registration Statement and any amendments or supplements thereto.

(b) SkillSoft shall pay SmartForce a termination fee of \$2,200,000 in the event of the termination of this Agreement by SmartForce or SkillSoft pursuant to Section 8.1(d). The termination fee due under this Section 8.3(b) shall be paid by wire transfer of same-day funds within one business day after the date of termination of this Agreement.

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(c) SkillSoft shall pay SmartForce a termination fee of \$8,800,000, less the amount (if any) previously paid by SkillSoft pursuant to Section 8.3(b), in the event of the termination of this Agreement:

(i) by SmartForce or SkillSoft pursuant to Section 8.1(d) if (A) following the date of this Agreement and prior to the termination of this Agreement, any Acquisition Proposal with respect to SkillSoft shall have been publicly announced or shall have become publicly known, and (B) within 12 months following the termination of this Agreement, either an Acquisition Transaction with a party other than SmartForce is consummated by SkillSoft or SkillSoft enters into an agreement providing for an Acquisition Transaction with a party other than SmartForce and such Acquisition Transaction is later consummated;

(ii) by SmartForce pursuant to Section 8.1(f); or

(iii) by SmartForce pursuant to Section 8.1(h) as a result of an intentional breach of or failure to perform any representation, warranty, covenant or agreement on the part of SkillSoft.

The termination fee due under this Section 8.3(c) shall be paid by wire transfer of same-day funds within one business day after the date of termination of this Agreement; except that the termination fee due under Section 8.3(c)(i) shall be paid by wire transfer of same-day funds within one business day after the earlier of the date that an Acquisition Transaction with a party other than SmartForce is consummated by SkillSoft or SkillSoft enters into an agreement providing for an Acquisition Transaction with a party other than SmartForce.

(d) SmartForce shall pay SkillSoft a termination fee of \$2,200,000 in the event of the termination of this Agreement by SkillSoft or SmartForce pursuant to Section 8.1(e). The termination fee due under this Section 8.3(d) shall be paid by wire transfer of same-day funds within one business day after the date of termination of this Agreement.

(e) SmartForce shall pay SkillSoft a termination fee of \$8,800,000, less the amount (if any) previously paid by SmartForce pursuant to Section 8.3(d), in the event of the termination of this Agreement:

(i) by SkillSoft or SmartForce pursuant to Section 8.1(e) if (A) following the date of this Agreement and prior to the termination of this Agreement, any Acquisition Proposal with respect to SmartForce shall have been publicly announced or shall have become publicly known, and (B) within 12 months following the termination of this Agreement, either an Acquisition Transaction with a party other than SkillSoft is consummated by SmartForce or SmartForce enters into an agreement providing for an Acquisition Transaction with a party other than SkillSoft and such Acquisition Transaction is later consummated;

(ii) by SkillSoft pursuant to Section 8.1(g); or

(iii) by SkillSoft pursuant to Section 8.1(i) as a result of an intentional breach of or failure to perform any representation, warranty, covenant or agreement on the part of SmartForce.

The termination fee due under this Section 8.3(e) shall be paid by wire transfer of same-day funds within one business day after the date of termination of this Agreement; except that the termination fee due under Section 8.3(e)(i) shall be paid by wire transfer of same-day funds within one business day after the earlier of the date that an Acquisition Transaction with a party other than SkillSoft is consummated by SmartForce or SmartForce enters into an agreement providing for an Acquisition Transaction with a party other than SkillSoft.

(f) For purposes of this Agreement, Acquisition Transaction shall mean any of the following transactions (other than the transaction contemplated by this Agreement): (i) a sale or other disposition by SmartForce or SkillSoft of business or assets representing 40% or more of the net revenues, net income or assets of the company immediately prior to such sale; (ii) the acquisition by any person or group (including by way of a tender offer or an exchange offer or issuance by SmartForce or SkillSoft), directly or indirectly, of beneficial ownership or a right to acquire beneficial ownership of 40% or more of the outstanding voting power or equity interest in SmartForce or SkillSoft; or (iii) a merger, consolidation, business combination or similar transaction involving SmartForce or SkillSoft in which the stockholders of SmartForce or SkillSoft, as the case may be, own less than 50% of the voting power or equity interest in the surviving or acquiring entity in such transaction.

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(g) In the event that (i) a party to this Agreement (the first party) delivers a notice of termination to the other party hereto (the second party) pursuant to a paragraph of Section 8.1 that would not trigger the payment of a termination fee to the first party, (ii) at the time of delivery of such notice of termination, the second party was entitled to terminate this Agreement pursuant to a paragraph of Section 8.1 that would trigger the payment of a termination fee to the second party, and (iii) either (A) within three business days of delivery of such notice of termination, the second party delivers to the first party a notice of termination pursuant to a paragraph of Section 8.1 that triggers the payment of a termination fee to the second party or (B) the second party had already delivered a notice of termination pursuant to Section 8.1(h) or 8.1(i) which was not yet effective due to the pending 15-day cure period thereunder, then the determination of whether a termination fee is payable under this Section 8.3 shall be made based upon the notice of termination delivered by the second party.

(h) The parties acknowledge that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, the parties would not enter into this Agreement. If one party fails to promptly pay to the other any termination fee due hereunder, the defaulting party shall pay the costs and expenses (including legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken to collect payment, together with interest on the amount of any unpaid fee at the publicly announced prime rate of Fleet Bank, N.A. plus five percent per annum, compounded quarterly, from the date such termination fee was required to be paid. Payment of the termination fee described in this Section 8.3 shall not be in lieu of damages incurred in the event of a breach of this Agreement described in clause (i) of Section 8.2.

8.4 *Amendment.* This Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Merger by the stockholders of any of the parties, but, after any such approval, no amendment shall be made which by law requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

8.5 *Extension; Waiver.* At any time prior to the Effective Time, the parties hereto, by action taken or authorized by their respective Boards of Directors, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. No extension or waiver in any one instance shall be deemed to extend to any prior or subsequent instance. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of such rights.

ARTICLE IX

MISCELLANEOUS

9.1 *Nonsurvival of Representations and Warranties.* The respective representations and warranties of SkillSoft, SmartForce and the Transitory Subsidiary contained in this Agreement or in any instrument delivered pursuant to this Agreement shall expire with, and be terminated and extinguished upon, the Effective Time and only the covenants that by their terms survive the Effective Time shall survive the Effective Time. This Section 9.1 shall have no effect upon any other obligations of the parties hereto, whether to be performed before or after the consummation of the Merger.

9.2 *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed duly delivered (i) four business days after being sent by registered or certified mail, return receipt requested,

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postage prepaid, or (ii) one business day after being sent for next business day delivery, fees prepaid, via a reputable nationwide overnight courier service, in each case to the intended recipient as set forth below:

(a) if to SmartForce or the Transitory Subsidiary, to

SmartForce Public Limited Company
900 Chesapeake Drive
Redwood City, California 94063
Attn: Chief Executive Officer

with a copy to:

Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, California 94304-1050
Attention: Steven V. Bernard
Telecopy No.: (650) 493-6811

and a copy to:

Wilson Sonsini Goodrich & Rosati
Professional Corporation
One Market
Spear Street Tower, Suite 3300
San Francisco, California 94105
Attention: Michael J. Kennedy
Telecopy No.: (415) 947-2099

(b) if to SkillSoft, to

SkillSoft Corporation
20 Industrial Park Drive
Nashua, New Hampshire 03062
Attn: Chief Executive Officer

with a copy to:

Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Patrick J. Rondeau
Telecopy: (617) 526-5000

Any party to this Agreement may give any notice or other communication hereunder using any other means (including personal delivery, messenger service, telecopy, telex, ordinary mail or electronic mail), but no such notice or other communication shall be deemed to have been duly given unless and until it actually is received by the party for whom it is intended. Any party to this Agreement may change the address to which notices and other communications hereunder are to be delivered by giving the other parties to this Agreement notice in the manner herein set forth.

9.3 *Entire Agreement.* This Agreement (including the Schedules and Exhibits hereto and the documents and instruments referred to herein that are to be delivered at the Closing) constitutes the entire agreement among the parties to this Agreement and supersedes any prior understandings, agreements or representations by or among the parties hereto, or any of them, written or oral, with respect to the subject matter hereof; provided that the Confidentiality Agreement shall remain in effect in accordance with its terms.

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9.4 *No Third Party Beneficiaries.* Except as provided in Section 6.13, this Agreement is not intended, and shall not be deemed, to confer any rights or remedies upon any person other than the parties hereto and their respective successors and permitted assigns, to create any agreement of employment with any person or to otherwise create any third-party beneficiary hereto.

9.5 *Assignment.* Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties, and any such assignment without such prior written consent shall be null and void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns.

9.6 *Severability.* Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the parties hereto agree that the court making such determination shall have the power to limit the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified. In the event such court does not exercise the power granted to it in the prior sentence, the parties hereto agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable term.

9.7 *Counterparts and Signature.* This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties hereto and delivered to the other parties, it being understood that all parties need not sign the same counterpart. This Agreement may be executed and delivered by facsimile transmission.

9.8 *Interpretation.* When reference is made in this Agreement to an Article or a Section, such reference shall be to an Article or Section of this Agreement, unless otherwise indicated. The table of contents, table of defined terms and headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. No summary of this Agreement prepared by any party shall affect the meaning or interpretation of this Agreement. For purposes of this Agreement, (i) the term knowledge means with respect to a party hereto, with respect to any matter in question, that any of the executive officers of such party has actual knowledge of such matter; and (ii) the term person shall mean any individual, corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization, entity or Governmental Entity.

9.9 *Governing Law.* This Agreement 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 jurisdictions other than those of the State of Delaware.

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9.10 *Remedies.* Except as otherwise provided herein, any and all remedies herein expressly conferred upon a party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such party, and the exercise by a party of any one remedy will not preclude the exercise of any other remedy. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy to which they are entitled at law or in equity.

9.11 *WAIVER OF JURY TRIAL.* EACH OF SMARTFORCE, THE TRANSITORY SUBSIDIARY AND SKILLSOFT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF SMARTFORCE, THE TRANSITORY SUBSIDIARY OR SKILLSOFT IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT.

[the remainder of this page intentionally left blank signature page follows]

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IN WITNESS WHEREOF, SmartForce, the Transitory Subsidiary and SkillSoft have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

SMARTFORCE PUBLIC LIMITED COMPANY

By: /s/ GREGORY M.
PRIEST

Title: **President & CEO**

SLATE ACQUISITION CORP.

By: /s/ GREGORY M.
PRIEST

Title: **President & CEO**

SKILLSOFT CORPORATION

By: /s/ CHARLES MORAN

Title: **President & CEO**

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Exhibit A-1

SKILLSOFT STOCKHOLDER VOTING AGREEMENT

SKILLSOFT STOCKHOLDER VOTING AGREEMENT, dated as of June 10, 2002 (this Agreement), among the stockholders of SkillSoft Corporation, a Delaware corporation (SkillSoft) listed on the signature page(s) hereto (collectively, Stockholders and each individually, a Stockholder), SkillSoft and SmartForce Public Limited Company, a public limited company incorporated under the laws of the Republic of Ireland (SmartForce). Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned to them in the Merger Agreement referred to below.

WHEREAS, as of the date hereof, the Stockholders collectively own of record and beneficially shares of capital stock of SkillSoft, as set forth on Schedule I hereto (such shares, or any other voting or equity securities of SkillSoft hereafter acquired by any Stockholder prior to the termination of this Agreement, being referred to herein collectively as the Shares);

WHEREAS, immediately prior to the execution of this Agreement, SmartForce and SkillSoft are entering into an Agreement and Plan of Merger, dated as of the date hereof (the Merger Agreement), pursuant to which, upon the terms and subject to the conditions thereof, a subsidiary of SmartForce will be merged with and into SkillSoft, and SkillSoft will be the surviving corporation (the Merger); and

WHEREAS, as a condition to the willingness of SmartForce to enter into the Merger Agreement, SmartForce has required that the Stockholders agree, and in order to induce SmartForce to enter into the Merger Agreement, the Stockholders are willing, to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereby agree, severally and not jointly, as follows:

Section 1. *Voting of Shares.*

(a) Each Stockholder covenants and agrees that until the termination of this Agreement in accordance with the terms hereof, at the SkillSoft Meeting or any other meeting of the stockholders of SkillSoft, however called, and in any action by written consent of the stockholders of SkillSoft, such Stockholder will vote, or cause to be voted, all of his, her or its respective Shares (a) in favor of adoption of the SkillSoft Voting Proposal and (b) in favor of any matter that could reasonably be expected to facilitate the Merger and against any matter that is inconsistent with the consummation of the Merger and the other transactions contemplated by the Merger Agreement (including, without limitation, against any other Acquisition Proposal).

(b) Each Stockholder hereby irrevocably grants to, and appoints, SmartForce, and any individual designated in writing by it, and each of them individually, as its proxy and attorney-in-fact (with full power of substitution), for and in its name, place and stead, to vote his, her or its Shares at any meeting of the stockholders of SkillSoft called with respect to any of the matters specified in, and in accordance and consistent with this Section 1. Each Stockholder understands and acknowledges that SmartForce is entering into the Merger Agreement in reliance upon the Stockholders' execution and delivery of this Agreement. Each Stockholder hereby affirms that the irrevocable proxy set forth in this Section 1(b) is given in connection with the execution of the Merger Agreement, and that such irrevocable proxy is given to secure the performance of the duties of such Stockholder under this Agreement. Except as otherwise provided for herein, each Stockholder hereby (i) affirms that the irrevocable proxy is coupled with an interest and may under no circumstances be revoked, (ii) ratifies and confirms all that the proxies appointed hereunder may lawfully do or cause to be done by virtue hereof and (iii) affirms that such irrevocable proxy is executed and intended to be irrevocable in accordance with the provisions of Section 212(e) of the Delaware General Corporation Law. Notwithstanding any other provisions of this Agreement, the irrevocable proxy granted hereunder shall automatically terminate upon the termination of this Agreement.

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Section 2. *Transfer of Shares.*

(a) Each Stockholder covenants and agrees that such Stockholder will not directly or indirectly (i) sell, assign, transfer (including by merger, testamentary disposition, interspousal disposition pursuant to a domestic relations proceeding or otherwise by operation of law), pledge, encumber or otherwise dispose of any of the Shares, (ii) deposit any of the Shares into a voting trust or enter into a voting agreement or arrangement with respect to the Shares or grant any proxy or power of attorney with respect thereto which is inconsistent with this Agreement or (iii) enter into any contract, option, short sale, equity swap, hedge or other arrangement or undertaking with respect to the direct or indirect actual or potential sale, assignment, transfer (including by merger, testamentary disposition, interspousal disposition pursuant to a domestic relations proceeding or otherwise by operation of law) or other disposition of any Shares. Notwithstanding the foregoing, during any 30 day period, (i) Charles E. Moran may sell, assign or transfer up to 5% of the Shares owned by him as of the date of this Agreement and (ii) all other Stockholders, not including Charles E. Moran and Warburg, Pincus Ventures, L.P., may sell, assign or transfer up to 2.5% of the Shares owned by such Stockholder as of the date of this Agreement.

(b) Each Stockholder agrees to submit to SkillSoft contemporaneously with or promptly following execution of this Agreement all certificates representing the Shares so that the SkillSoft may place thereon a conspicuous legend referring to the transfer restrictions set forth in this Agreement and SkillSoft shall cause its transfer agent to decline to transfer and to note stop transfer restrictions on the stock register and other records relating to the Shares.

Section 3. *Representations and Warranties of the Stockholders.* Each Stockholder on its, his or her own behalf hereby severally represents and warrants to SmartForce with respect to itself and its, his or her ownership of the Shares as follows:

(a) *Ownership of Shares.* The Stockholder beneficially owns all of the Shares as set forth on Schedule I hereto and has good and marketable title to such Shares, free and clear of any claims, liens, encumbrances and security interests whatsoever; other than with respect to Mark Townsend and Jerald Nine who have liens for an aggregate of 216,666 and 250,000 shares of Common Stock, respectively, in favor of SkillSoft pursuant to security agreements. The Stockholder owns no shares of Common Stock other than the Shares as set forth on Schedule I hereto. The Stockholder has sole voting power, without restrictions, with respect to all of the Shares.

(b) *Power, Binding Agreement.* The Stockholder has the legal capacity and all requisite power and authority to enter into and perform all of its, his or her obligations, under this Agreement. This Agreement has been duly and validly executed and delivered by the Stockholder and constitutes a valid and binding obligation of the Stockholder, enforceable against the Stockholder in accordance with its terms.

(c) *No Conflicts.* The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, conflict with or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, any provision of any loan or credit agreement, note, bond, mortgage, indenture, lease, or other agreement, instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Stockholder, the Shares or any of the Stockholder's properties or assets. Except as expressly contemplated hereby, the Stockholder is not a party to, and the Shares are not subject to or bound in any manner by, any contract or agreement relating to the Shares, including without limitation, any voting agreement, option agreement, purchase agreement, stockholders' agreement, partnership agreement or voting trust.

Section 4. *Termination.* This Agreement shall terminate upon the earlier to occur of (i) the Effective Time or (ii) any termination of the Merger Agreement in accordance with the terms thereof; *provided* that no such termination shall relieve any party of liability for a willful breach hereof prior to termination.

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Section 5. *Specific Performance.* The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

Section 6. *Fiduciary Duties.* Each Stockholder is signing this Agreement solely in such Stockholder's capacity as an owner of his, her or its respective Shares, and nothing herein shall prohibit, prevent or preclude such Stockholder from taking or not taking any action in his or her capacity as an officer or director of SkillSoft, to the extent permitted by the Merger Agreement.

Section 7. *Consent and Waiver.* Each Stockholder in its, his or her capacity as a stockholder of SkillSoft hereby gives any consents or waivers that are reasonably required for the consummation of the Merger under the terms of any agreement to which such Stockholder is a party or pursuant to any rights such Stockholder may have in its, his or her capacity as a stockholder of SkillSoft.

Section 8. *Miscellaneous.*

(a) *Entire Agreement.* This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect thereto. This Agreement may not be amended, modified or rescinded except by an instrument in writing signed by each of the parties hereto.

(b) *Severability.* If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.

(c) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the principles of conflicts of law thereof.

(d) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

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(e) *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed duly delivered (i) three business days after being sent by registered or certified mail, return receipt requested, postage prepaid, or (ii) one business day after being sent for next business day delivery, fees prepaid, via a reputable nationwide or international overnight courier service, in each case to the intended recipient as set forth below:

(i) if to a Stockholder to the address set forth on the respective signature page of this Agreement;

with a copy to:

Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Patrick J. Rondeau, Esq.
Telecopy: (617) 526-5000

(ii) if to SmartForce to:

SmartForce Public Limited Company
900 Chesapeake Drive
Redwood City, California 94063
Attn: Chief Executive Officer

with copies to:

Wilson Sonsini Goodrich & Rosati Professional Corporation
650 Page Mill Road
Palo Alto, California 94304
Attn: Steven V. Bernard, Esq.
Telecopy: (650) 493-6811

and

Wilson Sonsini Goodrich & Rosati Professional Corporation
One Market
Spear Street Tower, Suite 3300
San Francisco, California 94105
Attn: Michael J. Kennedy, Esq.
Telecopy: (415) 947-2099

(f) *No Third Party Beneficiaries.* This Agreement is not intended, and shall not be deemed, to confer any rights or remedies upon any person other than the parties hereto and their respective successors and permitted assigns, to create any agreement of employment with any person or to otherwise create any third-party beneficiary hereto.

(g) *Assignment.* Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties, and any such assignment without such prior written consent shall be null and void, except that SmartForce may assign this Agreement to any direct or indirect wholly owned subsidiary of SmartForce without such consent, provided that SmartForce shall remain liable for all of its obligations under this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns.

(h) *Interpretation.* When reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement, unless otherwise indicated. The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this

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Agreement. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. No summary of this Agreement prepared by the parties shall affect in any way the meaning or interpretation of this Agreement.

(i) *WAIVER OF JURY TRIAL.* SMARTFORCE AND EACH STOCKHOLDER HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF SMARTFORCE, OR EACH STOCKHOLDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT.

[Signature Page to follow]

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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed individually or by its respective duly authorized officer as of the date first written above.

SMARTFORCE PUBLIC
LIMITED COMPANY

By: _____

Name: _____

Title: _____

STOCKHOLDERS:

Signature

Name

Address

Address

Signature

Name

Address

Address

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<u>Stockholder</u>	<u>Number of Shares of Common Stock Owned</u>
James Adkisson	144,830
C. Samantha Chen	0
William T. Coleman III	0
Stewart K.P. Gross	0
Thomas J. McDonald	137,541
Charles E. Moran	410,549
John J. Neuhauser	0
Jerald A. Nine	290,000
Mark A. Townsend	323,333
Warburg, Pincus Ventures, L.P., Warburg, Pincus & Co., and Warburg Pincus LLC	5,609,524

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Exhibit A-2

SMARTFORCE SHAREHOLDER VOTING AGREEMENT

SMARTFORCE SHAREHOLDER VOTING AGREEMENT, dated as of June 10, 2002 (this Agreement), among the Shareholders of SmartForce Public Limited Company, a public limited company organized under the laws of the Republic of Ireland (SmartForce) listed on the signature page(s) hereto (collectively, Shareholders and each individually, a Shareholder), SmartForce and SkillSoft Corporation, a Delaware corporation (SkillSoft). Capitalized terms used and not otherwise defined herein shall have the respective meanings assigned to them in the Merger Agreement referred to below.

WHEREAS, as of the date hereof, the Shareholders collectively own of record and beneficially SmartForce Ordinary Shares and SmartForce ADSs, as set forth on Schedule I hereto (such shares, or any other voting or equity securities of SmartForce hereafter acquired by any Shareholder prior to the termination of this Agreement, being referred to herein collectively as the Shares);

WHEREAS, immediately prior to the execution of this Agreement, SmartForce and SkillSoft are entering into an Agreement and Plan of Merger, dated as of the date hereof (the Merger Agreement), pursuant to which, upon the terms and subject to the conditions thereof, a subsidiary of SmartForce will be merged with and into SkillSoft, and SkillSoft will be the surviving corporation (the Merger); and

WHEREAS, as a condition to the willingness of SkillSoft to enter into the Merger Agreement, SkillSoft has required that the Shareholders agree, and in order to induce SkillSoft to enter into the Merger Agreement, the Shareholders are willing, to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereby agree, severally and not jointly, as follows:

Section 1. *Voting of Shares.*

(a) Each Shareholder covenants and agrees that until the termination of this Agreement in accordance with the terms hereof, at the SmartForce Meeting or any other meeting of the shareholders of SmartForce, however called, and in any action by written consent of SmartForce, such Shareholder will vote, or cause to be voted, all of his, her or its respective Shares (a) in favor of the approval of the SmartForce Voting Proposal and (b) in favor of any matter that could reasonably be expected to facilitate the Merger and against any matter that is inconsistent with the consummation of the Merger and the other transactions contemplated by the Merger Agreement (including, without limitation, against any other Acquisition Proposal).

(b) Each Shareholder hereby irrevocably grants to, and appoints, SkillSoft, and any individual designated in writing by it, and each of them individually, as its proxy and attorney-in-fact (with full power of substitution), for and in its name, place and stead, to vote his, her or its Shares at any meeting of the shareholders of SmartForce called with respect to any of the matters specified in, and in accordance and consistent with this Section 1. Each Shareholder understands and acknowledges that SkillSoft is entering into the Merger Agreement in reliance upon the Shareholders' execution and delivery of this Agreement. Each Shareholder hereby affirms that the irrevocable proxy set forth in this Section 1(b) is given in connection with the execution of the Merger Agreement, and that such irrevocable proxy is given to secure the performance of the duties of such Shareholder under this Agreement. Except as otherwise provided for herein, each Shareholder hereby (i) affirms that the irrevocable proxy is coupled with an interest and may under no circumstances be revoked, (ii) ratifies and confirms all that the proxies appointed hereunder may lawfully do or cause to be done by virtue hereof and (iii) affirms that such irrevocable proxy is executed and intended to be irrevocable in accordance with the provisions of applicable law. Notwithstanding any other provisions of this Agreement, the irrevocable proxy granted hereunder shall automatically terminate upon the termination of this Agreement.

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Section 2. *Transfer of Shares.*

(a) Each Shareholder covenants and agrees that such Shareholder will not directly or indirectly (i) sell, assign, transfer (including by merger, testamentary disposition, interspousal disposition pursuant to a domestic relations proceeding or otherwise by operation of law), pledge, encumber or otherwise dispose of any of the Shares, (ii) deposit any of the Shares into a voting trust or enter into a voting agreement or arrangement with respect to the Shares or grant any proxy or power of attorney with respect thereto which is inconsistent with this Agreement or (iii) enter into any contract, option, short sale, equity swap, hedge or other arrangement or undertaking with respect to the direct or indirect actual or potential sale, assignment, transfer (including by merger, testamentary disposition, interspousal disposition pursuant to a domestic relations proceeding or otherwise by operation of law) or other disposition of any Shares. Notwithstanding the foregoing, during any 30 day period, a Shareholder may sell, assign or transfer up to 2.5% of the Shares owned by such Shareholder as of the date of this Agreement.

(b) Each Shareholder agrees to submit to SmartForce contemporaneously with or promptly following execution of this Agreement all certificates representing the Shares so that the SmartForce may place thereon a conspicuous legend referring to the transfer restrictions set forth in this Agreement and SmartForce shall cause its transfer agent to decline to transfer and to note stop transfer restrictions on the share register and other records relating to the Shares.

Section 3. *Representations and Warranties of the Shareholders.* Each Shareholder on its, his or her own behalf hereby severally represents and warrants to SkillSoft with respect to itself and its, his or her ownership of the Shares as follows:

(a) *Ownership of Shares.* The Shareholder beneficially owns all of the Shares as set forth on Schedule I hereto and has good and marketable title to such Shares, free and clear of any claims, liens, encumbrances and security interests whatsoever. The Shareholder owns no SmartForce Ordinary Shares or SmartForce ADSs other than the Shares as set forth on Schedule I hereto. The Shareholder has sole voting power, without restrictions, with respect to all of the Shares.

(b) *Power, Binding Agreement.* The Shareholder has the legal capacity and all requisite power and authority to enter into and perform all of its, his or her obligations, under this Agreement. This Agreement has been duly and validly executed and delivered by the Shareholder and constitutes a valid and binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms.

(c) *No Conflicts.* The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated hereby will not, conflict with or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, any provision of any loan or credit agreement, note, bond, mortgage, indenture, lease, or other agreement, instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Shareholder, the Shares or any of the Shareholder's properties or assets. Except as expressly contemplated hereby, the Shareholder is not a party to, and the Shares are not subject to or bound in any manner by, any contract or agreement relating to the Shares, including without limitation, any voting agreement, option agreement, purchase agreement, shareholders' agreement, partnership agreement or voting trust.

Section 4. *Termination.* This Agreement shall terminate upon the earlier to occur of (i) the Effective Time or (ii) any termination of the Merger Agreement in accordance with the terms thereof; provided that no such termination shall relieve any party of liability for a willful breach hereof prior to termination.

Section 5. *Specific Performance.* The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

Section 6. *Fiduciary Duties.* Each Shareholder is signing this Agreement solely in such Shareholder's capacity as an owner of his, her or its respective Shares, and nothing herein shall prohibit, prevent or preclude

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such Shareholder from taking or not taking any action in his or her capacity as an officer or director of SmartForce, to the extent permitted by the Merger Agreement.

Section 7. *Consent and Waiver.* Each Shareholder in its, his or her capacity as a shareholder of SmartForce hereby gives any consents or waivers that are reasonably required for the consummation of the Merger under the terms of any agreement to which such Shareholder is a party or pursuant to any rights such Shareholder may have in its, his or her capacity as a shareholder of SmartForce.

Section 8. *Miscellaneous.*

(a) *Entire Agreement.* This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect thereto. This Agreement may not be amended, modified or rescinded except by an instrument in writing signed by each of the parties hereto.

(b) *Severability.* If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in a mutually acceptable manner in order that the terms of this Agreement remain as originally contemplated to the fullest extent possible.

(c) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to the principles of conflicts of law thereof.

(d) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

(e) *Notices.* All notices and other communications hereunder shall be in writing and shall be deemed duly delivered (i) three business days after being sent by registered or certified mail, return receipt requested, postage prepaid, or (ii) one business day after being sent for next business day delivery, fees prepaid, via a reputable nationwide or international overnight courier service, in each case to the intended recipient as set forth below:

(i) if to a Shareholder to the address set forth on the respective signature page of this Agreement;

with copies to:

Wilson Sonsini Goodrich & Rosati Professional Corporation
650 Page Mill Road
Palo Alto, California 94304
Attn: Steven V. Bernard, Esq.
Telecopy: (650) 493-6811

and

Wilson Sonsini Goodrich & Rosati Professional Corporation
One Market
Spear Street Tower, Suite 3300
San Francisco, California 94105
Attn: Michael J. Kennedy, Esq.
Telecopy: (415) 947-2099

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(ii) if to SkillSoft to:

SkillSoft Corporation
20 Industrial Park Drive
Nashua, New Hampshire
Attn: Chief Executive Officer

with a copy to:

Hale and Dorr LLP
60 State Street
Boston, MA 02109
Attn: Patrick J. Rondeau, Esq.
Telecopy: (617) 526-5000

(f) *No Third Party Beneficiaries.* This Agreement is not intended, and shall not be deemed, to confer any rights or remedies upon any person other than the parties hereto and their respective successors and permitted assigns, to create any agreement of employment with any person or to otherwise create any third-party beneficiary hereto.

(g) *Assignment.* Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated, in whole or in part, by operation of law or otherwise by any of the parties hereto without the prior written consent of the other parties, and any such assignment without such prior written consent shall be null and void, except that SkillSoft may assign this Agreement to any direct or indirect wholly owned subsidiary of SkillSoft without such consent, provided that SkillSoft shall remain liable for all of its obligations under this Agreement. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns.

(h) *Interpretation.* When reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement, unless otherwise indicated. The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement. The language used in this Agreement shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction shall be applied against any party. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa. Any reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation. No summary of this Agreement prepared by the parties shall affect in any way the meaning or interpretation of this Agreement.

(i) *WAIVER OF JURY TRIAL.* SKILLSOFT AND EACH SHAREHOLDER HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF SKILLSOFT OR EACH SHAREHOLDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT.

[Signature Page to follow]

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IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be signed individually or by its respective duly authorized officer as of the date first written above.

SKILLSOFT CORPORATION

By: _____

Name: _____

Title: _____

SHAREHOLDERS:

Signature

Name

Address

Address

Signature

Name

Address

Address

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<u>Shareholder</u>	<u>Number of Saturn Ordinary Shares Owned</u>	<u>Number of Saturn ADSs Owned</u>
Patrick Eric Murphy	0	0
Ronald C. Conway	0	0
Ferdinand von Prondzynski	10	10
James S. Krzywicki	3,000	3,000
Colm Darcy	4,335	4,335
Patrick J. McDonagh	300,000	300,000
Jeffrey N. Newton	3,163	3,163
Gregory M. Priest	71,024	71,024
John M. Grillos	2,700	2,700

Note: None of the individuals above own ordinary shares directly (all shares are held as ADSs via AIB Custodial Nominees Ltd.)

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Exhibit B-1

SMARTFORCE OPTION AGREEMENT

THIS SMARTFORCE OPTION AGREEMENT (this Agreement) is made and entered into as of June 10, 2002 among SkillSoft Corporation, a Delaware corporation (SkillSoft), and SmartForce Public Limited Company, a public limited company organized under the laws of the Republic of Ireland (SmartForce). Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Merger Agreement (as defined below).

RECITALS

A. SmartForce, the Transitory Subsidiary, as defined below, and SkillSoft have entered into an Agreement and Plan of Merger dated June 10, 2002 (the Merger Agreement) which provides for the merger (the Merger) of a wholly-owned subsidiary of SmartForce (Transitory Subsidiary) with and into SkillSoft. Pursuant to the Merger, all outstanding capital stock of SkillSoft will be converted into the right to receive American Depository Shares of SmartForce (SmartForce ADSs) evidenced by American Depository Receipts of SmartForce (SmartForce ADRs).

B. As a condition to SmartForce's willingness to enter into the Merger Agreement, SmartForce has requested that SkillSoft agree, and SkillSoft has so agreed, to grant to SmartForce an option to acquire shares of SkillSoft common stock, par value \$0.001 per share (the SkillSoft Common Stock) upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein and in the Merger Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. *Grant of Option.* Subject to the terms and conditions of this Agreement, SkillSoft hereby grants to SmartForce an irrevocable option (the Option) to purchase up to 3,473,930 shares of SkillSoft Common Stock (as adjusted as set forth herein) (the Option Shares), in the manner set forth below by paying cash at a price of \$14.93 per share (the Exercise Price).

2. *Exercise of Option.*

(a) Subject to the terms and conditions of this Agreement, the Option may be exercised by SmartForce, in whole or in part, at any time or from time to time (i) after the termination of the Merger Agreement under the conditions described in clauses (ii) or (iii) of Section 8.3(c) of the Merger Agreement or (ii) immediately prior to the occurrence of any event causing the termination fee to become payable pursuant to clause (i) of Section 8.3(c) of the Merger Agreement (any of the conditions described in this sentence being referred to herein as an Exercise Event). In the event SmartForce wishes to exercise the Option, SmartForce will deliver to SkillSoft a written notice (each an Exercise Notice) specifying the total number of Option Shares it wishes to purchase. Each closing of a purchase of Option Shares (a Closing) will occur on a date and at a time prior to the termination of the Option designated by SmartForce in an Exercise Notice delivered at least two business days prior to the date of such Closing, which Closing will be held at the principal offices of SkillSoft.

(b) The Option will terminate upon the earliest of (i) the Effective Time, (ii) twelve months following the date on which the Merger Agreement is terminated pursuant to Section 8.1(d) thereof under the circumstances under which the termination fee may become payable under clause (i) of Section 8.3(c), if no event causing such termination fee to become payable pursuant to clause (i) of Section 8.3(c) of the Merger Agreement occurs during such twelve-month period, (iii) twelve months following the date on which the termination fee is paid pursuant to Section 8.3(c) of the Merger Agreement and (iv) the date on which the

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Merger Agreement is otherwise terminated; *provided*, however, that if the Option cannot be exercised by reason of any applicable government order or because the waiting period related to the issuance of the Option Shares under the HSR Act or the Irish Mergers Act will not have expired or been terminated, then the Option will not terminate until the tenth business day after such impediment to exercise has been removed or has become final and not subject to appeal.

3. *Conditions to Closing.* The obligation of SkillSoft to issue Option Shares to SmartForce hereunder is subject to the conditions that (A) any waiting period under the HSR Act or the Irish Mergers Act applicable to the issuance of the Option Shares hereunder will have expired or been terminated; (B) all material consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any Federal, state, local or foreign administrative agency or commission or other Federal, state, local or foreign governmental authority or instrumentality, if any, required in connection with the issuance of the Option Shares hereunder will have been obtained or made, as the case may be; and (C) no preliminary or permanent injunction or other order by any court of competent jurisdiction prohibiting or otherwise restraining such issuance will be in effect. It is understood and agreed that at any time during which the Option is exercisable, the parties will each use commercially reasonable efforts, to satisfy all conditions to Closing, so that a Closing may take place as promptly as practicable.

4. *Closing.* At any Closing, SkillSoft will deliver to SmartForce a certificate representing the number of shares of SkillSoft Common Stock designated by SmartForce in its Exercise Notice, such certificate to be registered in the name of SmartForce and to bear the legend set forth in Section 10 hereof, against delivery of payment by SmartForce to SkillSoft of the Exercise Price for shares of SkillSoft Common Stock so designated and being purchased by delivery of immediately available funds.

5. *Representations and Warranties of SkillSoft.* SmartForce represents and warrants to SmartForce that (A) SkillSoft is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder; (B) the execution and delivery of this Agreement by SkillSoft and consummation by SkillSoft of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of SkillSoft and no other corporate proceedings on the part of SkillSoft are necessary to authorize this Agreement or any of the transactions contemplated hereby; (C) this Agreement has been duly executed and delivered by SkillSoft and constitutes a legal, valid and binding obligation of SkillSoft and, assuming this Agreement constitutes a legal, valid and binding obligation of SmartForce, is enforceable against SkillSoft in accordance with its terms subject to the Bankruptcy and Equity Exception; (D) except for any filings required under the HSR Act or the Irish Mergers Act, SkillSoft has taken all necessary corporate and other action to authorize and reserve for issuance and to permit it to issue upon exercise of the Option, and at all times from the date hereof until the termination of the Option will have reserved for issuance, a sufficient number of unissued shares of SkillSoft Common Stock for SmartForce to exercise the Option in full and will take all necessary corporate or other action to authorize and reserve for issuance all additional shares of SkillSoft Common Stock or other securities which may be issuable pursuant to Section 9 upon exercise of the Option, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued and fully paid; (E) upon delivery of certificates representing SkillSoft Common Stock and any other securities to SmartForce upon exercise of the Option, SmartForce will acquire such shares of SkillSoft Common Stock or other securities free and clear of all material claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever, excluding those imposed by SmartForce and by applicable securities laws; (F) the execution and delivery of this Agreement by SkillSoft does not, and the performance of this Agreement by SkillSoft will not, (i) conflict with or violate SkillSoft Charter Documents or equivalent organizational documents of any of SkillSoft's Subsidiaries, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to SkillSoft or any of its Subsidiaries or by which its or any of their respective properties is bound or affected or (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair SkillSoft's or any of its Subsidiaries' rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets of SkillSoft or any of its Subsidiaries pursuant to any

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material note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which SkillSoft or any of its Subsidiaries is a party or by which SkillSoft or any of its Subsidiaries or any of their respective properties are bound or affected; and (G) the execution and delivery of this Agreement by SkillSoft does not, and the performance of this Agreement by SkillSoft will not, require any consent, approval, authorization or permit of, or filing with, or notification to, any Governmental Entity except pursuant to the HSR Act or the Irish Mergers Act.

6. *Representations and Warranties of SkillSoft.* SmartForce represents and warrants to SkillSoft that (A) SmartForce is a public limited company duly organized, validly existing and in good standing under the Republic of Ireland and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder; (B) the execution and delivery of this Agreement by SmartForce and consummation by SmartForce of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of SmartForce and no other corporate proceedings on the part of SmartForce are necessary to authorize this Agreement or any of the transactions contemplated hereby; (C) this Agreement has been duly executed and delivered by SmartForce and constitutes a legal, valid and binding obligation of SmartForce and, assuming this Agreement constitutes a legal, valid and binding obligation of SkillSoft, is enforceable against SmartForce in accordance with its terms subject to the Bankruptcy and Equity Exception; (D) except for any filings required under the HSR Act or the Irish Mergers Act, SmartForce has taken all necessary corporate and other action to permit it to exercise the Option; (E) the execution and delivery of this Agreement by SmartForce does not, and the performance of this Agreement by SmartForce will not, (i) conflict with or violate the organizational documents of SmartForce or any of its Subsidiaries, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to SmartForce or any of its Subsidiaries or by which its or any of their respective properties is bound or affected or (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair SmartForce's or any of its Subsidiaries' rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets of SmartForce or any of its Subsidiaries pursuant to any material note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which SmartForce or any of its Subsidiaries is a party or by which SmartForce or any of its Subsidiaries or its or any of their respective properties are bound or affected; (F) the execution and delivery of this Agreement by SmartForce does not, and the performance of this Agreement by SmartForce will not, require any consent, approval, authorization or permit of, or filing with, or notification to, any Governmental Entity except pursuant to the HSR Act or the Irish Mergers Act; and (G) SmartForce is an accredited investor within the meaning of Rule 501 under the Securities Act and the Option and any Option Shares that SmartForce may hereafter purchase are being purchased by SmartForce for its own account, for investment and not with a view to the distribution or resale thereof, except in compliance with the Securities Act and applicable state securities and blue sky laws. SmartForce has sufficient knowledge and experience in investing in securities similar to the Option and to the Option Shares so as to be able to evaluate the risks and merits of any investment in the Option and in the Option Shares and is able financially to bear the risks thereof, including a complete loss of its investment.

7. *Certain Rights.*

(a) *SmartForce Put.* At the request of and upon notice by SmartForce (the Put Notice), at any time during the period during which the Option is exercisable pursuant to Section 2 (the Purchase Period), SkillSoft (or any successor entity thereof) will purchase from SmartForce all or any portion of the Option, to the extent not previously exercised, at the price which equals the difference between the Market/Tender Offer Price (as defined below) for SkillSoft Common Stock as of the date SmartForce gives notice of its intent to exercise its rights under this Section 7(a) and the Exercise Price, multiplied by the number of shares of SkillSoft Common Stock purchasable pursuant to the Option. The Market/Tender Offer Price shall mean the higher of (A) the highest price per share of SkillSoft Common Stock offered to be paid by any person pursuant to any Acquisition Proposal with respect to SkillSoft which was made after the date of this Agreement and on or prior to the delivery of the Put Notice and not terminated or withdrawn as of the date of delivery of the Put Notice and (B) the average closing sale price of the SkillSoft Common Stock on

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the Nasdaq National Market during the 20 trading days ending on and including the trading day immediately preceding such date. For purposes of determining the highest price offered pursuant to any Acquisition Proposal which involves consideration other than cash, the value of such consideration will be equal to the higher of (x) if securities of the same class of the proponent as such consideration are traded on any national securities exchange or by any registered securities association, a value based on the closing sale price or asked price for such securities on their principal trading market on such date and (y) the value ascribed to such consideration by the proponent of such Acquisition Proposal, or if no such value is ascribed, a value determined in good faith by the Board of Directors of SkillSoft.

(b) *Payment and Redelivery of Option.* In the event SmartForce exercises its rights under Section 7(a) by delivery of a Put Notice, SkillSoft will, within five business days after SmartForce delivers such Put Notice, pay the required amount to SmartForce in immediately available funds and SmartForce will surrender to SkillSoft all or such portion of the Option with respect to which the Put Notice relates and SkillSoft shall, upon receipt of the Option or any portion of the Option, immediately terminate such Option or portion of such Option so surrendered.

8. *Registration Rights.*

(a) During the period beginning on the date of the termination of the Merger Agreement in accordance with its terms and until such date as of which all Option Shares issued to SmartForce may be sold pursuant to Rule 144(k) of the Securities Act (the *Registration Period*), SmartForce (sometimes referred to herein as the *Holder*) may by written notice (a *Registration Notice*) to SkillSoft (the *Registrant*) request the Registrant to register under the Securities Act all or any part of the shares acquired by the Holder pursuant to this Agreement (such shares requested to be registered, the *Registrable Securities*) in order to permit the sale or other disposition of any or all of the Registrable Securities that have been acquired by or are issuable to Holder upon exercise of the Option in accordance with the intended method of sale or other disposition stated by Holder, including a *shelf* registration statement under Rule 415 under the Securities Act or any successor provision.

(b) The Registrant will use commercially reasonable efforts to effect, as promptly as practicable, the registration under the Securities Act of the Registrable Securities requested to be registered in the Registration Notice (a *Demand Registration Statement*) and to keep such registration statement effective for a period up to 180 calendar days from the day such registration statement first becomes effective to permit the Holder to effect such sale or other disposition; *provided, however*, that the Holder will not be entitled to more than an aggregate of four effective Demand Registration Statements hereunder. The obligations of the Registrant hereunder to file a Demand Registration Statement and to maintain its effectiveness may be suspended for up to 90 calendar days in the aggregate if the Board of Directors of the Registrant shall have determined, in its good faith judgment, that the filing of such Demand Registration Statement or the maintenance of its effectiveness would require premature disclosure of material nonpublic information that would materially and adversely affect the Registrant or otherwise materially interfere with or adversely affect any pending or proposed offering of securities of the Registrant or any other material transaction involving the Registrant. The Registrant will use commercially reasonable efforts to cause any Registrable Securities registered pursuant to this Section 8 to be qualified for sale under the securities or blue sky laws of such jurisdictions as the Holder may reasonably request and will continue such registration or qualification in effect in such jurisdictions; *provided, however*, that the Registrant will not be required to qualify to do business in, or consent to general service of process in, any jurisdiction by reason of this provision. If, during the Registration Period, the Registrant shall propose to register under the Securities Act the offering, sale and delivery of shares of SkillSoft Common Stock for cash pursuant to a firm commitment underwriting, it shall, in addition to the Registrant's other obligations under this Section 8, allow the Holder the right to participate in such registration for its Registrable Securities (a *Piggy-back Registration*) provided that the Holder participates in the underwriting, and such participation will not affect the obligation of the Registrant to effect Demand Registration Statements for the Holder under this Section 8; *provided* that, if the managing underwriters of such offering advise the Registrant in writing that in their opinion the number of shares of SkillSoft Common Stock requested to be included in such registration exceeds the number which can be sold in such offering, the Registrant may reduce or eliminate the shares requested to be included therein by the Holder

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pro rata based on the number of shares intended to be included therein by other stockholders of the Registrant. The Registrant shall not be required to effect more than two Piggy-back Registrations at the request of the Holder pursuant to this Section 8. In connection with any offering, sale and delivery of shares of SkillSoft Common Stock pursuant to a registration statement effected pursuant to this Section 8, the Registrant and the Holder shall provide each other and each underwriter of the offering with customary representations, warranties and covenants, including covenants of indemnification and contribution, and opinions of counsel. The registration rights under this Section 8 shall not apply to any shares acquired upon exercise of the Option to the extent such shares may be sold pursuant to Rule 144(k) under the Securities Act.

(c) The registration rights set forth in this Section 8 are subject to the condition that the Holder will provide the Registrant with such information with respect to the Holder's Registrable Securities, the plan for distribution thereof and such other information with respect to the Holder as, in the reasonable judgment of counsel for the Registrant, is necessary to enable the Registrant to include in a registration statement all material facts required to be disclosed with respect to a registration thereunder.

(d) A registration effected under this Section 8 will be effected at the Registrant's expense, except for underwriting discounts and commissions and expenses of the Holder's counsel, and the Registrant will provide to the underwriters such documentation (including certificates, opinions of counsel and comfort letters from auditors) as are customary in connection with underwritten public offerings and as such underwriters may reasonably require. In connection with any registration, the Holder and the Registrant agree to enter into an underwriting agreement reasonably acceptable to each such party, in form and substance customary for transactions of this type with the underwriters participating in such offering.

(e) The Registrant will indemnify the Holder, each of its directors and officers and each person who controls the Holder within the meaning of Section 15 of the Securities Act, with respect to any registration, qualification or compliance which has been effected pursuant to this Agreement, against all expenses, claims, losses, damages or liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus or offering circular or other document, or any amendment or supplement thereto, incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or any violation by the Registrant of any rule or regulation promulgated under the Securities Act applicable to the Registrant in connection with any such registration, qualification or compliance, and the Registrant will reimburse the Holder and, each of its directors and officers and each person who controls the Holder within the meaning of Section 15 of the Securities Act, for any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action; *provided*, that the Registrant will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission or alleged untrue statement or omission, made (i) in reliance upon and in conformity with written information furnished to the Registrant by the Holder or director or officer or controlling person of the Holder or (ii) in a preliminary prospectus (or in a prospectus that was subsequently amended or supplemented) if a copy of the final prospectus (or amendment or supplement) filed with the Securities and Exchange Commission (SEC) was not furnished to the person asserting the claim, loss, damage, liability or expense at or prior to the time such action is required by the Securities Act, and if such final prospectus (or amendment or supplement) cured the untrue statement, alleged untrue statement, omission or alleged omission giving rise to the claim, loss, damage, liability or expense.

(i) The Holder will indemnify the Registrant, each of its directors and officers, each person who controls the Registrant within the meaning of Section 15 of the Securities Act, and each other seller of securities covered by such registration statement against all claims, expenses, losses, damages and liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus or offering circular or any omission

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(or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or any violation by the Holder of any rule or regulation promulgated under the Securities Act applicable to the Holder in connection with any such registration, qualification or compliance, and the Holder will reimburse the Registrant, such directors, officers or control persons or such other selling stockholders for any legal or any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus or offering circular or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Registrant by the Holder or any director, officer or control person of the Holder for use therein; *provided*, that in no event will any indemnity under this Section 8(e) exceed the gross proceeds of the offering received by the Holder.

(ii) Each party entitled to indemnification under this Section 8(e) (the Indemnified Party) will give notice to the party required to provide indemnification (the Indemnifying Party) promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and will permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, *provided*, that counsel for the Indemnifying Party, who will conduct the defense of such claim or litigation, will be approved by the Indemnified Party (whose approval will not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party s expense; *provided, however*, that the Indemnifying Party will pay such expense if representation of the Indemnified Party by counsel retained by the Indemnifying Party would be inappropriate due to actual or potential materially differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding, and *provided further*, however, that the failure of any Indemnified Party to give notice as provided herein will not relieve the Indemnifying Party of its obligations under this Section 8(e) except to the extent that the failure to give such notice is materially prejudicial to an Indemnifying Party s ability to defend such action. Unless the Indemnified Party consents in writing (which consent shall not be unreasonably withheld), no Indemnifying Party, in the defense of any such claim or litigation, will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. No Indemnifying Party will be required to indemnify any Indemnified Party with respect to any settlement entered into without such Indemnifying Party s prior consent (which will not be unreasonably withheld).

9. *Adjustment Upon Changes in Capitalization.* In the event of any change in SkillSoft Common Stock by reason of stock dividends, stock splits, reverse stock splits, mergers (other than the Merger), recapitalizations, combinations, exchanges of shares and the like, the type and number of shares or securities subject to the Option and the Exercise Price will be adjusted appropriately, and proper provision will be made in the agreements governing such transaction so that SkillSoft will receive, upon exercise of the Option, the number and class of shares or other securities or property that SkillSoft would have received in respect of SkillSoft Common Stock if the Option had been exercised immediately prior to such event or the record date therefor, as applicable.

10. *Restrictive Legends.* Each certificate representing Option Shares issued to SmartForce hereunder will include a legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY BE REOFFERED OR SOLD ONLY IF SO REGISTERED OR IF, IN THE OPINION OF COUNSEL SATISFACTORY TO THE ISSUER, AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. SUCH SECURITIES ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE SMARTFORCE OPTION AGREEMENT DATED AS OF JUNE 10, 2002, A COPY OF WHICH MAY BE OBTAINED FROM THE ISSUER.

It is understood and agreed that the reference to restrictions arising under the Securities Act in the above legend will be removed by delivery of substitute certificate(s) without such reference if such Option Shares have

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been sold pursuant to a registration statement under the Securities Act, such Option Shares have been sold in reliance on and in accordance with Rule 144 under the Securities Act or Holder has delivered to Registrant a copy of a letter from the staff of the SEC, or an opinion of counsel in form and substance reasonably satisfactory to Registrant and its counsel, to the effect that such legend is not required for purposes of the Securities Act.

11. *Listing and HSR or Irish Mergers Act Filing.* SkillSoft, upon the request of SmartForce, will promptly file an application or notice to list the shares of SkillSoft Common Stock to be acquired upon exercise of the Option for quotation on the Nasdaq National Market and will use commercially reasonable efforts to obtain approval or effectiveness of such listing as soon as practicable. Promptly after the date hereof, each of the parties hereto will promptly file with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice and any applicable Irish governmental authority all required premerger notification and report forms and other documents and exhibits required to be filed under the HSR Act or the Irish Mergers Act to permit the acquisition of the shares of SkillSoft Common Stock subject to the Option at the earliest possible date.

12. *Binding Effect.* This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing contained in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto and their respective successors and permitted assigns any rights or remedies of any nature whatsoever by reason of this Agreement. Certificates representing shares sold in a registered public offering pursuant to Section 8 will not be required to bear the legend set forth in Section 10.

13. *Specific Performance.* The parties hereto recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party hereto agrees that in addition to other remedies the other party hereto will be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement or the right to enforce any of the covenants or agreements set forth herein by specific performance. In the event that any action will be brought in equity to enforce the provisions of this Agreement, neither party hereto will allege, and each party hereto hereby waives the defense, that there is an adequate remedy at law.

14. *Entire Agreement.* This Agreement, the Merger Agreement and any other agreements referred to in the Merger Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

15. *Further Assurances.* Each party hereto will execute and deliver all such further documents and instruments and take all such further action as the other party may reasonably deem necessary in order to consummate the transactions contemplated hereby.

16. *Validity.* The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of this Agreement, which will remain in full force and effect. In the event any Governmental Entity of competent jurisdiction holds any provision of this Agreement to be null, void or unenforceable, the parties hereto will negotiate in good faith and will execute and deliver an amendment to this Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision.

17. *Notices.* All notices and other communications hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally or (b) on the date of confirmation of receipt of transmission by telecopy or telefacsimile or by commercial delivery service, to the parties in the manner set forth in the Merger Agreement.

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18. *Governing Law.* This Agreement will be governed by and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within such State, without regard to any conflict of law rules.

19. *Expenses.* Except as otherwise expressly provided herein or in the Merger Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement, including taxes and duties arising from the actions taken pursuant to this Agreement, will be paid by the party incurring such expenses.

20. *Amendments; Waiver.* This Agreement may be amended by the parties hereto and the terms and conditions hereof may be waived only by an instrument in writing signed on behalf of each of the parties hereto, or, in the case of a waiver, by an instrument signed on behalf of the party waiving compliance.

21. *Assignment.* Neither of the parties hereto may sell, transfer, assign or otherwise dispose of any of its rights or obligations under this Agreement or the Option created hereunder to any other person, without the express written consent of the other party, except that the rights and obligations hereunder will inure to the benefit of and be binding upon any successor of a party hereto.

22. *Counterparts.* This Agreement may be executed in counterparts, each of which will be deemed to be an original, but both of which, taken together, will constitute one and the same instrument.

23. *Profit Limitation.*

(a) Notwithstanding any other provision in this Agreement, in no event shall SmartForce's Total Profit (as defined below) exceed the amount of the fee set forth in Section 8.3(c) of the Merger Agreement (the Maximum Profit) and, if SmartForce's Total Profit otherwise would exceed the Maximum Profit, SmartForce, at its sole discretion shall either (i) reduce the number of Option Shares subject to the Option, (ii) pay cash to SkillSoft, or (iii) any combination of the foregoing, so that SmartForce's actually realized Total Profit shall not exceed the Maximum Profit after taking into account the foregoing action.

(b) For purposes of this Agreement, Total Profit shall mean: (i) the aggregate amount (before taxes) of (A) any excess of (x) the net cash amounts or fair market value of any property received by SmartForce pursuant to a sale of Option Shares (or securities into which such shares are converted or exchanged) as determined in good faith by the Board of Directors of SkillSoft on the date of the receipt of such property by SmartForce over (y) SmartForce's aggregate purchase price for such Option Shares (or other securities), plus (B) any amounts received by SmartForce on the repurchase of the Option by SkillSoft pursuant to Section 7, plus (C) any termination fee paid by SkillSoft and received by SmartForce pursuant to the Merger Agreement, minus (ii) the amounts of any cash previously paid by SmartForce to SkillSoft pursuant to this Section 23.

(c) The provisions of this Section 23 shall survive any termination or cancellation of the Option under the terms of this Agreement or otherwise.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

SKILLSOFT CORPORATION

By: _____

Name:
Title:

SMARTFORCE PUBLIC LIMITED COMPANY

By: _____

Name:
Title:

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Exhibit B-2

SKILLSOFT OPTION AGREEMENT

THIS SKILLSOFT OPTION AGREEMENT (this Agreement) is made and entered into as of June 10, 2002 among SkillSoft Corporation, a Delaware corporation (SkillSoft), and SmartForce Public Limited Company, a public limited company organized under the laws of the Republic of Ireland (SmartForce). Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Merger Agreement (as defined below).

RECITALS

A. SmartForce, the Transitory Subsidiary, as defined below, and SkillSoft have entered into an Agreement and Plan of Merger dated June 10, 2002 (the Merger Agreement) which provides for the merger (the Merger) of a wholly owned subsidiary of SmartForce (Transitory Subsidiary) with and into SkillSoft. Pursuant to the Merger, all outstanding capital stock of SkillSoft will be converted into the right to receive American Depository Shares of SmartForce (SmartForce ADSs) evidenced by American Depository Receipts of SmartForce (SmartForce ADRs).

B. As a condition to SkillSoft's willingness to enter into the Merger Agreement, SkillSoft has requested that SmartForce agree, and SmartForce has so agreed, to grant to SkillSoft an option to acquire SmartForce ADSs, upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein and in the Merger Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. *Grant of Option.* Subject to the terms and conditions of this Agreement, SmartForce hereby grants to SkillSoft an irrevocable option (the Option) to subscribe for up to 11,351,738 SmartForce ADSs (as adjusted as set forth herein) (the Option Shares), in the manner set forth below by paying cash at a price of \$5.32 per share (the Exercise Price).

2. *Exercise of Option.*

(a) Subject to the terms and conditions of this Agreement, the Option may be exercised by SkillSoft, in whole or in part, at any time or from time to time (i) after the termination of the Merger Agreement under the conditions described in clauses (ii) or (iii) of Section 8.3(e) of the Merger Agreement or (ii) immediately prior to the occurrence of any event causing the termination fee to become payable pursuant to clause (i) of Section 8.3(e) of the Merger Agreement (any of the conditions described in this sentence being referred to herein as an Exercise Event). In the event SkillSoft wishes to exercise the Option, SkillSoft will deliver to SmartForce a written notice (each an Exercise Notice) specifying the total number of Option Shares it wishes to subscribe for. Each closing of a purchase of Option Shares (a Closing) will occur on a date and at a time prior to the termination of the Option designated by SkillSoft in an Exercise Notice delivered at least two business days prior to the date of such Closing, which Closing will be held at the principal offices of SkillSoft.

(b) The Option will terminate upon the earliest of (i) the Effective Time, (ii) twelve months following the date on which the Merger Agreement is terminated pursuant to Section 8.1(d) thereof under the circumstances under which the termination fee may become payable under clause (i) of Section 8.3(e), if no event causing such termination fee to become payable pursuant to clause (i) of Section 8.3(e) of the Merger Agreement occurs during such twelve-month period, (iii) twelve months following the date on which the termination fee is paid pursuant to Section 8.3(e) of the Merger Agreement and (iv) the date on which the

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Merger Agreement is otherwise terminated; *provided, however*, that if the Option cannot be exercised by reason of any applicable government order or because the waiting period related to the issuance of the Option Shares under the HSR Act or the Irish Mergers Act will not have expired or been terminated, then the Option will not terminate until the tenth business day after such impediment to exercise has been removed or has become final and not subject to appeal.

3. *Conditions to Closing.* The obligation of SmartForce to issue Option Shares to SkillSoft hereunder is subject to the conditions that (A) any waiting period under the HSR Act or the Irish Mergers Act applicable to the issuance of the Option Shares hereunder will have expired or been terminated; (B) all material consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any Federal, state, local or foreign administrative agency or commission or other Federal, state, local or foreign governmental authority or instrumentality, if any, required in connection with the issuance of the Option Shares hereunder will have been obtained or made, as the case may be; and (C) no preliminary or permanent injunction or other order by any court of competent jurisdiction prohibiting or otherwise restraining such issuance will be in effect. It is understood and agreed that at any time during which the Option is exercisable, the parties will each use commercially reasonable efforts, to satisfy all conditions to Closing, so that a Closing may take place as promptly as practicable.

4. *Closing.* At any Closing, SmartForce will deliver to SkillSoft SmartForce ADRs representing the number of SmartForce ADSs designated by SkillSoft in its Exercise Notice, such SmartForce ADRs to be registered in the name of SkillSoft and to bear the legend set forth in Section 10 hereof, against delivery of payment by SkillSoft to SmartForce of the Exercise Price for SmartForce ADSs so designated and being purchased by delivery of immediately available funds.

5. *Representations and Warranties of SmartForce.* SmartForce represents and warrants to SkillSoft that (A) SmartForce is a public limited liability company duly organized, validly existing and in good standing under the laws of the Republic of Ireland and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder; (B) the execution and delivery of this Agreement by SmartForce and consummation by SmartForce of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of SmartForce and no other corporate proceedings on the part of SmartForce are necessary to authorize this Agreement or any of the transactions contemplated hereby; (C) this Agreement has been duly executed and delivered by SmartForce and constitutes a legal, valid and binding obligation of SmartForce and, assuming this Agreement constitutes a legal, valid and binding obligation of SkillSoft, is enforceable against SmartForce in accordance with its terms subject to the Bankruptcy and Equity Exception; (D) except for any filings required under the HSR Act or the Irish Mergers Act, SmartForce has taken all necessary corporate and other action to authorize and reserve for issuance and to permit it to issue upon exercise of the Option, and at all times from the date hereof until the termination of the Option will have reserved for issuance, a sufficient number of unissued SmartForce Ordinary Shares and SmartForce ADSs for SkillSoft to exercise the Option in full and will take all necessary corporate or other action to authorize and reserve for issuance all additional SmartForce ADSs and SmartForce Ordinary Shares underlying such SmartForce ADSs or other securities which may be issuable pursuant to Section 9 upon exercise of the Option, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued and fully paid; (E) upon delivery of SmartForce ADRs evidencing SmartForce ADSs and any other securities to SkillSoft upon exercise of the Option, SkillSoft will acquire such SmartForce ADSs or other securities free and clear of all material claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever, excluding those imposed by SkillSoft and by applicable securities laws; (F) the execution and delivery of this Agreement by SmartForce does not, and the performance of this Agreement by SmartForce will not, (i) conflict with or violate SmartForce Charter Documents or equivalent organizational documents of any of SmartForce's Subsidiaries, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to SmartForce or any of its Subsidiaries or by which its or any of their respective properties is bound or affected or (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair SmartForce's or any of its Subsidiaries' rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of,

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or result in the creation of a lien or encumbrance on any of the properties or assets of SmartForce or any of its Subsidiaries pursuant to any material note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which SmartForce or any of its Subsidiaries is a party or by which SmartForce or any of its Subsidiaries or any of their respective properties are bound or affected; and (G) the execution and delivery of this Agreement by SmartForce does not, and the performance of this Agreement by SmartForce will not, require any consent, approval, authorization or permit of, or filing with, or notification to, any Governmental Entity except pursuant to the HSR Act or the Irish Mergers Act.

6. *Representations and Warranties of SkillSoft.* SkillSoft represents and warrants to SmartForce that (A) SkillSoft is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder; (B) the execution and delivery of this Agreement by SkillSoft and consummation by SkillSoft of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of SkillSoft and no other corporate proceedings on the part of SkillSoft are necessary to authorize this Agreement or any of the transactions contemplated hereby; (C) this Agreement has been duly executed and delivered by SkillSoft and constitutes a legal, valid and binding obligation of SkillSoft and, assuming this Agreement constitutes a legal, valid and binding obligation of SmartForce, is enforceable against SkillSoft in accordance with its terms subject to the Bankruptcy and Equity Exception; (D) except for any filings required under the HSR Act or the Irish Mergers Act, SkillSoft has taken all necessary corporate and other action to permit it to exercise the Option; (E) the execution and delivery of this Agreement by SkillSoft does not, and the performance of this Agreement by SkillSoft will not, (i) conflict with or violate the organizational documents of SkillSoft or any of its Subsidiaries, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to SkillSoft or any of its Subsidiaries or by which its or any of their respective properties is bound or affected or (iii) result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair SkillSoft's or any of its Subsidiaries' rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets of SkillSoft or any of its Subsidiaries pursuant to any material note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which SkillSoft or any of its Subsidiaries is a party or by which SkillSoft or any of its Subsidiaries or its or any of their respective properties are bound or affected; (F) the execution and delivery of this Agreement by SkillSoft does not, and the performance of this Agreement by SkillSoft will not, require any consent, approval, authorization or permit of, or filing with, or notification to, any Governmental Entity except pursuant to the HSR Act or the Irish Mergers Act; and (G) SkillSoft is an accredited investor within the meaning of Rule 501 under the Securities Act and the Option and any Option Shares that SkillSoft may hereafter purchase are being purchased by SkillSoft for its own account, for investment and not with a view to the distribution or resale thereof, except in compliance with the Securities Act and applicable state securities and blue sky laws. SkillSoft has sufficient knowledge and experience in investing in securities similar to the Option and to the Option Shares so as to be able to evaluate the risks and merits of any investment in the Option and in the Option Shares and is able financially to bear the risks thereof, including a complete loss of its investment.

7. *Certain Rights.*

(a) *SkillSoft Put.* At the request of and upon notice by SkillSoft (the Put Notice), at any time during the period during which the Option is exercisable pursuant to Section 2 (the Purchase Period), SmartForce (or any successor entity thereof) will purchase from SkillSoft all or any portion of the Option, to the extent not previously exercised, at the price which equals the difference between the Market/Tender Offer Price (as defined below) for SmartForce ADSs as of the date SkillSoft gives notice of its intent to exercise its rights under this Section 7(a) and the Exercise Price, multiplied by the number of SmartForce ADSs purchasable pursuant to the Option. The Market/Tender Offer Price shall mean the higher of (A) the highest price per share of SmartForce ADSs offered to be paid by a person pursuant to any Acquisition Proposal with respect to SmartForce which was made after the date of this Agreement and on or prior to the delivery of the Put Notice and not terminated or withdrawn as of the date of delivery of the Put Notice and

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(B) the average closing sale price of SmartForce ADSs on the Nasdaq National Market during the 20 trading days ending on and including the trading day immediately preceding such date. For purposes of determining the highest price offered pursuant to any Acquisition Proposal which involves consideration other than cash, the value of such consideration will be equal to the higher of (x) if securities of the same class of the proponent as such consideration are traded on any national securities exchange or by any registered securities association, a value based on the closing sale price or asked price for such securities on their principal trading market on such date and (y) the value ascribed to such consideration by the proponent of such Acquisition Proposal, or if no such value is ascribed, a value determined in good faith by the Board of Directors of SmartForce.

(b) *Payment and Redelivery of Option.* In the event SkillSoft exercises its rights under Section 7(a) by delivery of a Put Notice, SmartForce will, within five business days after SkillSoft delivers such Put Notice, pay the required amount to SkillSoft in immediately available funds and SkillSoft will surrender to SmartForce all or such portion of the Option with respect to which the Put Notice relates and SmartForce shall, upon receipt of the Option or any portion of the Option, immediately terminate such Option or portion of such Option so surrendered.

8. *Registration Rights.*

(a) During the period beginning on the date of the termination of the Merger Agreement in accordance with its terms and until such date as of which all Option Shares issued to SkillSoft may be sold pursuant to Rule 144(k) of the Securities Act (the *Registration Period*), SkillSoft (sometimes referred to herein as the *Holder*) may by written notice (a *Registration Notice*) to SmartForce (the *Registrant*) request the Registrant to register under the Securities Act all or any part of the shares acquired by the Holder pursuant to this Agreement (such shares requested to be registered, the *Registrable Securities*) in order to permit the sale or other disposition of any or all of the Registrable Securities that have been acquired by or are issuable to Holder upon exercise of the Option in accordance with the intended method of sale or other disposition stated by Holder, including a *shelf* registration statement under Rule 415 under the Securities Act or any successor provision.

The Registrant will use commercially reasonable efforts to effect, as promptly as practicable, the registration under the Securities Act of the Registrable Securities requested to be registered in the Registration Notice (a *Demand Registration Statement*) and to keep such registration statement effective for a period up to 180 calendar days from the day such registration statement first becomes effective to permit the Holder to effect such sale or other disposition; *provided, however*, that the Holder will not be entitled to more than an aggregate of four effective Demand Registration Statements hereunder. The obligations of the Registrant hereunder to file a Demand Registration Statement and to maintain its effectiveness may be suspended for up to 90 calendar days in the aggregate if the Board of Directors of the Registrant shall have determined, in its good faith judgment, that the filing of such Demand Registration Statement or the maintenance of its effectiveness would require premature disclosure of material nonpublic information that would materially and adversely affect the Registrant or otherwise materially interfere with or adversely affect any pending or proposed offering of securities of the Registrant or any other material transaction involving the Registrant. The Registrant will use commercially reasonable efforts to cause any Registrable Securities registered pursuant to this Section 8 to be qualified for sale under the securities or blue sky laws of such jurisdictions as the Holder may reasonably request and will continue such registration or qualification in effect in such jurisdictions; *provided, however*, that the Registrant will not be required to qualify to do business in, or consent to general service of process in, any jurisdiction by reason of this provision. If, during the Registration Period, the Registrant shall propose to register under the Securities Act the offering, sale and delivery of SmartForce ADSs for cash pursuant to a firm commitment underwriting, it shall, in addition to the Registrant's other obligations under this Section 8, allow the Holder the right to participate in such registration for its Registrable Securities (a *Piggy-back Registration*) provided that the Holder participates in the underwriting, and such participation will not affect the obligation of the Registrant to effect Demand Registration Statements for Holder under this Section 8; *provided* that, if the managing underwriters of such offering advise the Registrant in writing that in their opinion the number of SmartForce

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ADSs requested to be included in such registration exceeds the number which can be sold in such offering, the Registrant may reduce or eliminate the shares requested to be included therein by Holder pro rata based on the number of shares intended to be included therein by other shareholders of the Registrant. The Registrant shall not be required to effect more than two Piggy-back Registrations at the request of the Holder pursuant to this Section 8. In connection with any offering, sale and delivery of SmartForce ADSs pursuant to a registration statement effected pursuant to this Section 8, the Registrant and the Holder shall provide each other and each underwriter of the offering with customary representations, warranties and covenants, including covenants of indemnification and contribution, and opinions of counsel. The registration rights under this Section 8 shall not apply to any shares acquired upon exercise of the Option to the extent such shares may be sold pursuant to Rule 144(k) under the Securities Act.

(b) The registration rights set forth in this Section 8 are subject to the condition that the Holder will provide the Registrant with such information with respect to the Holder's Registrable Securities, the plan for distribution thereof and such other information with respect to the Holder as, in the reasonable judgment of counsel for the Registrant, is necessary to enable the Registrant to include in a registration statement all material facts required to be disclosed with respect to a registration thereunder.

(c) A registration effected under this Section 8 will be effected at the Registrant's expense, except for underwriting discounts and commissions and expenses of the Holder's counsel, and the Registrant will provide to the underwriters such documentation (including certificates, opinions of counsel and comfort letters from auditors) as are customary in connection with underwritten public offerings and as such underwriters may reasonably require. In connection with any registration, the Holder and the Registrant agree to enter into an underwriting agreement reasonably acceptable to each such party, in form and substance customary for transactions of this type with the underwriters participating in such offering.

(d) The Registrant will indemnify the Holder, each of its directors and officers and each person who controls the Holder within the meaning of Section 15 of the Securities Act, with respect to any registration, qualification or compliance which has been effected pursuant to this Agreement, against all expenses, claims, losses, damages or liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus or offering circular, or any amendment or supplement thereto, incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or any violation by the Registrant of any rule or regulation promulgated under the Securities Act applicable to the Registrant in connection with any such registration, qualification or compliance, and the Registrant will reimburse the Holder and, each of its directors and officers and each person who controls the Holder within the meaning of Section 15 of the Securities Act, any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action; *provided*, that the Registrant will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission or alleged untrue statement or omission, made (i) in reliance upon and in conformity with written information furnished to the Registrant by the Holder or director or officer or controlling person of the Holder or (ii) in a preliminary prospectus (or in a prospectus that was subsequently amended or supplemented) if a copy of the final prospectus (or amendment or supplement) filed with the Securities and Exchange Commission (SEC) was not furnished to the person asserting the claim, loss, damage, liability or expense at or prior to the time such action is required by the Securities Act, and if such final prospectus (or amendment or supplement) cured the untrue statement, alleged untrue statement, omission or alleged omission giving rise to the claim, loss, damage, liability or expense.

(i) The Holder will indemnify the Registrant, each of its directors and officers, each person who controls the Registrant within the meaning of Section 15 of the Securities Act, and each other seller of securities covered by such registration statement against all claims, expenses, losses, damages and liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any

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litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus or offering circular or any amendment or supplement thereto, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances under which they were made not misleading, or any violation by the Holder of any rule or regulation promulgated under the Securities Act applicable to the Holder in connection with any such registration, qualification or compliance, and the Holder will reimburse the Registrant, such directors, officers or control persons or such other selling shareholders for any legal or any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus or offering circular or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Registrant by the Holder or any director, officer or control person of the Holder for use therein; *provided*, that in no event will any indemnity under this Section 8(e) exceed the gross proceeds of the offering received by the Holder.

(ii) Each party entitled to indemnification under this Section 8(e) (the Indemnified Party) will give notice to the party required to provide indemnification (the Indemnifying Party) promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and will permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, *provided*, that counsel for the Indemnifying Party, who will conduct the defense of such claim or litigation, will be approved by the Indemnified Party (whose approval will not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party's expense; *provided*, however, that the Indemnifying Party will pay such expense if representation of the Indemnified Party by counsel retained by the Indemnifying Party would be inappropriate due to actual or potential materially differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding, and *provided further*, however, that the failure of any Indemnified Party to give notice as provided herein will not relieve the Indemnifying Party of its obligations under this Section 8(e) except to the extent that the failure to give such notice is materially prejudicial to an Indemnifying Party's ability to defend such action. Unless the Indemnified Party consents in writing (which consent shall not be unreasonably withheld), no Indemnifying Party, in the defense of any such claim or litigation, will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. No Indemnifying Party will be required to indemnify any Indemnified Party with respect to any settlement entered into without such Indemnifying Party's prior consent (which will not be unreasonably withheld).

9. *Adjustment Upon Changes in Capitalization.* In the event of any change in SmartForce Ordinary Shares or SmartForce ADSs by reason of share dividends, share splits, reverse share splits, mergers (other than the Merger), recapitalizations, combinations, exchanges of shares and the like, the type and number of shares or securities subject to the Option and the Exercise Price will be adjusted appropriately, and proper provision will be made in the agreements governing such transaction so that SkillSoft will receive, upon exercise of the Option, the number and class of shares or other securities or property that SkillSoft would have received in respect of SmartForce ADSs if the Option had been exercised immediately prior to such event or the record date therefor, as applicable.

10. *Restrictive Legends.* Each SmartForce ADR or other certificate representing Option Shares issued to SkillSoft hereunder will include a legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY BE REOFFERED OR SOLD ONLY IF SO REGISTERED OR IF, IN THE OPINION OF COUNSEL SATISFACTORY TO THE

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ISSUER, AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. SUCH SECURITIES ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE OPTION AGREEMENT DATED AS OF JUNE 10, 2002, A COPY OF WHICH MAY BE OBTAINED FROM THE ISSUER.

It is understood and agreed that the reference to restrictions arising under the Securities Act in the above legend will be removed by delivery of substitute certificate(s) without such reference if such Option Shares have been sold pursuant to a registration statement under the Securities Act, such Option Shares have been sold in reliance on and in accordance with Rule 144 under the Securities Act or Holder has delivered to Registrant a copy of a letter from the staff of the SEC, or an opinion of counsel in form and substance reasonably satisfactory to Registrant and its counsel, to the effect that such legend is not required for purposes of the Securities Act.

11. *Listing and HSR or Irish Mergers Act Filing.* SmartForce, upon the request of SkillSoft, will promptly file an application or notice to list the SmartForce ADSs to be acquired upon exercise of the Option for quotation on the Nasdaq National Market and will use commercially reasonable efforts to obtain approval or effectiveness of such listing as soon as practicable. Promptly after the date hereof, each of the parties hereto will promptly file with the Federal Trade Commission and the Antitrust Division of the United States Department of Justice and any applicable Irish governmental authority all required premerger notification and report forms and other documents and exhibits required to be filed under the HSR Act or the Irish Mergers Act to permit the acquisition of SmartForce ADSs subject to the Option at the earliest possible date.

12. *Binding Effect.* This Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Nothing contained in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto and their respective successors and permitted assigns any rights or remedies of any nature whatsoever by reason of this Agreement. SmartForce ADRs representing SmartForce ADSs sold in a registered public offering pursuant to Section 8 will not be required to bear the legend set forth in Section 10.

13. *Specific Performance.* The parties hereto recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party hereto agrees that in addition to other remedies the other party hereto will be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement or the right to enforce any of the covenants or agreements set forth herein by specific performance. In the event that any action will be brought in equity to enforce the provisions of this Agreement, neither party hereto will allege, and each party hereto hereby waives the defense, that there is an adequate remedy at law.

14. *Entire Agreement.* This Agreement, the Merger Agreement and any other agreements referred to in the Merger Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all other prior agreements and understandings, both written and oral, between the parties hereto with respect to the subject matter hereof.

15. *Further Assurances.* Each party hereto will execute and deliver all such further documents and instruments and take all such further action as the other party may reasonably deem necessary in order to consummate the transactions contemplated hereby.

16. *Validity.* The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of the other provisions of this Agreement, which will remain in full force and effect. In the event any Governmental Entity of competent jurisdiction holds any provision of this Agreement to be null, void or unenforceable, the parties hereto will negotiate in good faith and will execute and deliver an amendment to this Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision.

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17. *Notices.* All notices and other communications hereunder will be in writing and will be deemed given (a) on the date of delivery if delivered personally or (b) on the date of confirmation of receipt of transmission by telecopy or telefacsimile or by commercial delivery service, to the parties in the manner set forth in the Merger Agreement.

18. *Governing Law.* This Agreement will be governed by and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within such State, without regard to any conflict of law rules.

19. *Expenses.* Except as otherwise expressly provided herein or in the Merger Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement, including taxes and duties arising from the actions taken pursuant to this Agreement, will be paid by the party incurring such expenses.

20. *Amendments; Waiver.* This Agreement may be amended by the parties hereto and the terms and conditions hereof may be waived only by an instrument in writing signed on behalf of each of the parties hereto, or, in the case of a waiver, by an instrument signed on behalf of the party waiving compliance.

21. *Assignment.* Neither of the parties hereto may sell, transfer, assign or otherwise dispose of any of its rights or obligations under this Agreement or the Option created hereunder to any other person, without the express written consent of the other party, except that the rights and obligations hereunder will inure to the benefit of and be binding upon any successor of a party hereto.

22. *Counterparts.* This Agreement may be executed in counterparts, each of which will be deemed to be an original, but both of which, taken together, will constitute one and the same instrument.

23. *Profit Limitation.*

(a) Notwithstanding any other provision in this Agreement, in no event shall SkillSoft's Total Profit (as defined below) exceed the amount of the fee set forth in Section 8.3(e) of the Merger Agreement (the "Maximum Profit") and, if SkillSoft's Total Profit otherwise would exceed the Maximum Profit, SkillSoft, at its sole discretion shall either (i) reduce the number of Option Shares subject to the Option, (ii) pay cash to SmartForce, or (iii) any combination of the foregoing, so that SkillSoft's actually realized Total Profit shall not exceed the Maximum Profit after taking into account the foregoing action.

(b) For purposes of this Agreement, "Total Profit" shall mean: (i) the aggregate amount (before taxes) of (A) any excess of (x) the net cash amounts or fair market value of any property received by SkillSoft pursuant to a sale of Option Shares (or securities into which such shares are converted or exchanged) as determined in good faith by the Board of Directors of SmartForce on the date of the receipt of such property by SkillSoft over (y) SkillSoft's aggregate purchase price for such Option Shares (or other securities), plus (B) any amounts received by SkillSoft on the repurchase of the Option by SmartForce pursuant to Section 7, plus (C) any termination fee paid by SmartForce and received by SkillSoft pursuant to the Merger Agreement, minus (ii) the amounts of any cash previously paid by SkillSoft to SmartForce pursuant to this Section 23.

(c) The provisions of this Section 23 shall survive any termination or cancellation of the Option under the terms of this Agreement or otherwise.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

SKILLSOFT CORPORATION

By:

Name:
Title:

SMARTFORCE PUBLIC LIMITED COMPANY

By:

Name:
Title:

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Exhibit C

AFFILIATE AGREEMENT

THIS AFFILIATE AGREEMENT (this *Agreement*) is made and entered into as of June 10, 2002, by and between SmartForce Public Limited Company, a public limited company organized under the laws of the Republic of Ireland (*SmartForce*), and the undersigned stockholder who may be deemed an affiliate (*Affiliate*) of SkillSoft Corporation, a Delaware corporation (*SkillSoft*). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Merger Agreement (as defined below).

RECITALS

A. SkillSoft, Transitory Sub (as defined below) and SmartForce have entered into an Agreement and Plan of Merger (the *Merger Agreement*) which provides for the merger (the *Merger*) of a wholly owned subsidiary of SmartForce (*Transitory Sub*) with and into SkillSoft. Pursuant to the Merger, all outstanding capital stock of SkillSoft (the *SkillSoft Capital Stock*) shall be converted into the right to receive American Depositary Shares of SmartForce as described in the Merger Agreement;

B. Affiliate has been advised that Affiliate may be deemed to be an affiliate of SkillSoft, as the term affiliate is used for purposes of Rule 145 (*Rule 145*) of the rules and regulations promulgated under the Securities Act of 1933, as amended (the *Securities Act*) by the Securities and Exchange Commission (the *SEC*); and

C. The execution and delivery of this Agreement by Affiliate is a material inducement to SmartForce to enter into the Merger Agreement.

NOW, THEREFORE, intending to be legally bound, the parties hereto agree as follows:

1. *Acknowledgments by Affiliate.* Affiliate acknowledges and understands that the representations, warranties and covenants by Affiliate set forth herein shall be relied upon by SmartForce, SkillSoft and their respective affiliates and counsel, and that substantial losses and damages may be incurred by these persons if Affiliate's representations, warranties or covenants are breached. Affiliate has carefully read this Agreement and has discussed the requirements of this Agreement with Affiliate's professional advisors, who are qualified to advise Affiliate with regard to such matters.

2. *Beneficial Ownership of SkillSoft Capital Stock.* The Affiliate is the sole record and beneficial owner of the number of shares of SkillSoft Capital Stock set forth below its name on the signature page hereto (the *Shares*). The Shares are not subject to any claim, lien, pledge, charge, security interest or other encumbrance or to any right of first refusal of any kind. There are no options, warrants, calls, rights, commitments or agreements of any character, written or oral, to which Affiliate is party or by which it is bound obligating Affiliate to issue, deliver, sell, repurchase or redeem, or cause to be issued, delivered, sold, repurchased or redeemed, any Shares or obligating Affiliate to grant or enter into any such option, warrant, call, right, commitment or agreement. The Shares constitute all shares of SkillSoft Capital Stock owned, beneficially or of record, by the Affiliate. The Shares are not subject to preemptive rights created by any agreement to which Affiliate is party. Affiliate has not engaged in any sale or other transfer of the Shares in contemplation of the Merger.

3. *Compliance with Rule 145 and the Securities Act.*

(a) Affiliate has been advised that (i) the issuance of American Depositary Shares of SmartForce (*SmartForce ADSs*) in connection with the Merger is expected to be effected pursuant to a registration statement on Form S-4, and the resale of such shares shall be subject to restrictions set forth in Rule 145, and (ii) Affiliate may be deemed to be an affiliate of SkillSoft as defined by paragraphs (c) and (d) of Rule 145. Affiliate accordingly agrees not to sell, transfer or otherwise dispose of any SmartForce ADSs issued to Affiliate in the Merger unless (i) such sale, transfer or other disposition is made in conformity with the

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requirements of Rule 145(d)(1) and, to the extent required by the terms of the Deposit Agreement (as defined below), Rule 144(h) of the rules and regulations promulgated under the Securities Act, or (ii) such sale, transfer or other disposition is made pursuant to an effective registration statement under the Securities Act or an appropriate exemption from registration, or (iii) Affiliate delivers to SmartForce a written opinion of counsel, reasonably acceptable to SmartForce in form and substance, that such sale, transfer or other disposition is otherwise exempt from registration under the Securities Act. Affiliate acknowledges that the SmartForce ADSs issued to Affiliate in the Merger will be deposited in a restricted ADR (as defined below) facility pursuant to that certain Deposit Agreement, dated as of November 30, 1995, as amended and restated as of May 22, 1998, among SmartForce, The Bank of New York and all owners and beneficial owners from time to time of restricted ADRs issued thereunder (the *Deposit Agreement*) and that, pursuant to the Deposit Agreement, among other things, except as provided in clause (ii) of the preceding sentence, sales of SmartForce ADSs issued to Affiliate in the Merger may only be effected pursuant to Rule 145(d)(1). In addition to any other requirements of this Agreement, Affiliate agrees to comply with the requirements of Rule 144(h) with respect to the sale, transfer or other disposition of SmartForce ADSs acquired by Affiliate in the Merger to the extent required by the terms of the Deposit Agreement.

(b) SmartForce shall give stop transfer instructions to its transfer agent with respect to any SmartForce ADSs received by Affiliate pursuant to the Merger and there shall be placed on the American Depositary Receipt (*ADR*) representing such SmartForce ADSs, or any substitutions therefor, a legend stating in substance:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 UNDER THE SECURITIES ACT APPLIES AND MAY ONLY BE TRANSFERRED IN CONFORMITY WITH RULE 145(d)(1) OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR IN ACCORDANCE WITH A WRITTEN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER IN FORM AND SUBSTANCE, THAT SUCH TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

The legend set forth above shall be removed (by delivery of a substitute ADR without such legend) and SmartForce shall so instruct its transfer agent, if Affiliate delivers to SmartForce (i) written evidence satisfactory to SmartForce that the shares have been sold in compliance with Rule 145(d)(1) (in which case, the substitute ADR shall be issued in the name of the transferee), or (ii) an opinion of counsel, in form and substance reasonably satisfactory to SmartForce, to the effect that public sale of the shares by the holder thereof is no longer subject to Rule 145.

(c) Affiliate understands that unless a sale or transfer is made in conformity with the provisions of Rule 145, or pursuant to a registration statement, SmartForce reserves the right to put the following legend on the ADRs issued to his transferee:

THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ACQUIRED FROM A PERSON WHO RECEIVED SUCH SHARES IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) APPLIES. THE SHARES HAVE BEEN ACQUIRED BY THE HOLDER NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF THE SECURITIES ACT AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR IN ACCORDANCE WITH A WRITTEN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO THE ISSUER IN FORM AND SUBSTANCE, THAT SUCH SALE, PLEDGE OR TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT.

4. *No Obligation to Register.* Affiliate understands that SmartForce is under no obligation to register the sale, transfer or other disposition of the SmartForce ADSs by or on Affiliate's behalf under the Act or, to take any other action necessary in order to make compliance with an exemption from such registration available.

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5. *Termination.* This Agreement shall automatically terminate and shall be of no further force and effect in the event of the termination of the Merger Agreement pursuant to Article VIII of the Merger Agreement.

6. *Miscellaneous.*

(a) *Waiver; Severability.* No waiver by any party hereto of any condition or of any breach of any provision of this Agreement shall be effective unless in writing and signed by each party hereto. In the event that any provision of this Agreement, or the application of any such provision to any person, entity or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to persons, entities or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

(b) *Full Power and Authority; Binding Effect and Assignment.* Affiliate has full power and authority to make, enter into and carry out the terms of this Agreement. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but, except as otherwise specifically provided herein, neither this Agreement nor any of the rights, interests or obligations of the parties hereto may be assigned by either of the parties without prior written consent of the other party hereto.

(c) *Amendments and Modification.* This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

(d) *Injunctive Relief.* Each of the parties acknowledge that (i) the covenants and the restrictions contained in this Agreement are necessary, fundamental, and required for the protection of SmartForce and SkillSoft; (ii) such covenants relate to matters which are of a special, unique, and extraordinary character that gives each of such covenants a special, unique, and extraordinary value; and (iii) a breach of any such covenants or any other provision of this Agreement shall result in irreparable harm and damages to SmartForce and SkillSoft which cannot be adequately compensated by a monetary award. Accordingly, it is expressly agreed that in addition to all other remedies available at law or in equity, SmartForce and SkillSoft shall be entitled to the immediate remedy of a temporary restraining order, preliminary injunction, or such other form of injunctive or equitable relief as may be used by any court of competent jurisdiction to restrain or enjoin any of the parties hereto from breaching any such covenant or provision or to specifically enforce the provisions hereof.

(e) *Governing Law.* This Agreement shall be governed by and construed, interpreted and enforced 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 the laws of any jurisdiction other than the State of Delaware.

(f) *Entire Agreement.* This Agreement sets forth the entire understanding of Affiliate and SmartForce relating to the subject matter hereof and supersedes all prior agreements and understandings between Affiliate and SmartForce relating to the subject matter hereof.

(g) *Further Assurances.* Affiliate shall execute and/or cause to be delivered to SmartForce such instruments and other documents and shall take such other actions as SmartForce may reasonably request to effectuate the intent and purposes of this Agreement.

(h) *Third Party Reliance.* Counsel to SmartForce shall be entitled to rely upon this Affiliate Agreement.

(i) *Survival.* The representations, warranties, covenants and other provisions contained in this Agreement shall survive the Merger.

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(j) *Notices.* All notices and other communications pursuant to this Agreement shall be in writing and deemed to be sufficient if contained in a written instrument and shall be deemed given if delivered personally, telecopied, sent by nationally-recognized overnight courier or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following address (or at such other address for a party as shall be specified by like notice):

If to SmartForce: SmartForce PLC
 900 Chesapeake Drive
 Redwood City, CA 94063
 Attention: Gregory M. Priest
 Facsimile: (650) 817-5070

With copies to: Wilson Sonsini Goodrich & Rosati
 Professional Corporation
 650 Page Mill Road
 Palo Alto, CA 94304-1050
 Attention: Steven V. Bernard
 Facsimile: (650) 493-6811

and

 Wilson Sonsini Goodrich & Rosati
 Professional Corporation
 One Market
 Spear Street Tower, Suite 3300
 San Francisco, CA 94105
 Attention: Michael J. Kennedy
 Facsimile: (415) 947-2099

If to Affiliate: To the address for notice set forth on the signature page hereof.

(k) *Counterparts.* This Agreement shall be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

[Remainder of page intentionally left blank]

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IN WITNESS WHEREOF, the parties have caused this Affiliate Agreement to be duly executed on the day and year first above written.

SMARTFORCE PLC

AFFILIATE

By:

**Name: Gregory M. Priest
Title: Chief Executive Officer**

By:

Affiliate's Address for Notice:

Shares beneficially owned:

_____ shares of SkillSoft Common
Stock

_____ shares of SkillSoft Common
Stock issuable upon exercise of
outstanding options, warrants or other
rights

[Signature Page to Affiliate Agreement]

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Exhibit D

SMARTFORCE PUBLIC LIMITED COMPANY

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT, dated as of June 10, 2002, among the stockholder listed on Schedule I hereto (the **Stockholder**) and SmartForce Public Limited Company, a public limited liability company organized under the laws of the Republic of Ireland (the **Company**).

RECITALS

WHEREAS, Skillsoft Corp., a Delaware corporation (**Target**), and the Company have entered into an Agreement and Plan of Merger, dated as of the date hereof (the **Merger Agreement**), which provides for the merger (the **Merger**) of a wholly owned subsidiary of the Company with and into Target; and

WHEREAS, pursuant to the Merger, all outstanding capital stock of Target shall be converted into the right to receive American Depositary Shares of the Company (**Parent ADSs**) as set forth in the Merger Agreement; and

WHEREAS, in consideration of the execution of the Merger Agreement by Target, the Company has agreed to grant the Stockholder certain registration rights; and

WHEREAS, the Company and the Stockholder desires to define the registration rights of the Stockholder on the terms and subject to the conditions herein set forth.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following terms have the respective meaning set forth below:

Commission: shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act;

Exchange Act: shall mean the Securities Exchange Act of 1934, as amended;

Holder: shall mean the Stockholder and any partner of the Stockholder;

Person: shall mean an individual, partnership, joint-stock company, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof;

Register, Registered and Registration: shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act (and any post-effective amendments filed or required to be filed) and the declaration or ordering of effectiveness of such registration statement;

Registrable Securities: shall mean (A) Parent ADSs issued to Holders in the Merger and (B) any stock of the Company issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, the Parent ADSs referred to in clause (A); *provided, however*, that Registrable Securities shall not include any Parent ADSs which have previously been registered or which have been sold to the public either pursuant to a registration statement or Rule 144 promulgated under the Securities Act, or which have been sold in a private transaction in which the transferor's rights under this Agreement are not assigned;

Registration Expenses: shall mean all expenses incurred by the Company in compliance with Section 2(a) hereof, including, without limitation, all registration and filing fees, printing expenses, fees and

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disbursements of counsel for the Company, fees and expenses of one counsel for all the Holders in an amount not to exceed \$20,000, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company, which shall be paid in any event by the Company);

Security, Securities: shall have the meaning set forth in Section 2(1) of the Securities Act;

Securities Act: shall mean the Securities Act of 1933, as amended;

Selling Expenses: shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities, all stamp duty and transfer taxes, if any, and all fees and disbursements of counsel for each of the Holders other than fees and expenses of one counsel for all the Holders in an amount not to exceed \$20,000 in the aggregate; and

Shelf Registration Statement: shall mean a registration statement of the Company filed with the Commission on Form S-3 (or any successors thereto) for an offering to be made on a continuous or delayed basis pursuant to Rule 415 under the Securities Act (or any similar rule that may be adopted by the Commission) covering all of the Registrable Securities.

SECTION 2. REGISTRATION RIGHTS

(a) *Shelf Registration.*

(i) *Request for Registration.* If the Company shall receive from the Stockholder, at any time after the Merger, a written request that the Company effect a shelf registration with respect to all or a part of the Registrable Securities (the Shelf Registration Statement), the Company will, as soon as practicable and in any event within thirty (30) days after the date of such written request, file a shelf registration statement on Form S-3 and use its reasonable best efforts to cause such registration statement to become effective within ninety (90) days of such written request (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations issued under the Securities Act); *provided, however*, that, as a condition precedent to the obligations of the Company pursuant to this Section 2, the Holders shall comply with Section 2(e) below; and, *provided further*, that the Company shall not be obligated to effect, or take any action to effect, any such registration pursuant to this Section 2(a):

(A) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act or applicable rules or regulations thereunder;

(B) After the Company has effected one (1) such registration pursuant to this Section 2(a) and such registration has been declared or ordered effective;

(C) If the Company shall furnish to the Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors it would be seriously detrimental to the Company or its stockholders for a registration statement to be filed in the near future, in which case the Company's obligation to use its reasonable best efforts to comply with this Section 2 shall be deferred (and the time periods referenced above in this Section 2(a)(i) shall be extended) for a period not to exceed ninety (90) days from the date of receipt of written request from the Holders; *provided, however*, that the Company shall not exercise such right more than once in any twelve-month period; and

(D) If the Company is not then eligible to register Registrable Securities on Form S-3 (or any successor thereto).

(ii) The Shelf Registration Statement shall provide for the resale of Registrable Securities by any Holder or the distribution by any Holder to its partners and the subsequent resale by such partners.

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(iii) *Time Periods.* Following the declaration of effectiveness of the Shelf Registration Statement under the Securities Act, the Company will use its reasonable best effort to cause the Shelf Registration Statement to be continuously effective under the Securities Act until the earlier of (x) the second anniversary of the date of the Merger or (y) the date on which all Registrable Securities covered by the Shelf Registration Statement shall have been sold or distributed by the Holders.

(iv) *Supplements and Amendments.* During such period as the Company shall be required under Section 2(a)(iii) to cause the Shelf Registration Statement to remain effective, the Company shall promptly supplement and amend or supplement the Shelf Registration Statement if required by the rules, regulations or instructions applicable to the registration form used for such Shelf Registration Statement, if required by the Securities Act, or if reasonably requested by the Holders of a majority of the Registrable Securities covered by the Shelf Registration Statement.

(v) *Blackout Periods.* Notwithstanding anything to the contrary contained herein, the Company may, upon written notice to the Holders whose Registrable Securities are included in the Shelf Registration Statement, suspend such Holders' use of any prospectus which is a part of the Shelf Registration Statement (in which event the Holders shall discontinue sales of Registrable Securities pursuant to the Shelf Registration Statement) if, in the reasonable judgment of the Company, after consultation with legal counsel, the Company possesses material nonpublic information; provided that the Company may not suspend any such sales for more than an aggregate of 45 consecutive days or for an aggregate of 90 days in any period of 12 consecutive months. Upon the termination of the condition described above, the Company shall give prompt notice to the Holders whose Registrable Securities are included in the Shelf Registration Statement, and shall promptly terminate any suspension of sales it has put into effect and shall take such other actions to permit registered sales of Registrable Securities as contemplated by this Agreement.

(vi) *Inclusion of Additional Shares.* The Company may include in a registration pursuant to Section 2 securities for its own account (including officers and employees of the Company) or for the account of additional third parties in amounts as determined by the Company's board of directors. To the extent that the Company includes such securities in such registration statement, the Company shall take all actions it deems necessary or advisable in order to ensure that the securityholders of the Company, whether or not holding contractual registration rights, shall not have the right to exclude from any registration initiated pursuant to Section 2 any Registrable Securities with respect to which the Stockholder has requested registration.

(b) *Expenses of Registration.* To the maximum extent permitted by Irish law, all Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to this Section 2 shall be borne by the Company, and all Selling Expenses shall be borne by the Holders of the securities so registered pro rata on the basis of the number of their shares so registered.

(c) *Registration Procedures.* In the case of the registration effected by the Company pursuant to this Section 2, the Company shall advise the Holders in writing as to the initiation of the registration and as to the completion thereof. At its expense, the Company will:

(i) furnish such number of prospectuses and other documents incident thereto as each of the Holders, as applicable, from time to time may reasonably request in order to effect the offering and sale of the Registrable Securities, but only during such period as the Company shall be required under Section 2(a)(vi) above to cause the registration statement to remain effective; and

(ii) notify each Holder of Registrable Securities covered by such registration at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

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(d) *Indemnification.*

(i) To the fullest extent permitted by law, the Company will indemnify each of the selling Holders, as applicable, each of its officers, directors and partners, and each person controlling each of the selling Holders (within the meaning of the Securities Act and Exchange Act), with respect to each registration which has been effected pursuant to this Section 2, and each underwriter, if any, and each person who controls any underwriter, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement or prospectus, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or any violation by the Company of the Securities Act or the Exchange Act or any rule or regulation thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse each of such Holders, each of its officers, directors and partners, and each person controlling each of such Holders, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement (or alleged untrue statement) or omission (or alleged omission) based upon written information furnished to the Company by such Holders or underwriter and stated to be specifically for use therein.

(ii) To the fullest extent permitted by law, each of the Holders will, if Registrable Securities held by it are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers and each underwriter (within the meaning of the Securities Act), if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter, and each of their officers, directors, and partners, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement or prospectus made by such Holder, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements by such Holder therein not misleading, in light of the circumstances under which they were made, and will reimburse the Company and such directors, officers, partners, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement or prospectus in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use therein; provided, however, that the obligations of each of the Holders hereunder shall be limited to an amount equal to the net proceeds to such Holder of securities sold as contemplated herein.

(iii) Each party entitled to indemnification under this Section 2(d) (the Indemnified Party) shall give notice to the party required to provide indemnification (the Indemnifying Party) promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld) and the Indemnified Party may participate in such defense at such party's expense (unless the Indemnified Party shall have reasonably concluded that there may be a conflict of interest between the Indemnifying Party and the Indemnified Party in such action, in which case the fees and expenses of counsel shall be at the expense of the Indemnifying Party), and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 2 unless the Indemnifying Party is materially prejudiced thereby. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as

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an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(iv) If the indemnification provided for in this Section 2(d) is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage or expense referred to herein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions which resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue (or alleged untrue) statement of a material fact or the omission (or alleged omission) to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(v) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with any underwritten public offering contemplated by this Agreement are in conflict with the foregoing provisions, the provisions in such underwriting agreement shall be controlling.

(vi) The foregoing indemnity agreement of the Company and Holders is subject to the condition that, insofar as they relate to any loss, claim, liability or damage arising out of a statement made in or omitted from a preliminary prospectus but eliminated or remedied in the amended prospectus on file with the Commission at the time the registration statement in question becomes effective or the amended prospectus filed with the Commission pursuant to Commission Rule 424(b) (the Final Prospectus), such indemnity or contribution agreement shall not inure to the benefit of any underwriter or Holder if a copy of the Final Prospectus was furnished to the underwriter or Holder and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

(e) *Information by the Holders.* Each of the Holders holding securities included in any registration shall furnish to the Company such information and materials regarding such Holder on behalf of itself and to the extent applicable, its partners, and the distribution proposed by such Holder as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Section 2.

(f) *Rule 144 Reporting.*

With a view to making available the benefits of certain rules and regulations of the Commission which may permit the sale of restricted securities to the public without registration, the Company agrees to:

- (i) make and keep public information available as those terms are understood and defined in Rule 144 under the Securities Act (Rule 144);
- (ii) use its reasonable best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange; and
- (iii) so long as the Holder owns any Registrable Securities, furnish to the Holder upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144, and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as the Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing the Holder to sell any such securities without registration.

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SECTION 3. MISCELLANEOUS

- (a) *Directly or Indirectly.* Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.
- (b) *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed entirely within such State.
- (c) *Section Headings.* The headings of the sections and subsections of this Agreement are inserted for convenience only and shall not be deemed to constitute a part thereof.
- (d) *Notices.*
- (i) All communications under this Agreement shall be in writing and shall be delivered by hand or facsimile or mailed by overnight courier or by registered or certified mail, postage prepaid:
- (1) if to the Company, to SmartForce Public Limited Company, Attention: President, 900 Chesapeake Drive, Redwood City, California 94063 (facsimile: (650) 817-5062), or at such other address as it may have furnished in writing to the Holders, with a copy to Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94122 (facsimile: (650) 461-5375), Attention: Steven V. Bernard, Esq.
- (2) if to the Holders, at the address or facsimile number listed on Schedule I hereto, or at such other address or facsimile number as may have been furnished the Company in writing, with a copy to Willkie Farr & Gallagher, 787 Seventh Avenue, New York, NY 10019 (facsimile: (212) 728-8111), Attention: Steven J. Gartner, Esq.
- (ii) Any notice so addressed shall be deemed to be given: if delivered by hand or facsimile, on the date of such delivery; if mailed by courier, on the first business day following the date of such mailing; and if mailed by registered or certified mail, on the third business day after the date of such mailing.
- (e) *Successors and Assigns.* This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties.
- (f) *Entire Agreement; Amendment and Waiver.* This Agreement constitutes the entire understanding of the parties hereto and supersedes all prior understanding among such parties. This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Company and the Holders holding a majority of the then outstanding Registrable Securities.
- (g) *Severability.* In the event that any part or parts of this Agreement shall be held illegal or unenforceable by any court or administrative body of competent jurisdiction, such determination shall not affect the remaining provisions of this Agreement which shall remain in full force and effect.
- (h) *Termination.* In the event the Merger Agreement is terminated for any reason, this Agreement shall automatically terminate and be of no further force or effect.
- (i) *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

SMARTFORCE PUBLIC LIMITED COMPANY

By: /s/ GREG PRIEST

**Name: Greg Priest
Title: President & CEO**

WARBURG, PINCUS VENTURES, L.P.

By: WARBURG, PINCUS & CO.,
General Partner

By: /s/ SCOTT A. ARENARE

**Name: Scott A. Arenare
Title: Partner**

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Schedule I

Stockholder

Stockholder Name and Address

Warburg, Pincus Ventures, L.P.
466 Lexington Avenue
New York, NY 10017
Facsimile: (212) 922-0933
Attention: Scott A. Arenare, Esq.

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Table of Contents**Annex B****CREDIT FIRST
SUISSE BOSTON****Technology Group**CREDIT SUISSE FIRST BOSTON
CORPORATION650 California Street
8866
San Francisco, CA 94108

Telephone: 415 249

June 10, 2002

Board of Directors
SmartForce
900 Chesapeake Drive
Redwood City, CA 94063

Members of the Board:

You have asked us to advise you with respect to the fairness, from a financial point of view, to SmartForce plc (SmartForce) of the Exchange Ratio (as defined below) set forth in the Agreement and Plan of Merger, dated as of June 10, 2002 (the Merger Agreement), by and among SkillSoft Corporation (the Company), SmartForce and Slate Acquisition Corporation, a wholly owned subsidiary of SmartForce (Merger Sub). The Merger Agreement provides for the merger of Merger Sub with and into the Company (the Merger) pursuant to which the Company will become a wholly owned subsidiary of SmartForce and each outstanding share of common stock, par value \$0.01 per share, of the Company (Company Common Stock) will be converted into the right to receive 2.3674 (the Exchange Ratio) American Depository Shares of SmartForce (SmartForce ADSs), each representing one ordinary share, nominal value 0.11 per share, of SmartForce.

In arriving at our opinion, we have reviewed the Merger Agreement, and certain related documents, as well as certain publicly available business and financial information relating to SmartForce and the Company. We have also reviewed certain other information relating to SmartForce and the Company, including publicly available financial forecasts (as adjusted by the managements of SmartForce and the Company), provided to or discussed with us by SmartForce and the Company, and have met with the managements of SmartForce and the Company to discuss the businesses and prospects of SmartForce and the Company, respectively. We also have considered certain financial and stock market data of and the Company, and we have compared those data with similar data for other publicly held companies in businesses we deemed similar to those of SmartForce and the Company, and we have considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which have recently been effected or announced. We also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant.

In connection with our review, we have not assumed any responsibility for independent verification of any of the foregoing information and have relied on such information being complete and accurate in all material respects. With respect to the publicly available financial forecasts(as adjusted) of SmartForce and the Company referred to above, we have reviewed and discussed such forecasts with the managements of SmartForce and the Company, respectively, and have been advised and have assumed, with your consent, that such forecasts as adjusted represent reasonable estimates and judgments as to the future financial performance of SmartForce and the Company, respectively. In addition, we have relied upon, without independent verification, the assessments of the managements of SmartForce and the Company as to (i) the existing and future technology and products of SmartForce and the Company and the risks associated with such technology and products, (ii) the potential cost savings and synergies (including the amount, timing and achievability thereof) and strategic benefits anticipated by the managements of SmartForce and the Company to result from the Merger, (iii) their ability to integrate the businesses of SmartForce and the Company, and (iv) their ability to retain key employees of SmartForce and the Company. We have assumed, with your consent, that in the course of obtaining any necessary regulatory and third party approvals and consents for the merger, no modification, delay, limitation, restriction or condition will be imposed that will have an adverse effect on SmartForce or the Company or the contemplated benefits of the Merger. We also have assumed, with your consent, that the Merger will be treated as a tax-free reorganization for

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U.S. federal income tax purposes, and will be tax-free to SmartForce under Irish law. In addition, we have not been requested to make, and have not made, an Independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of SmartForce or the Company, nor have we been furnished with any such evaluations or appraisals. Our opinion is necessarily based upon information available to us as of the date hereof and upon financial, economic, market, exchange rate and other conditions as they exist and can be evaluated on the date hereof. Our opinion does not address the relative merits of the Merger as compared to other business strategies that may be available to SmartForce, nor does it address the underlying business decision of SmartForce to proceed with the Merger. We are not expressing any opinion as to what the value of SmartForce ADSs actually will be when issued to holders of Company Common Stock pursuant to the Merger or the prices at which SmartForce ADSs will trade at any time.

We have acted as financial advisor to SmartForce in connection with the Merger and will receive a fee for our services, a significant portion of which is contingent upon the consummation of the Merger. We will also receive a fee for rendering this opinion. We and our affiliates have in the past provided, and may in the future provide, financial aid and Investment banking services to SmartForce and the Company unrelated to the proposed Merger, for which services we have received, and expect to receive, compensation. In addition, in the past we and our affiliates provided certain investment banking services to the Company related to a potential business combination between the Company and SmartForce. We and our affiliates received no compensation for such services, and such services ended prior to our engagement by SmartForce. In the ordinary course of business, we and our affiliates may actively trade the debt and equity securities of both SmartForce and the Company for our and such affiliates' own accounts and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities. In addition, we are a wholly-owned subsidiary of Credit Suisse Group, which directly or indirectly owns a 19.9% passive profit interest in Warburg, Pincus & Co., which in turn directly or indirectly beneficially owns approximately 32% of the outstanding shares of Company Common Stock.

It is understood that this letter is for the information of the Board of Directors of SmartForce in connection with its consideration of the Merger and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to any matter relating to the Merger.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Exchange Ratio is fair to SmartForce, from a financial point of view.

Very truly yours,

CREDIT SUISSE FIRST BOSTON CORPORATION

By: /s/ ETHAN M.
TOPPER

Ethan M. Topper
Managing Director

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Annex C

Banc of America Securities LLC

Bradley Sacks
Managing Director
Mergers & Acquisitions

June 10, 2002

Board of Directors
SkillSoft Corporation
20 Industrial Park Drive
Nashua, New Hampshire

Members of the Board of Directors:

You have requested our opinion as to the fairness from a financial point of view to the stockholders of SkillSoft Corporation (SkillSoft), a Delaware corporation, of the Exchange Ratio (as defined below) provided for in connection with the proposed merger (the Merger) of SkillSoft with a wholly owned subsidiary of SmartForce Public Limited Company (SmartForce), a public limited liability company organized under the laws of the Republic of Ireland. Pursuant to the terms of the Agreement and Plan of Merger, to be dated as of June 10, 2002 (the Agreement), among SmartForce, SkillSoft and SkillSoft Acquisition Corp., SkillSoft will become a wholly owned subsidiary of SmartForce, and stockholders of SkillSoft will receive for each share of Common Stock, par value \$0.001 per share, of SkillSoft (the SkillSoft Common Stock), held by them, other than shares held in treasury or held by SmartForce or any affiliate of SmartForce, consideration equal to 2.3674 (the Exchange Ratio) American Depositary Shares of SmartForce (SmartForce ADSs), each of which represents one ordinary share, nominal value Euro 0.11 per share, of SmartForce. You have informed us, and we have assumed, that the Merger will be treated as a tax-free reorganization and/or exchange, each pursuant to the Internal Revenue Code of 1986, as amended. The terms and conditions of the Merger are more fully set out in the Agreement.

For purposes of the opinion set forth herein, we have:

- (i) reviewed certain publicly available financial statements and other business and financial information of SmartForce and SkillSoft, respectively;
- (ii) reviewed certain internal financial statements and other financial and operating data concerning SmartForce and SkillSoft, respectively;
- (iii) analyzed financial forecasts, reports and other information regarding SkillSoft and SmartForce published by certain research analysts from selected investment banking firms (collectively, the Research Analyst Reports) and certain additional information prepared by the management of SkillSoft and SmartForce and discussed such information with representatives of SkillSoft's and SmartForce's management;
- (iv) reviewed and discussed with representatives of the management of SkillSoft and SmartForce pro-forma adjustments, provided by you, required to be made to the financial forecasts derived from the combination of the SmartForce and SkillSoft financial forecasts contained in the Research Analyst Reports;
- (v) participated in meetings and discussions with representatives of the management of SkillSoft and SmartForce to discuss the business, operations, historical financial data and certain other financial and operating data of the respective companies;

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- (vi) reviewed and discussed with representatives of the management of SkillSoft and SmartForce information, prepared by the management of SkillSoft and SmartForce, respectively, relating to certain strategic, financial and operational benefits anticipated from the Merger;
- (vii) considered the possible accretion and dilution effects of the Merger on the forward cash earnings per share of SkillSoft and SmartForce based on projections contained in the Research Analyst Reports and the pro-forma adjustments provided by you, noted in (iv) above;
- (viii) reviewed and considered in the analysis the relative contributions of SmartForce and SkillSoft to the combined company;
- (ix) reviewed the reported prices and trading activity for SmartForce ADSs and SkillSoft Common Stock;
- (x) compared the financial performance of SmartForce and SkillSoft and the prices and trading activity of SmartForce ADSs and SkillSoft Common Stock with that of SkillSoft and SmartForce, respectively, and certain other publicly traded companies we deemed relevant;
- (xi) compared certain financial terms of the Merger to financial terms, to the extent publicly available, of certain other business combination transactions we deemed relevant;
- (xii) participated in discussions and negotiations among representatives of SmartForce and SkillSoft and their financial and legal advisors;
- (xiii) reviewed the June 7, 2002 draft of the Agreement and certain related documents; and
- (xiv) performed such other analyses and considered such other factors as we have deemed appropriate.

We have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information reviewed by us for the purposes of this opinion. In connection with rendering this opinion, we have, with your consent, reviewed and relied upon the Research Analyst Reports in lieu of any internal financial forecasts prepared by SkillSoft or SmartForce. With respect to such financial and other information, including the Research Analyst Reports and information related to certain strategic, financial and operational benefits anticipated from the Merger, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the future financial performance of SmartForce and SkillSoft, and we have assumed at your direction that such strategic, financial and operational benefits anticipated from the Merger will be realized in all material respects. We have not made any independent valuation or appraisal of the assets or liabilities of SmartForce, nor have we been furnished with any such appraisals. We have assumed that the final executed Agreement will be identical in all material respects to the latest draft of the Agreement reviewed by us, and that the Merger will be consummated as provided in such draft Agreement, with full satisfaction of all covenants and conditions and without any waivers thereof.

We have assumed that in connection with the receipt of all necessary regulatory approvals for the proposed Merger, no restrictions will be imposed that would have a material adverse effect on SmartForce, SkillSoft, the combined company or the contemplated benefits expected to be derived in the proposed Merger. We have relied upon, without independent verification, the assessment by the management of SkillSoft and SmartForce of their respective technology, products and services, and the integration of SmartForce's technology, products and services with SkillSoft's technology, products and services and the timing of the introduction of future products incorporating such technology, products and services and SkillSoft's and SmartForce's ability to retain key managers.

We have acted as sole financial advisor to the Board of Directors of SkillSoft in connection with this transaction and will receive a fee for our services, which is contingent upon the consummation of the Merger. In the past, Banc of America Securities LLC or its affiliates have provided financial advisory and financing services for SkillSoft and received fees for the rendering of these services. In the ordinary course of our businesses, we and our affiliates may actively trade the debt and equity securities of SmartForce and SkillSoft for our own

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account or for the accounts of customers, and, accordingly, we or our affiliates may at any time hold long or short positions in such securities.

It is understood that this letter is for the benefit and use of the Board of Directors of SkillSoft in connection with and for the purposes of its evaluation of the Merger. This opinion may not be disclosed, referred to, or communicated (in whole or in part) to any third party for any purpose whatsoever except with our prior written consent in each instance. However, this opinion may be included in its entirety in any filing made by SkillSoft in respect of the Merger with the Securities and Exchange Commission, so long as this opinion is reproduced in such filing in full and any description of or reference to us or summary of this opinion and the related analysis in such filing is in a form acceptable to us and our counsel. In furnishing this opinion, we do not admit that we are experts within the meaning of the term "experts" as used in the Securities Act of 1933, as amended (the "Securities Act") and the rules and regulations promulgated thereunder, nor do we admit that this opinion constitutes a report or valuation within the meaning of Section 11 of the Securities Act. Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion and we do not have any obligation to update, revise or reaffirm this opinion. This opinion does not in any manner address the prices at which SmartForce ADSs will trade following consummation of the Merger. In addition, we express no opinion or recommendation as to how the stockholders of SkillSoft and SmartForce should vote at the stockholders' meetings held in connection with the Merger.

Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that the Exchange Ratio in the proposed Merger is fair from a financial point of view to SkillSoft's stockholders.

Very truly yours,

/S/ Banc of America Securities LLC

BANC OF AMERICA SECURITIES LLC

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Table of Contents**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 20. *Indemnification of Directors and Officers***

The articles of association of SmartForce authorize the company to indemnify the directors and officers of the company against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer. The company's subsidiary, SmartForce, has entered into indemnification agreements with its directors and officers and directors and officers of SmartForce serving at the request of SmartForce USA. The indemnification agreements under certain circumstances require SmartForce, among other things, to indemnify such officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature) and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified. SmartForce has obtained directors and officers' insurance providing indemnification for certain of the company's directors, officers, affiliates or employees for certain liabilities.

Item 21. *Exhibits and Financial Statement Schedules*

(a) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
2.1	Amended and Restated Agreement and Plan of Reorganization dated November 29, 1995 among SmartForce, CBT Acquisition Subsidiary, a Delaware corporation, and Personal Training Systems, Inc., a California corporation (Incorporated by reference to exhibit 2.1 to SmartForce's Current Report on Form 8-K dated December 13, 1995).
2.2	Implementation Deed dated as of November 26, 1996, as amended, among SmartForce, Applied Learning Limited and Arie Baalbergen, James Josephson, Geoffrey Bransbury and Brian Hacker (including schedules thereto) (Incorporated by reference to exhibit 2.1 to SmartForce's Current Report on Form 8-K dated March 14, 1997).
2.3	Agreement and Plan of Reorganization, dated as of March 16, 1998, among SmartForce, Rockets Acquisition Corp. and The Forefront Group, Inc. (Incorporated by reference to exhibit 2.1 to SmartForce's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on April 27, 1998 (File No. 333-51159)).
2.4	Share Purchase Agreement dated as of November 30, 1998, as amended and restated March 30, 1999, among SmartForce, Knowledge Well Limited (KWL), Knowledge Well Group Limited (KWGL) and the shareholders of KWL and KWGL (Incorporated by reference to exhibit 2.1 to SmartForce's Current Report on Form 8-K dated June 18, 1999 (File No. 0-25674)).
2.5	Agreement and Plan of Reorganization, dated April 10, 2000, by and among SmartForce, Learning Productions Acquisition Corp., Learning Productions, LLC, Steve Goodman and Scott Mitchell (Incorporated by reference to exhibit 2.1 to SmartForce's Registration Statement on Form S-3 declared effective with the Securities and Exchange Commission on May 31, 2000 (File No. 333-38240)).
2.6(1)	Agreement and Plan of Merger, dated as of June 10, 2002, by and among SmartForce, SkillsSoft Corporation and Slate Acquisition Corp.
3.1	Memorandum of Association of SmartForce as amended on March 24, 1992, March 31, 1995, April 28, 1998, January 26, 2000 and July 10, 2001 (Incorporated by reference to exhibit 3.1 to SmartForce's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001 as filed with the Securities and Exchange Commission on November 14, 2001 (File No. 0-25674)).

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<u>Exhibit Number</u>	<u>Description</u>
3.2	Articles of Association of SmartForce as amended on July 6, 1995, April 28, 1998, January 26, 2000 and July 10, 2001 (Incorporated by reference to exhibit 3.2 to SmartForce's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001 as filed with the Securities and Exchange Commission on November 14, 2001 (File No. 0-25674)).
4.1	Specimen certificate representing the ordinary shares (Incorporated by reference to exhibit 4.1 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
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 May 22, 1998, among SmartForce, 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 (a) to Post-Effective Amendment No. 1 to SmartForce's Registration Statement on Form F-6 (File No. 333-8380)).
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 May 22, 1998, among SmartForce, 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 SmartForce's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1998 as filed with the Securities and Exchange Commission on August 13, 1998 (File No. 0-25674)).
4.4	Restricted Deposit Agreement (B), dated as of June 8, 1999, among SmartForce, The Bank of New York, and the Owners and Beneficial Owners of Restricted American Depositary Receipts (Incorporated by reference to exhibit 2.1 to SmartForce's Current Report on Form 8-K dated June 18, 1999 (File No. 0-25674)).
4.5	Declaration of Subscription Rights dated as of October 4, 1998 (Incorporated by reference to exhibit 4.1 to SmartForce's Report on Form 8-A filed with the Securities and Exchange Commission on October 5, 1998).
5.1	Opinion of Binchys, Solicitors.
8.1	Tax Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation.
8.2	Tax Opinion of Hale and Dorr LLP.
9.1(1)	SmartForce Voting Agreement.
9.2(1)	SkillSoft Voting Agreement.
10.1	1990 Share Option Scheme (Incorporated by reference to exhibit 10.1 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
10.2	1994 Share Option Plan (Incorporated by reference to exhibit 10.2 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
10.3	1995 Employee Share Purchase Plan (Incorporated by reference to exhibit 10.3 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 0-25674)).
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 SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).

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<u>Exhibit Number</u>	<u>Description</u>
10.5	Supplemental Agreement among Hoskyns, SmartForce and CBT Systems Limited dated as of March 31, 1995 (Incorporated by reference to exhibit 10.9 to the Company's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
10.6	Share Purchase Agreement between CBT Systems Limited and the Company dated as of March 31, 1995 (Incorporated by reference to exhibit 10.10 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
10.7	Distribution and License Agreement between SmartForce and CBT Systems Limited dated as of March 14, 1995 (including form of Amendment No. 1) (Incorporated by reference to exhibit 10.11 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
10.8	License Agreement dated June 7, 1994 between CBT (Technology) Limited and CBT Systems Limited (Incorporated by reference to exhibit 10.20 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
10.9	Cost Sharing Agreement dated January 4, 1994 between CBT (Technology) Limited and CBT Systems Limited (Incorporated by reference to exhibit 10.21 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
10.10	Agreement between SmartForce and Patrick J. McDonagh dated April 9, 1995 (Incorporated by reference to exhibit 10.22 to SmartForce's Registration Statement on Form F-1 declared effective with the Securities and Exchange Commission on April 13, 1995 (File No. 33-89904)).
10.11	Personal Training Systems, Inc. 1991 Stock Plan (Incorporated by reference to exhibit 4.1 to SmartForce's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on January 21, 1996 (File No. 333-504)).
10.13	1996 Supplemental Stock Plan (Incorporated by reference to exhibit 10.16 to SmartForce'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)).
10.14	Letter Agreement between CBT Systems USA, Ltd. and William B. Lewis (Incorporated by reference to exhibit 10.18 to SmartForce'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)).
10.15	Applied Learning Limited Executive Option Plan (Incorporated by reference to exhibit 4.1 to SmartForce's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on April 16, 1997 (File No. 333-25245)).
10.16	Agreement dated November 21, 1997 between CBT Systems Limited and Clarion Worldwide Limited (Incorporated by reference to exhibit 10.21 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 as filed with the Securities and Exchange Commission on March 18, 1998 (File No. 0-25674)).
10.17	Lease Agreement dated April 6, 1998 between CBT Systems USA, Ltd. and SmartForce, as tenants, and Seaport Centre Associates, LLC, as landlord, for the facility located at 900 Chesapeake Drive, Redwood City, California 94063 (Incorporated by reference to exhibit 10.1 to SmartForce's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1998 as filed with the Securities and Exchange Commission on November 11, 1998).

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<u>Exhibit Number</u>	<u>Description</u>
10.18	Consulting Agreement dated January 30, 1998 between CBT Systems USA, Ltd. and Gregory M. Priest (Incorporated by reference to exhibit 10.1 to SmartForce's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1998 as filed with the Securities and Exchange Commission on May 13, 1998).
10.19	Agreement and Mutual Release dated June 3, 1998 between SmartForce and Jeffrey N. Newton (Incorporated by reference to exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1998 as filed with the Securities and Exchange Commission on August 13, 1998).
10.20	Agreement and Mutual Release dated February 11, 1998 between SmartForce and William A. Beamish (Incorporated by reference to exhibit 10.21 to SmartForce's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 as filed with the Securities and Exchange Commission on March 30, 1999 (File No. 0-25674)).
10.21	Employment Agreement effective as of June 18, 1999 between CBT Group PLC, CBT Systems USA, Ltd. and William G. McCabe. In addition to this employment agreement, Mr. McCabe provides certain other services to the Company under a consulting agreement between CBT Systems Ltd. and Clarion Worldwide Limited (Incorporated by reference to exhibit 10.21 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 as filed with the Securities and Exchange Commission on March 18, 1998 (File No. 0-25674)). (Incorporated by reference to exhibit 10.1 to SmartForce's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 as filed with the Securities and Exchange Commission on November 12, 1999 (File No. 0-25674)).
10.22	Employment Agreement effective as of June 18, 1999 between CBT Group PLC, CBT Systems USA, Ltd. and Gregory M. Priest. (Incorporated by reference to exhibit 10.2 to SmartForce's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 as filed with the Securities and Exchange Commission on November 12, 1999 (File No. 0-25674)).
10.23	Employment Agreement effective as of June 18, 1999 between CBT Group PLC, CBT Systems USA, Ltd. and William A. Beamish. In addition to this employment agreement, Mr. Beamish provides certain other services to the Company under a consulting agreement between CBT Systems Ltd. and Clarion Worldwide Limited (Incorporated by reference to exhibit 10.21 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 as filed with the Securities and Exchange Commission on March 18, 1998 (File No. 0-25674)). (Incorporated by reference to exhibit 10.3 to SmartForce's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 as filed with the Securities and Exchange Commission on November 12, 1999 (File No. 0-25674)).
10.24	Employment Agreement effective as of June 18, 1999 between CBT Group PLC, CBT Systems USA, Ltd. and William B. Lewis (Incorporated by reference to exhibit 10.4 to SmartForce's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 as filed with the Securities and Exchange Commission on November 12, 1999 (File No. 0-25674)).
10.25	Employment Agreement effective as of June 18, 1999 between CBT Group PLC, CBT Systems USA, Ltd. and Jeffrey N. Newton (Incorporated by reference to exhibit 10.5 to SmartForce's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 as filed with the Securities and Exchange Commission on November 12, 1999 (File No. 0-25674)).
10.26	2001 Outside Director Option Plan (Incorporated by reference to exhibit 10.1 to SmartForce'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. 0-25674)).
10.27(1)	Registration Rights Agreement dated June 10, 2002 between SmartForce and Warburg Pincus Ventures, L.P.

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<u>Exhibit Number</u>	<u>Description</u>
10.28(1)	SmartForce Option Agreement dated June 10, 2002 between SmartForce and SkillSoft Corporation.
10.29(1)	SkillSoft Option Agreement dated June 10, 2002 between SmartForce and SkillSoft Corporation.
23.1	Consent of Ernst & Young, Independent Auditors.
23.2	Consent of Binchys, Solicitors (included in opinion filed as Exhibit 5.1).
23.3	Consent of Wilson Sonsini Goodrich & Rosati, Professional Corporation (included in opinion filed as Exhibit 8.1).
23.4	Consent of Hale and Dorr LLP (included in opinion filed as Exhibit 8.2).
24.1	Power of Attorney (see page II-7).
99.1	Form of SmartForce PLC proxy card.
99.2	Form of SkillSoft Corporation proxy card.
99.3(a)	Consent of Person About to Become Director Charles E. Moran
99.3(b)	Consent of Person About to Become Director Stewart K.P. Gross
99.3(c)	Consent of Person About to Become Director William T. Coleman III
99.3(d)	Consent of Person About to Become Director P. Howard Edelstein
99.4	Consent of Credit Suisse First Boston Corporation.
99.5	Consent of Banc of America Securities LLC.

(1) Filed as an annex to the joint proxy statement/prospectus constituting a part of this registration statement and incorporated by reference herein.

(b) Financial statement schedules

Not applicable.

(c) Reports, opinions or appraisals

Opinions of Credit Suisse First Boston Corporation and Banc of America Securities (attached as Annexes B and C, respectively, to the joint proxy statement/prospectus filed as part of this registration statement).

Item 22. Undertakings

- (1) The undersigned Registrant hereby undertakes as follows: that prior to any public offering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the undersigned Registrant undertakes that such offering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.
- (2) The Registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (3) Insofar as the indemnification for liabilities arising under the Securities Act of 1933 may be permitted to Directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise,

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the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(4) The undersigned Registrant hereby undertakes to respond to requests for information that is incorporated by reference into the Prospectus pursuant to Items 4, 10(b), 11 or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(5) The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

(6) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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Patrick J. McDonagh

/s/ FERDINAND VON PRONZYNKI

Director

June 20, 2002

Ferdinand von Prondzynski

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