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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to _____
Commission File Number: 001-38960

Skillsoft Corp.

(Exact name of registrant as specified in its charter)

Delaware	**83-4388331**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

7887 E. Belleview Ave, Suite 600
Greenwood Village, Colorado 80111
(Address of principal executive offices) (Zip Code)

Tel: (603) 821-3902
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	SKIL	New York Stock Exchange
Warrants, each whole warrant exercisable for one share of Class A common stock	SKIL.WS	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☒	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of registrant's common stock outstanding as of September 6, 2023 was 160,862,599.

SKILLSOFT CORP.

FORM 10-Q
FOR THE QUARTER ENDED JULY 31, 2023
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CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Form 10-Q") includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created by those laws. All statements, other than statements of historical facts, that address activities, events or developments that we expect or anticipate may occur in the future, including such things as our outlook, our product development and planning, our pipeline, future capital expenditures, share repurchases, financial results, the impact of regulatory changes, existing and evolving business strategies and acquisitions and dispositions, demand for our services, competitive strengths, the benefits of new initiatives, growth of our business and operations, our ability to successfully implement our plans, strategies, objectives, expectations and intentions are forward-looking statements. Also, when we use words such as "may," "will," "would," "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "forecast," "seek," "outlook," "target," goal," "probably," or similar expressions, we are making forward-looking statements. Such statements are based upon the current beliefs and expectations of Skillsoft's management and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. All forward-looking disclosure is speculative by its nature, and we caution you against unduly relying on these forward-looking statements.

Factors that could cause or contribute to such differences include those described under "Part I - Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements included in the Annual Report and in our other periodic filings with the Securities and Exchange Commission. The forward-looking statements contained in this Form 10-Q represent our estimates only as of the date of this filing and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update these forward-looking statements in the future, we specifically disclaim any obligation to do so, whether to reflect actual results, changes in assumptions, changes in other factors affecting such forward-looking statements, or otherwise, except as required by law.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and therefore also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. Given the significant uncertainties inherent in the forward-looking statements included in this document, our inclusion of this information is not a representation or guarantee by us that our objectives and plans will be achieved. Annualized, pro forma, projected and estimated numbers are used for illustrative purposes only, are not forecasts and may not reflect actual results. Additionally, statements as to market share, industry data and our market position are based on the most current data available to us and our estimates regarding market position or other industry data included in this document or otherwise discussed by us involve risks and uncertainties and are subject to change based on various factors, including as set forth above.

PART I – FINANCIAL INFORMATION

ITEM 1. UNAUDITED FINANCIAL STATEMENTS.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except number of shares)

	July 31, 2023	January 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 147,927	$ 170,359
Restricted cash	4,918	7,197
Accounts receivable, net of allowance for credit losses of approximately $225 and $221 as of July 31, 2023 and January 31, 2023, respectively	110,499	183,592
Prepaid expenses and other current assets	49,014	44,596
Total current assets	312,358	405,744
Property and equipment, net	7,244	10,150
Goodwill	457,967	457,744
Intangible assets, net	667,875	738,066
Right of use assets	9,277	14,633
Other assets	23,353	16,350
Total assets	$ 1,478,074	$ 1,642,687
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 6,404	$ 6,404
Borrowings under accounts receivable facility	40,092	39,693
Accounts payable	14,139	18,338
Accrued compensation	24,587	34,325
Accrued expenses and other current liabilities	30,145	41,474
Lease liabilities	3,883	4,198
Deferred revenue	224,143	280,676
Total current liabilities	343,393	425,108
Long-term debt	579,639	581,817
Warrant liabilities	1,109	4,754
Deferred tax liabilities	68,123	73,976
Long-term lease liabilities	10,357	11,947
Deferred revenue - non-current	2,440	1,778
Other long-term liabilities	10,081	11,551
Total long-term liabilities	671,749	685,823
Commitments and contingencies		
Shareholders’ equity:		
Shareholders’ common stock- Class A common shares, $0.0001 par value: 375,000,000 shares authorized and 160,467,809 shares issued and outstanding at July 31, 2023, and 163,655,881 shares issued and outstanding at January 31, 2023	14	14
Additional paid-in capital	1,535,648	1,521,574
Accumulated deficit	(1,048,416)	(972,193)
Treasury shares	(10,891)	(2,845)
Accumulated other comprehensive income (loss)	(13,423)	(14,794)
Total shareholders’ equity	462,932	531,756
Total liabilities and shareholders’ equity	$ 1,478,074	$ 1,642,687

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022
Revenues:				
Total revenues	$ 141,187	$ 140,574	$ 276,741	$ 275,413
Operating expenses:				
Costs of revenues	40,467	34,998	78,291	73,008
Content and software development	17,863	19,693	34,898	36,026
Selling and marketing	40,411	41,848	86,338	81,410
General and administrative	25,085	26,367	50,381	55,711
Amortization of intangible assets	39,221	45,200	77,466	84,758
Impairment of goodwill and intangible assets	—	70,475	—	70,475
Acquisition-related costs	937	8,452	2,328	21,764
Restructuring	2,501	4,323	7,719	8,279
Total operating expenses	166,485	251,356	337,421	431,431
Operating income (loss)	(25,298)	(110,782)	(60,680)	(156,018)
Other income (expense), net	(934)	80	(1,309)	1,132
Fair value adjustment of warrants	793	6,846	3,645	16,952
Fair value adjustment of hedge instruments	6,935	(15,065)	7,205	(15,065)
Interest income	871	10	1,516	170
Interest expense	(16,255)	(11,470)	(32,191)	(23,007)
Income (loss) before provision for (benefit from) income taxes	(33,888)	(130,381)	(81,814)	(175,836)
Provision for (benefit from) income taxes	(1,889)	(3,065)	(6,273)	(25,402)
Income (loss) from continuing operations	(31,999)	(127,316)	(75,541)	(150,434)
Gain (loss) on sale of business	—	—	(682)	—
Income (loss) from discontinued operations, net of tax	—	5,817	—	7,292
Net income (loss)	$ (31,999)	$ (121,499)	$ (76,223)	$ (143,142)
Net income (loss) per share:				
Ordinary – Basic and diluted - continuing operations	$ (0.20)	$ (0.78)	$ (0.47)	$ (0.98)
Ordinary – Basic and diluted - discontinued operations	—	0.04	—	0.05
Ordinary – Basic and diluted	$ (0.20)	$ (0.74)	$ (0.47)	$ (0.93)
Weighted average common shares outstanding:				
Ordinary – Basic and diluted	160,098	164,089	160,836	153,442

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Comprehensive income (loss):				
Net income (loss)	$ (31,999)	$ (121,499)	$ (76,223)	$ (143,142)
Foreign currency adjustment, net of tax	496	(1,477)	1,371	(3,725)
Total comprehensive income (loss)	$ (31,503)	$ (122,976)	$ (74,852)	$ (146,867)

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except number of shares)

	Ordinary Shares							
	Number of Shares	In Treasury	Par Value	Additional Paid-in Capital	Accumulated Equity (Deficit)	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
Balance January 31, 2022	133,258,027	—	$ 11	$ 1,306,146	$ (247,229)	$ -	$ 970	$ 1,059,898
Share-based compensation	—	—	—	6,898	—	—	—	6,898
Common stock issued	179,167	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(51,316)	—	—	(309)	—	—	—	(309)
Common stock issued in connection with Codecademy acquisition	30,374,427	—	3	182,547	—	—	—	182,550
Fair value of share-based awards attributed to Codecademy acquisition	—	—	—	538	—	—	—	538
Translation adjustment	—	—	—	—	—	—	(2,248)	(2,248)
Net income (loss)	—	—	—	—	(21,643)	—	—	(21,643)
Balance April 30, 2022	163,760,305	—	14	1,495,820	(268,872)	—	(1,278)	1,225,684
Share-based compensation	—	—	—	10,017	—	—	—	10,017
Common stock issued	828,831	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(281,136)	—	—	(1,409)	—	—	—	(1,409)
Translation adjustment	—	—	—	—	—	—	(1,477)	(1,477)
Net income (loss)	—	—	—	—	(121,499)	—	—	(121,499)
Balance July 31, 2022	164,308,000	—	$ 14	$ 1,504,428	$ (390,371)	$ -	$ (2,755)	$ 1,111,316

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - continued
(in thousands, except number of shares)

	Ordinary Shares							
	Number of Shares	In Treasury	Par Value	Additional Paid-in Capital	Accumulated Equity (Deficit)	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
Balance January 31, 2023	165,286,156	(1,630,275)	$ 14	$ 1,521,574	$ (972,193)	$ (2,845)	$ (14,794)	$ 531,756
Share-based compensation	—	—	—	9,128	—	—	—	9,128
Common stock issued	450,767	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(162,628)	—	—	(289)	—	—	—	(289)
Repurchase of common stock	—	(4,365,255)	—	—	—	(8,046)	—	(8,046)
Translation adjustment	—	—	—	—	—	—	875	875
Net income (loss)	—	—	—	—	(44,224)	—	—	(44,224)
Balance April 30, 2023	165,574,295	(5,995,530)	14	1,530,413	(1,016,417)	(10,891)	(13,919)	489,200
Share-based compensation	—	—	—	5,827	—	—	—	5,827
Common stock issued	1,353,856	—	—	—	—	—	—	—
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(464,812)	—	—	(592)	—	—	—	(592)
Repurchase of common stock	—		—	—	—	—	—	—
Translation adjustment	—	—	—	—	—	—	496	496
Net income (loss)	—	—	—	—	(31,999)	—	—	(31,999)
Balance July 31, 2023	166,463,339	(5,995,530)	$ 14	1,535,648	$ (1,048,416)	$ (10,891)	$ (13,423)	$ 462,932

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022
Cash flows from operating activities:		
Net income (loss)	$ (76,223)	$ (143,142)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Share-based compensation	14,955	16,915
Depreciation and amortization	2,761	3,897
Amortization of intangible assets	77,466	91,103
Provision for credit loss expense (recovery)	4	113
Provision for (benefit from) income taxes – non-cash	(6,913)	(36,535)
Non-cash interest expense	1,024	1,053
Non-cash lease and property and equipment impairment charges	4,808	—
(Gain) loss on sale of business	682	—
Fair value adjustment to warrants	(3,645)	(16,952)
Impairment of goodwill	-	70,475
Unrealized (gain) loss on derivative instrument	(7,205)	15,065
Change in assets and liabilities, net of effects from acquisitions:		
Right-of-use assets	145	1,977
Accounts receivable	73,172	82,783
Prepaid expenses and other current assets	(520)	(7,492)
Accounts payable	(4,241)	(2,559)
Accrued expenses, including long-term	(17,379)	(23,066)
Lease liabilities	(1,081)	96
Deferred revenues	(55,825)	(66,734)
Net cash provided by (used in) operating activities	1,985	(13,003)
Cash flows from investing activities:		
Purchase of property and equipment	(3,406)	(3,528)
Internally developed software - capitalized costs	(5,951)	(5,721)
Sale of SumTotal, net of cash transferred	(5,137)	—
Acquisition of Codecademy, net of cash received	—	(198,633)
Net cash used in investing activities	(14,494)	(207,882)
Cash flows from financing activities:		
Shares repurchased for tax withholding upon vesting of restricted stock-based awards	(881)	(1,718)
Payments to acquire treasury stock	(8,046)	—
Proceeds from issuance of term loans, net of fees	—	157,088
Proceeds from accounts receivable facility, net of borrowings	399	(39,154)
Principal payments on Term loans	(3,202)	(3,202)
Net cash provided by (used in) financing activities	(11,730)	113,014
Effect of exchange rate changes on cash and cash equivalents	(472)	(4,646)
Net increase (decrease) in cash, cash equivalents and restricted cash	(24,711)	(112,517)
Cash, cash equivalents and restricted cash, beginning of period	177,556	168,923
Cash, cash equivalents and restricted cash, end of period	$ 152,845	$ 56,406
Supplemental disclosure of cash flow information:		
Cash and cash equivalents	$ 147,927	$ 43,344
Restricted cash	4,918	5,300
Cash attributable to discontinued operations	—	7,762
Cash, cash equivalents and restricted cash, end of period	$ 152,845	$ 56,406

The accompanying notes are an integral part of these condensed consolidated financial statements.

SKILLSOFT CORP.
UNAUDITED SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION
(in thousands)

	Six Months Ended July 31,	
	2023	2022
Supplemental disclosure of cash flow information and non-cash investing and financing activities:		
Cash paid for interest	$ 32,804	$ 21,347
Cash paid (received) for income taxes, net of refunds	5,111	1,256
Unpaid capital expenditures	—	57
Shares issued in connection with business combination	—	182,550

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Description of Business and Basis of Presentation

Description of Business

The combined company operates as Skillsoft Corp. ("Skillsoft", "we", "us", "our" and the "Company") and has been listed on the New York Stock Exchange under the ticker symbol "SKIL" since June 14, 2021. Through a portfolio of high-quality content, a platform that is personalized and connected to customer needs, and a broad ecosystem of partners, Skillsoft drives continuous growth and performance for employees and their organizations by overcoming critical skills gaps, unlocking human potential, and transforming the workforce. With more than 150,000 expert-led skills-building courses in modalities ranging from video and audio to instructor-led training and practice labs, Skillsoft offers transformative learning experiences for leaders to frontline workers, readers to hands-on learners.

References in the accompanying footnotes to the Company's fiscal year refer to the fiscal year ended January 31 of that year (e.g., fiscal 2023 is the fiscal year ended January 31, 2023).

Basis of Financial Statement Preparation

The accompanying condensed consolidated financial statements include the accounts of Skillsoft and its wholly owned subsidiaries. These financial statements are unaudited. However, in the opinion of management, the condensed consolidated financial statements reflect all normal and recurring adjustments necessary for their fair statement. Interim results are not necessarily indicative of results expected for any other interim period or a full year. We prepared the accompanying unaudited condensed consolidated financial statements in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X and, therefore, include all information and footnotes necessary for a complete presentation of operations, comprehensive income (loss), financial position, changes in shareholders' equity (deficit) and cash flows in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The financial statements contained in these interim financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

The Company is an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the "JOBS" Act"), and has and may in the future take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from our estimates.

(2) Summary of Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 2—Summary of Significant Accounting Policies to the financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2023 and should be read in connection with the reading of these interim unaudited financial statements.

(3) Business Combination

Ryzac, Inc. ("Codecademy")

On April 4, 2022, the Company acquired Ryzac, Inc. ("Codecademy"). Codecademy is a learning platform providing high-demand technical skills to approximately 40 million registered learners in nearly every country worldwide. The platform offers interactive, self-paced courses and hands-on learning in 14 programming languages across multiple domains such as application development, data science, cloud and cybersecurity.

The acquisition was accounted for as a business combination under ASC 805, Business Combinations, utilizing the acquisition method. Under the acquisition method, the acquisition date fair value of the consideration paid by the Company was allocated to the assets acquired and the liabilities assumed based on their estimated fair values.

The following summarizes the purchase consideration (in thousands):

Description	Amount
Cash payments	$ 202,119
Class A common stock issued	182,550
Cash settlement of seller transaction costs and other	1,315
Total purchase price	$ 385,984

The Company recorded the fair value of the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed as follows (in thousands):

Description	Final Purchase Price Allocation
Cash, cash equivalents and restricted cash	$ 4,053
Current assets	3,671
Property and equipment	385
Intangible assets	119,000
Total assets acquired	127,109
Current liabilities	(6,166)
Deferred revenue	(18,396)
Deferred tax liabilities	(21,621)
Total liabilities assumed	(46,183)
Net assets acquired	80,926
Goodwill	305,058
Total purchase price	$ 385,984

The values allocated to identifiable intangible assets and their estimated useful lives are as follows (in thousands):

Description	Amount	Life (in years)
Trade name	$ 44,000	13.8
Developed technology	43,000	5.0
Content	17,000	5.0
Customer relationships	15,000	5.8
Total	$ 119,000	

Values and useful lives assigned to intangible assets were based on estimated value and use of these assets by a market participant. The customer relationships were valued using the income approach. The trade name was valued using the relief from royalty method. The courseware and proprietary delivery software were valued using the replacement cost approach.

Goodwill represents the excess of the purchase price over the net identifiable tangible and intangible assets acquired. The Company determined that the acquisition of Codecademy resulted in the recognition of goodwill primarily because the acquisition is expected to help the Company to meet its long-term operating profitability objectives through achievement of synergies. The majority of goodwill is not deductible for tax purposes.

In the three and six months ended July 31, 2022, the Company incurred $2.5 million and $7.7 million, respectively, in acquisition-related costs, which primarily consisted of transaction fees and legal, accounting, and other professional services. These costs are included in the "acquisition-related costs" in the accompanying condensed consolidated statements of operations.

Unaudited Pro Forma Financial Information

The unaudited pro forma financial information below is presented in accordance with Regulation S-X, Article 11 to enhance comparability for all periods by including operating results for Codecademy as if the merger had closed on February 1, 2022 (in thousands):

	Unaudited Pro Forma Statement of Operations Three Months Ended July 31, 2022	Unaudited Pro Forma Statement of Operations Six Months Ended July 31, 2022
Revenue	$ 140,574	$ 283,471
Net loss from continuing operations	(116,984)	(161,375)

The unaudited pro forma financial information does not assume any impacts from revenue, cost, or other operating synergies that could be generated as a result of the acquisition. The unaudited pro forma financial information is for informational purposes only and is not necessarily indicative of the results of operations that would have been achieved had the acquisition been consummated on February 1, 2022. The unaudited pro forma financial information includes adjustments to reflect intangible asset amortization based on the economic values derived from definite-lived intangible assets and interest expense on the new debt financing. The pro forma results of operations also exclude acquisition-related costs other than the transaction costs specific to the business combination occurring in April 2022. These transaction costs are presented as if they occurred in February 2022.

(4) Discontinued Operations

On June 12, 2022, Skillsoft entered into a Stock Purchase Agreement (the “Purchase Agreement”), by and among Skillsoft, Skillsoft (US) Corporation (“Seller”), Amber Holding Inc. (“SumTotal”), and Cornerstone OnDemand, Inc. (“Buyer”), pursuant to which, subject to the certain terms and conditions contained therein, Seller agreed to sell, and Buyer agreed to purchase, all of Seller’s right, title and interest in and to one hundred percent (100%) of the outstanding shares of capital stock of SumTotal. The sale was completed on August 15, 2022. Net proceeds from the sale were $174.9 million, after final working capital adjustments in April 2023.

In connection with the sale, the parties to the Purchase Agreement entered into certain other agreements, including a transition services agreement pursuant to which each of Seller and Buyer agreed to provide the other party with certain transition services for a limited period following the closing.

The Company determined that the sale of the SumTotal business met the criteria to be classified as discontinued operations, and its assets and liabilities held for sale, as of June 12, 2022. Accordingly, the Company classified the assets and liabilities of the discontinued operations as held for sale in its consolidated balance sheets at the lower of carrying amount or fair value less cost to sell. Classification for the assets and liabilities in comparative periods retained their previous classification as current or long-term. No losses were recognized upon classification of the discontinued operations' assets and liabilities as held for sale. Depreciation and amortization ceased on assets classified as held for sale. The operating results of SumTotal are reported as discontinued operations, for all periods presented, as the disposition reflects a strategic shift that has, or will have, a major effect on the Company’s operations and financial results.

The financial results of SumTotal are presented as Income from discontinued operations, net of tax in our condensed consolidated statements of operations. The following presents financial results of SumTotal for the three and six months ended July 31, 2022 in our condensed consolidated statements of operations (in thousands):

	Three Months Ended July 31, 2022	Six Months Ended July 31, 2022
Revenues:		
Total revenues	$ 27,453	$ 56,528
Operating expenses:		
Costs of revenues	8,152	17,776
Content and software development	4,849	11,289
Selling and marketing	5,385	10,707
General and administrative	289	663
Amortization of intangible assets	2,049	6,345
Acquisition-related costs	422	553
Restructuring	172	201
Total operating expenses	21,318	47,534
Operating income from discontinued operations	6,135	8,994
Other income (expense), net	507	458
Interest income	6	12
Interest expense	(576)	(1,320)
Income (loss) from discontinued operations before income taxes	6,072	8,144
Provision for (benefit from) income taxes	255	852
Net income (loss) from discontinued operations	$ 5,817	$ 7,292

In addition, the amounts described in other footnotes within these condensed consolidated financial statements have been updated to reflect the amounts applicable to continuing operations, unless otherwise noted.

(5) Intangible Assets

Intangible assets consisted of the following (in thousands):

	July 31, 2023			January 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed software/ courseware	$ 379,281	$ 164,242	$ 215,039	$ 374,057	$ 123,219	$ 250,838
Customer contracts/ relationships	338,313	64,945	273,368	336,182	42,026	294,156
Vendor relationships	40,439	37,864	2,575	39,887	36,666	3,221
Trademarks and trade names	44,000	3,202	40,798	44,000	1,454	42,546
Publishing rights	41,100	17,559	23,541	41,100	13,449	27,651
Backlog	49,700	39,360	10,340	49,700	32,780	16,920
Skillsoft trademark	84,700	—	84,700	84,700	—	84,700
Global Knowledge trademark	23,403	5,889	17,514	23,080	5,046	18,034
Total intangible assets	$ 1,000,936	$ 333,061	$ 667,875	$ 992,706	$ 254,640	$ 738,066

Amortization expense related to the existing finite-lived intangible assets is expected to be as follows (in thousands):

For fiscal years ended January 31:	Amortization Expense
2024 (six months remaining)	$ 75,353
2025	132,178
2026	128,356
2027	81,756
2028	41,957
Thereafter	123,575
Total future amortization	$ 583,175

Amortization expense related to intangible assets in the aggregate was $39.2 million, $77.5 million, $45.2 million and $84.8 million for the three and six months ended July 31, 2023 and the three and six months ended July 31, 2022, respectively.

Impairment Review Requirements

The Company reviews intangible assets subject to amortization if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in remaining useful life. The Company reviews indefinite lived intangible assets, including goodwill, on the annual impairment test date (January 1) or more frequently if there are indicators of impairment.

In connection with the impairment evaluation, the Company may first consider qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. Performing a quantitative goodwill impairment test is not necessary if an entity determines based on this assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company fails or elects to bypass the qualitative assessment, the goodwill impairment test must be performed. This test requires a comparison of the carrying value of the reporting unit to its estimated fair value. If the carrying value of a reporting unit's goodwill exceeds its fair value, an impairment loss equal to the difference is recorded, not to exceed the amount of goodwill allocated to the reporting unit. In determining reporting units, the Company first identifies its operating segments, and then assesses whether any components of these segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component.

The Company completed the qualitative assessment discussed above for the six months ended July 31, 2023 and concluded that there were not indicators of impairment for our reporting units.

A roll forward of goodwill is as follows:

Description	Content & Platform	Instructor-Led Training	Consolidated
Goodwill, net January 31, 2023	$ 417,340	$ 40,404	$ 457,744
Foreign currency translation adjustment	(635)	858	223
Goodwill, net July 31, 2023	$ 416,705	$ 41,262	$ 457,967

As of July 31, 2023, there was $569.3 million and $72.1 million of accumulated impairment losses for the Content & Platform (formerly referred to as Skillsoft Content) and Instructor-Led Training (formerly referred to as Global Knowledge) segments, respectively.

If current discount rates rise or if relevant market-based inputs for our impairment assessment worsen during the remainder of fiscal 2024, and if our stock price and market capitalization remain at current levels for a prolonged period of time, we will need to reassess intangible impairment at the end of each quarter. Subsequent reviews of goodwill and intangibles could result in impairment during fiscal 2024. Factors that could result in an impairment include, but are not limited to, the following:

- Prolonged period of our estimated fair value of our reporting units exceeding our market capitalization;
- Lower expectations for future profitability of bookings or EBITDA, which in part, could be impacted by legislative, regulatory or tax changes that affect the cost of, or demand for, products and services as well as the loss of key personnel;
- Deterioration in key assumptions used in our income approach estimates of fair value, such as higher discount rates from higher stock market volatility; and
- Valuations of significant mergers or acquisitions of companies that provide relevant market-based inputs for our impairment assessment that could support less favorable conclusions regarding the estimated fair value of our reporting units.

(6) Taxes

For the three and six months ended July 31, 2023, the Company recorded a tax benefit on continuing operations of $1.9 million and $6.3 million, respectively, on a pretax loss of $33.9 million and $82.5 million, respectively. The tax benefit reflects the impact of non-deductible items, current period changes in the Company's valuation allowance on its deferred tax assets and the impact of foreign rate differential.

For the three and six months ended July 31, 2022, the Company recorded a tax benefit on continuing operations of $3.1 million and $25.4 million, respectively, on a pretax loss of $130.4 million and $175.8 million, respectively. The tax benefit reflects the impact of non-deductible items, current period changes in the Company's valuation allowance on its deferred tax assets and the impact of foreign rate differential.

(7) Restructuring

In connection with strategic initiatives implemented during the three and six months ended July 31, 2023 and July 31, 2022, the Company's management approved and initiated plans to reduce its cost structure and better align operating expenses with existing economic conditions and the Company's operating model. The Company recorded restructuring charges of $2.5 million and $7.7 million during the three and six months ended July 31, 2023, respectively, and $4.3 million and $8.3 million for the three and six months ended July 31, 2022, respectively. These restructuring charges are presented separately in the accompanying condensed consolidated statements of operations and include primarily the severance costs of terminated employees and lease termination and lease impairment charges.

(8) Leases, Commitments and Contingencies

The Company's lease portfolio includes office space, training centers, and vehicles to support its research and development activities, sales operations and other corporate and administrative functions in North America, Europe and Asia. The Company's leases have remaining terms of one year to ten years. Some of the Company's leases include options to extend or terminate the lease prior to the end of the agreed upon lease term. For purposes of calculating lease liabilities, lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options.

Operating lease right-of-use ("ROU") assets and liabilities are recognized based on the present value of the future minimum lease payments over the expected lease term. As the Company's operating leases generally do not provide an implicit rate, the Company uses an estimated incremental borrowing rate in determining the present value of future payments. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at the acquisition date to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease within a particular location and currency environment. The weighted average incremental borrowing rate for its operating leases as of July 31, 2023 and January 31, 2023 was 5.8% and 5.5%, respectively.

The operating leases are included in the captions "Right of use assets", "Lease liabilities", and "Long-term lease liabilities" on the Company's condensed consolidated balance sheets as of July 31, 2023 and January 31, 2023. The weighted-average remaining lease term of the Company's operating leases is 6.1 years as of July 31, 2023. Lease costs for minimum lease payments are recognized on a straight-line basis over the lease term. The lease costs were $2.9 million and related cash payments were $1.4 million for the six months ended July 31, 2023. The lease costs were $3.7 million and related cash payments were $4.2 million for the six months ended July 31, 2022. Lease costs are included within the content and software development, selling and marketing, and general and administrative lines on the condensed consolidated statements of operations, and the operating leases related cash payments were included in the operating cash flows and the finance leases related cash payments were included in the financing cash flows on the condensed consolidated statements of cash flows. Short-term lease costs and variable lease costs are not material.

See Note 7 for discussion related to restructuring charges associated with lease termination and lease impairment charges.

The below reconciles the undiscounted future minimum lease payments under non-cancellable leases to the total lease liabilities recognized on the condensed consolidated balance sheets as of July 31, 2023:

Fiscal Year Ended January 31 (in thousands):	**Operating Leases**
2024 (six months remaining)	$ 2,492
2025	3,705
2026	2,469
2027	2,337
2028	1,548
Thereafter	4,198
Total future minimum lease payments	16,749
Effects of discounting	(2,509)
Total lease liabilities	$ 14,240
Current lease liabilities	$ 3,883
Long-term lease liabilities	10,357
Total lease liabilities	$ 14,240

Litigation

The Company is, from time to time, party to general legal proceedings and claims, which arise in the ordinary course of business including those relating to commercial and contractual disputes, employment matters, intellectual property, and other business matters. When appropriate, management consults with legal counsel and other appropriate experts to assess claims. If, in management's opinion, we have incurred a probable loss as determined in accordance with GAAP, an estimate is made of the loss and the appropriate accrual is reflected in our condensed consolidated financial statements. Currently, there are no material amounts accrued. While it is not possible to quantify the financial impact or predict the outcome of all pending claims and litigation, management does not anticipate that the outcome of any current proceedings or known claims, either individually or in aggregate, will materially affect the Company's financial position, results of operations or cash flows.

Guarantees

The Company's software license arrangements and hosting services are typically warranted to perform in a manner consistent with general industry standards that are reasonably applicable and substantially in accordance with the Company's product documentation under normal use and circumstances. The Company's arrangements also include certain provisions for indemnifying customers against liabilities if its products or services infringe a third party's intellectual property right. The Company has entered into service level agreements with some of its hosted application customers warranting certain levels of uptime reliability and such agreements permit those customers to receive credits against monthly hosting fees or terminate their agreements in the event that the Company fails to meet those levels for an agreed upon period of time.

To date, the Company has not incurred any material costs as a result of such indemnifications or commitments and has not accrued any liabilities related to such obligations in the accompanying condensed consolidated financial statements.

(9) Long-Term Debt

Debt consisted of the following (in thousands):

	July 31, 2023	January 31, 2023
Term Loan - current portion	$ 6,404	$ 6,404
Current maturities of long-term debt	6,404	6,404
Term Loan - long-term portion	591,399	594,601
Original issue discount - long-term portion	(7,622)	(8,286)
Deferred financing costs - long-term portion	(4,138)	(4,498)
Long-term debt	$ 579,639	$ 581,817

On July 16, 2021, Skillsoft Finance II, Inc. ("Skillsoft Finance II"), a subsidiary of Skillsoft Corp., entered into a Credit Agreement (the "Credit Agreement"), by and among Skillsoft Finance II, as borrower, Skillsoft Finance I, Inc., as holdings ("Holdings"), the lenders party thereto and Citibank, N.A., as administrative agent and collateral agent, pursuant to which the lenders provided a $480 million term loan facility (the "Term Loan Facility") to Skillsoft Finance II, the proceeds of which, together with cash on hand, were used to refinance existing debt. The Term Loan Facility is scheduled to mature on July 16, 2028 (the "Maturity Date").

In connection with the closing of the Codecademy acquisition, Skillsoft Finance II entered into Amendment No. 1 to the Credit Agreement, dated as of April 4, 2022 (the "First Amendment"), among Skillsoft Finance II, Holdings, certain subsidiaries of Skillsoft Finance II, as guarantors, Citibank N.A., as administrative agent, and the financial institutions party thereto as Term B-1 Lenders, which amended the Credit Agreement (as amended by the First Amendment, the "Amended Credit Agreement").

The First Amendment provides for the incurrence of up to $160 million of Term B-1 Loans (the "Term B-1 Loans") under the Amended Credit Agreement. In addition, the First Amendment, among other things, (a) provides for early opt-in to Secured Overnight Financing Rate ("SOFR") for the existing term loans under the Credit Agreement (such existing term loans together with the Term B-1 Loans, the "Initial Term Loans") and (b) provides for the applicable margin for the Initial Term Loans at 4.25% with respect to base rate borrowings and 5.25% with respect to SOFR borrowings.

The Company received $153.2 million of net proceeds (net of $4.0 million of financing costs and $2.8 million of original issuance discounts) from the Term Loan Facility on April 4, 2022. The Company used the net proceeds and cash on hand for the closing of the Codecademy acquisition on April 4, 2022.

The refinancing was accounted for as a modification for certain lenders and an extinguishment for other lenders and debt issuance costs and lender fees were accounted for in proportion to whether the related principal balance was considered modified or extinguished. Accordingly, both newly incurred and deferred financing costs and original issuance discounts of $0.1 million and $2.8 million, respectively, will be amortized as additional interest expense over the term of the Initial Term Loans.

Prior to the maturity thereof, the Initial Term Loans will be subject to quarterly amortization payments of 0.25% of the principal amount.

On August 15, 2022, pursuant to the Purchase Agreement entered on June 12, 2022 by and among Skillsoft, Skillsoft (US) Corporation ("Seller"), Amber Holding Inc. ("SumTotal"), and Cornerstone OnDemand, Inc. ("Buyer"), Seller completed the sale of one hundred percent (100%) of the outstanding shares of capital stock of SumTotal to Buyer. As a result of the asset sale, the Company made a mandatory prepayment of $31.4 million to the lenders in August 2022. The remaining net cash proceeds attributable to the sale of SumTotal were subject to reinvestment provisions and could not be used for general corporate purposes. As defined in the Amended Credit Agreement, no additional repayment was required.

All obligations under the Amended Credit Agreement, and the guarantees of those obligations (as well as certain cash management obligations and interest rate hedging or other swap agreements), are secured by substantially all of Skillsoft Finance II's personal property as well as the assets of each subsidiary guarantor.

Amounts outstanding under the Term Loan Facility bear interest, at the option of Skillsoft Finance II, at a rate equal to (a) SOFR (subject to a floor of 0.75%) plus a credit premium based on the tenor of the interest period plus 5.25% for SOFR Loans or (b) the highest of (i) the Federal Funds Effective Rate plus 10.50%, (ii) the "prime rate" quoted by the administrative agent, (iii) Adjusted Term SOFR plus 1.00% and (iv) 1.75%, plus 3.75% for alternative base rate loans. As of July 31, 2023, the balance of $597.8 million of Initial Term Loans bears interest at a rate equal to SOFR plus a credit premium of 0.11% plus a spread of 5.25%, per annum, with a SOFR floor of 0.75%, and quarterly principal repayments of $1.6 million until maturity.

Voluntary prepayment is permitted under the Term Loan Facility. Loan parties are subject to various affirmative and negative covenants and reporting obligations under the Amended Credit Agreement. These include, among other things, limitations on indebtedness, liens, sale and leaseback transactions, investments, fundamental changes, assets sales, restricted payments, affiliate transactions, and restricted debt payments. Events of default under the Term Loan Facility include non-payment of amounts due to the lenders, violation of covenants, materially incorrect representations, defaults under other material indebtedness, judgments and specified insolvency-related events, certain ERISA events, and invalidity of loan or collateral documents, subject to, in certain instances, specified thresholds, cure periods and exceptions. As of July 31, 2023, the Company is in compliance with all covenants.

The Company's debt outstanding as of July 31, 2023 matures as shown below (in thousands):

For fiscal years ended January 31:		
2024 (six months remaining)	$	3,202
2025		6,404
2026		6,404
2027		6,404
2028		6,404
Thereafter		568,985
Total payments		597,803
Current portion		(6,404)
Unamortized original issue discount and issuance costs		(11,760)
Long-term portion	$	579,639

Accounts Receivable Facility

On December 20, 2018, the Company entered into a $75.0 million receivables credit agreement, with a termination date of the earliest of 5 years from closing or 45 days before the revolving credit facility maturity or 180 days before the maturity of any term indebtedness greater than $75 million. There are four classes of available receivables with advance rates between 50.0% and 85.0%. The lenders require the Company to deposit receipts from pledged receivables to a restricted concentration account. Cash collected against receivables pledged as collateral for borrowings must be transferred to the restricted concentration account within two business days of receipt by the Company. The Company accounts for these transactions as borrowings, as the assets pledged contain the rights to future revenues. Under these agreements, the Company receives the net present value of the accounts receivable balances used to calculate the borrowing base. The interest rate on borrowings outstanding under these agreements was 8.43% at July 31, 2023. Borrowings and repayments under these agreements are presented as cash flows from financing activities in the accompanying unaudited condensed consolidated statements of cash flows.

On September 19, 2019, the Company amended the receivables credit agreement to include Class "B" lending. This increased the facility borrowing capacity up to $90.0 million. In conjunction with this, it increased the advance rate to 95% across the four classes of available receivables. All other terms and conditions remained materially the same.

On August 27, 2020, the Company amended its accounts receivable facility. In connection with the amendment, additional capacity under the previous accounts receivable facility which had been extended by the private equity sponsor of the Company's prior owner was eliminated, reducing the maximum capacity of the facility from $90 million to $75 million. The advance rate was also reduced from 90% to between 50.0% and 85.0% based on the class categorization of the receivable. The maturity date for the remaining $75 million facility was extended to the earlier of (i) December 27, 2024 or (ii) 90 days prior to the maturity of any corporate debt. The Company submits a monthly reconciliation on each month's settlement date detailing what was collected from the prior month's borrowing base and what additional receivables are being pledged during the new borrowing base period to replenish them. If additional receivables are pledged to replenish receipts, the funds from the concentration account will be returned to the Company by the administrative agent. The reserve balances were $3.9 million at July 31, 2023 and are classified as restricted cash on the balance sheet. As of July 31, 2023, $40.1 million was drawn from our accounts receivable facility.

(10) Shareholders' Equity

Common Stock

As of July 31, 2023, the Company's authorized share capital consisted of 375,000,000 shares of Class A common stock and 10,000,000 shares of preferred stock, with a par value $0.0001 each, and 160,467,809 shares of Class A common stock were issued and outstanding. As of July 31, 2023, the Company had no shares of Class C common stock outstanding. The number of authorized shares of Class A common stock or preferred stock authorized for issuance may be increased by the affirmative vote of the holders of a majority in voting power of the Company's capital stock entitled to vote thereon. Except as required by law, holders of shares of Class C common stock are not entitled to vote any such shares.

Subject to applicable law, the Company may declare dividends to be paid ratably to holders of Class A common stock out of the Company's assets that are legally available to be distributed as dividends in the discretion of the Company's board of directors. Holders of Class C common stock are generally not entitled to dividends.

Warrants

Refer to Note 11, for information related to the equity classified warrants.

Share Repurchases and Repurchase Authorization

On September 7, 2022, the Board of Directors authorized Skillsoft to repurchase up to $30.0 million of its Class A common stock, which expired September 7, 2023. Under the program, the Company was authorized to purchase shares in the open market, in private negotiated transactions, or by other means from time to time. The share repurchase program did not obligate the Company to purchase any minimum number of shares. Under the program, the Company repurchased 4,365,255 of its shares for $8.0 million during the six months ended July 31, 2023. From inception through the quarter ended July 31, 2023, we repurchased 5,995,530 of our shares for $10.9 million.

Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss) associated with foreign currency translation adjustments (in thousands) consisted of the following:

	Three Months Ended July 31,					
	2023			2022		
	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Balance as of beginning-of-period	$ (13,919)	$ —	$ (13,919)	$ (1,278)	$ —	$ (1,278)
Translation adjustment	496	—	496	(1,477)	—	(1,477)
Balance as of end-of-period	$ (13,423)	$ —	$ (13,423)	$ (2,755)	$ —	$ (2,755)

	Six Months Ended July 31,					
	2023			2022		
	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Balance as of beginning-of-period	$ (14,794)	$ —	$ (14,794)	$ 970	$ —	$ 970
Translation adjustment	1,371	—	1,371	(3,725)	—	(3,725)
Balance as of end-of-period	$ (13,423)	$ —	$ (13,423)	$ (2,755)	$ —	$ (2,755)

(11) Warrants

In connection with the formation of the Company and subsequent acquisitions of Software Luxembourg Holdings S.A. and Albert DE Holdings Inc., warrants to purchase common stock were issued to investors, sellers of Albert DE Holdings Inc. and an executive of the Company. Warrants that are not subject to ASC 718, Stock Compensation and (i) contained features that could cause the warrant to be puttable to the Company for cash or (ii) had terms that prevented the conversion of the warrant from being fixed in all circumstances, are classified as a liability on the Company's balance sheet and measured at fair value, with changes in fair value being recorded in the income statement, whereas all other warrants meet the equity scope exception and are classified as equity and not remeasured.

A summary of liability classified warrants is as follows (in thousands, except per share amounts):

Type	Underlying Common Shares	Strike Price	Redemption Price	Expiration Date	Fair Value at July 31, 2023
Private Placement Warrants – Sponsor	15,846	$ 11.50	None	6/11/2026	$ 1,109

Simultaneously with the closing of the initial public offering, Churchill Capital (the "Sponsor") purchased an aggregate of 15,800,000 Private Placement Warrants. An additional 1,500,000 warrants were issued at the closing of the business combination with Software Luxembourg Holding S.A. on June 11, 2021 in connection with the repayment of a promissory note due to the Sponsor. One million of the Private Placement Warrants were transferred to the incoming CEO as described below. These warrants held by the Sponsor include provisions that provide for potential changes to the settlement amounts on redemptions and were dependent upon the characteristics of the holder of the warrant. As of July 31, 2023, 453,596 Private Placement Warrants had been transferred to public holders (included in "Public Warrants" in the table below). Because the holder of the instrument is not an input into the pricing of a fixed-for-fixed option on equity shares, the warrants are precluded from being indexed to the entity's stock and are classified as a liability measured at fair value, with changes in fair value each period reported in earnings.

A summary of equity classified warrants is as follows (in thousands, except per share amounts):

Type	Underlying Common Shares	Strike Price	Redemption Price	Expiration Date
Public Warrants	23,454	$ 11.50	$ 18.00	6/11/2026
Private Placement Warrants (PIPE)	16,667	11.50	18.00	6/11/2026
Private Placement Warrants (Global Knowledge)	5,000	11.50	None	10/12/2025
Private Placement Warrants (CEO)	1,000	11.50	None	6/11/2026
Total	46,121			

A description of each category of warrants issued and outstanding is as follows:

- *Public Warrants* – Pursuant to the initial public offering, the Company sold units that consisted of one share of Class A common stock and one-third of one redeemable warrant (“Public Warrants”), resulting in the issuance of 23,000,000 warrants. Prior to the business combination with Software Luxembourg Holding S.A. on June 11, 2021 (the “Skillsoft Merger"), Churchill Capital Corp II had classified these warrants as liabilities due to tender offer provisions which state that in the event of a tender or exchange offer made to and accepted by holders of more than 50% of the outstanding shares of a single class of common stock, all holders of the warrants would be entitled to receive cash for their warrants. Accordingly, there were potential scenarios outside the control of the Company (which had more than one class of outstanding common stock prior to the Skillsoft Merger), where all warrant holders would be entitled to cash, while only certain holders of the underlying shares of common stock would be entitled to cash, requiring the warrants to be classified as a liability measured at fair value, with changes in fair value reported each period in earnings. Upon the completion of the Skillsoft Merger on June 11, 2021, when only one class of voting shares remained outstanding, the warrants met equity classification criteria as net cash settlement can only be triggered in circumstances in which the holders of the shares underlying the contract also would receive cash in the event of a fundamental change in the ownership of the Company, such as a change in control. Accordingly, the fair value of the warrants was transferred to equity and cumulative losses recognized from changes in fair value remain in the Company’s accumulated deficit balance. During the three and six months ended July 31, 2023, there was no activity related to the Private Placement Warrants or Public Warrants.
- *Private Placement Warrants (PIPE)* – In connection with the second step investment made by the anchor PIPE investor, 16,666,667 warrants were issued to a PIPE investor to purchase Class A common stock. The PIPE Private Placement Warrants are issued in the same form as the Public Warrants.
- *Private Placement Warrants (Global Knowledge)* – Upon completion of the acquisition of Albert DE Holdings Inc. (the "Global Knowledge Merger"), 5,000,000 warrants were issued to the former owner of Global Knowledge. These warrants are similar to the Private Placement Warrants except the warrants are not subject to the redemption provisions described below if transferred.
- *Private Placement Warrants (CEO)* - Effective at the closing of the Skillsoft Merger and Global Knowledge Merger, the Sponsor committed to transfer 1,000,000 fully vested Private Placement Warrants to the CEO pursuant to his employment agreement with the Company. The warrants are subject to ASC 718, Stock Compensation.

Public Warrants and PIPE Private Placement Warrants (hereinafter referred to as “Redeemable Warrants”) are currently exercisable and may only be exercised for a whole number of shares. The Company may redeem these warrants:

- in whole and not in part;
- at a price of $0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption;
- if, and only if, the reported last sale price of the Company’s common stock equals or exceeds $18.00 per share for any 20 trading days within a 30-trading day period ending on the third business day prior to the notice of redemption to the warrant holders; and
- if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying the warrants.

If and when the warrants become redeemable by the Company, the Company may exercise its redemption right even if it is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

If the Company calls the Redeemable Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a “cashless basis,” as described in the warrant agreement. The exercise price and number of shares of Class A common stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuance of Class A common stock at a price below their exercise price. Additionally, in no event will the Company be required to net cash settle the warrants.

The Sponsor and CEO Private Placement Warrants have the same terms as the Public Warrants, except they will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Sponsor Private Placement Warrants are transferred to someone other than the initial purchasers or their permitted transferees, they will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants. The Global Knowledge Private Placement Warrants are not redeemable, even upon a transfer in ownership.

(12) Stock-based compensation

Equity Incentive Plans

In June 2021, Skillsoft Corp adopted the 2020 Omnibus Incentive Plan (“2020 Plan”). The 2020 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, other equity-based awards, and cash-based incentive awards to employees, directors, and consultants of the Company. Under the 2020 Plan, 13,105,902 shares were initially made available for issuance. The 2020 Plan includes an annual increase on January 1 each year beginning on January 1, 2022, in an amount equal to 5.0% of the total number of shares of common stock outstanding on December 31 of the preceding calendar year. The Compensation Committee may act prior to January 1 of a given year to provide that there will be no January 1 increase for such year or that the increase for such year will be a lesser number of shares of common stock than provided for in the 2020 Plan. As of July 31, 2023, a total of 2,922,303 shares of common stock were available for issuance under the 2020 Plan.

Stock Options

Under the 2020 Plan all employees are eligible to receive incentive share options and all employees, directors and consultants are eligible to receive non-statutory share options. The options generally vest over four years and have a term of ten years. Vested options under the plan generally expire not later than 90 days following termination of employment or service or twelve months following an optionee's death or disability. The fair value of stock options is determined on the grant date and amortized over the vesting period on a straight-line basis.

The following summarizes the stock option activity for the six months ended July 31, 2023:

	Shares	Weighted - Average Exercise Price	Weighted - Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, January 31, 2023	2,321,976	$ 10.74	8.4	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(463,976)	10.69	—	—
Expired	—	—	—	—
Outstanding, July 31, 2023	1,858,000	10.75	7.9	—
Vested and exercisable, July 31, 2023	727,125	10.75	7.9	—

The total unrecognized equity-based compensation costs related to the stock options was $3.0 million based on the $2.29 weighted average grant date fair value of the options, which is expected to be recognized over a weighted-average period of 1.9 years.

Time-Based Restricted Stock Units

Restricted stock units ("RSUs") represent a right to receive one share of the Company's common stock that is both non-transferable and forfeitable unless and until certain conditions are satisfied. Other than restricted stock units granted to our non-employee directors, which vest upon the earlier of the anniversary of the grant date and the Company's next annual meeting of stockholders, restricted stock units generally vest ratably over a three or four-year period, subject to continued employment through each anniversary. The fair value of restricted stock units is determined on the grant date and is amortized over the vesting period on a straight-line basis.

The following summarizes the time-based RSU activity for the six months ended July 31, 2023:

	Shares	Weighted - Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Unvested balance, January 31, 2023	12,166,123	$ 6.01	$ 23,359
Granted (1)	8,785,999	1.52	—
Vested	(1,804,645)	6.98	—
Forfeited	(2,214,225)	6.08	—
Unvested balance, July 31, 2023	16,933,252	3.57	22,352

(1) In May 2023, 291,000 shares were granted to replace 388,000 shares of market-based RSUs. This modification resulted in stock-based compensation expense increasing by less than $0.1 million per quarter over a two-year period.

The total unrecognized stock-based compensation costs related to time-based RSUs was $51.8 million, which is expected to be recognized over a weighted-average period of 2.5 years.

Market-based Restricted Stock Units

Market-based restricted stock units ("MBRSUs") vest over a three-year or four-year performance period, subject to continued employment through each anniversary and achievement of market conditions, specifically the Company's stock price and an objective relative total shareholder return. The fair value of MBRSUs that include vesting based on market conditions are estimated using the Monte Carlo valuation method. Compensation cost for these awards is recognized based on the grant date fair value which is recognized over the vesting period using the accelerated attribution method.

The following summarizes the MBRSUs activity for the six months ended July 31, 2023:

	Shares	Weighted - Average Grant Date Fair Value	Aggregate Intrinsic Value (in thousands)
Unvested balance, January 31, 2023	2,258,458	$ 6.75	$ 4,336
Granted	2,307,500	2.26	—
Vested	—	—	—
Forfeited	(476,055)	7.89	—
Canceled (1)	(388,000)	8.60	—
Unvested balance, July 31, 2023	3,701,903	3.72	4,887

(1) In May 2023, 388,000 shares of market-based RSUs were canceled and replaced with 291,000 shares of time-based RSUs. This modification resulted in stock-based compensation expense increasing by less than $0.1 million per quarter over a two-year period.

The total unrecognized stock-based compensation costs related to MBRSUs was $7.0 million, which is expected to be recognized over a weighted-average period of 1.1 years.

Stock-based Compensation Expense

The following summarizes the classification of stock-based compensation expense in the condensed consolidated statements of operations (in thousands):

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022
Cost of revenues	$ 238	$ 37	$ 335	$ 51
Content and software development	1,744	2,849	3,756	4,424
Selling and marketing (1)	(667)	1,541	1,015	3,018
General and administrative	4,512	5,590	9,849	11,017
Total	$ 5,827	$ 10,017	$ 14,955	$ 18,510

(1) Stock-based compensation expense during the three months ended July 31, 2023 was reduced by $2.1 million due to forfeitures of share-based payment awards.

(13) Revenue

Revenue Components and Performance Obligations

Subscription services

The Company offers subscriptions that provide customers access to a broad-based spectrum of learning options including access to cloud-based learning content and individualized coaching. The Company's cloud-based subscription solutions normally do not provide customers with the right to take possession of the software supporting the platform or to download course content without continuing to incur fees for hosting services and, as a result, are accounted for as service arrangements. Access to the platform and course content represents a series of distinct services as the Company continually provides access to, and fulfills its obligation to, the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. Accordingly, the fixed consideration related to subscription revenue is usually recognized on a straight-line basis over the contract term, beginning on the date that the service is made available to the customer. The Company's subscription contracts typically vary from one year to three years. The Company's cloud-based solutions arrangements are mostly non-cancellable, non-refundable, and are invoiced in advance of the subscription services being provided.

Virtual, on-demand and classroom

The Company's virtual, on-demand and classroom training provides customers with technical training. Revenue is recognized in the period in which the services are performed. Billing is in advance of the services being provided or immediately after the services have been provided.

Professional services

The Company also sells professional services related to its cloud solutions which are typically considered distinct performance obligations and are recognized over time as services are performed. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (proportional performance method). These services usually consist of implementation, integration, and general consulting. Mostly, the Company's professional service engagements are short in duration. Billing is commonly in advance of the services being provided.

Disaggregated Revenue and Geography Information

The following is a summary of revenues by type for the three and six months ended July 31, 2023 and July 31, 2022 (in thousands):

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022
SaaS and subscription services	$ 98,032	$ 94,247	$ 191,851	$ 179,316
Virtual, on-demand and classroom	37,999	41,821	74,980	86,874
Professional services	5,156	4,506	9,910	9,223
Total net revenues	$ 141,187	$ 140,574	$ 276,741	$ 275,413

	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022
Revenue:				
United States	$ 92,936	$ 92,603	$ 182,023	$ 176,039
Europe, Middle East and Africa	35,741	35,775	70,276	74,416
Other Americas	7,331	7,419	14,327	15,976
Asia-Pacific	5,179	4,777	10,115	8,982
Total net revenues	$ 141,187	$ 140,574	$ 276,741	$ 275,413

Other than the United States, no single country accounted for more than 10% of revenue for all periods presented.

Deferred Revenue

Deferred revenue activity for the six months ended July 31, 2023 was as follows (in thousands):

Deferred revenue at January 31, 2023	$ 282,454
Billings deferred	220,870
Recognition of prior deferred revenue	(276,741)
Deferred revenue at July 31, 2023	$ 226,583

Deferred revenue performance obligations relate predominantly to time-based SaaS and subscription services that are billed in advance of services being rendered.

Deferred Contract Acquisition Costs

Deferred contract acquisition cost activity for the six months ended July 31, 2023 was as follows (in thousands):

Deferred contract acquisition costs at January 31, 2023	$	24,594
Contract acquisition costs		14,166
Recognition of contract acquisition costs		(9,451)
Deferred contract acquisition costs at July 31, 2023	$	29,309

(14) Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") establishes a fair value hierarchy that prioritizes the inputs used to measure fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three levels of the fair value hierarchy established by ASC 820 in order of priority are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

- Level 3: Unobservable inputs that reflect the Company's assumptions about the assumptions that market participants would use in pricing the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

The following summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as of July 31, 2023 and are categorized using the fair value hierarchy (in thousands):

Description	Level 2 Measurements	Level 3 Measurements	Total
Interest rate swaps - asset (liability)	$ 5,651	$ —	$ 5,651
Liability classified warrants	—	(1,109)	(1,109)
Total assets and (liabilities) recorded at fair value	$ 5,651	$ (1,109)	$ 4,542

Interest Rate Swap

On June 17, 2022, the Company entered into two fixed-rate interest rate swap agreements to change the SOFR-based component of the interest rate on a portion of the Company's variable rate debt to a fixed rate (the "Interest Rate Swaps"). The Interest Rate Swaps have a combined notional amount of $300.0 million and a maturity date of June 5, 2027. The objective of the Interest Rate Swaps is to eliminate the variability of cash flows in interest payments on the first $300.0 million of variable rate debt attributable to changes in benchmark one-month SOFR interest rates. The hedged risk is the interest rate risk exposure to changes in interest payments, attributable to changes in benchmark SOFR interest rates over the interest rate swap term. The changes in cash flows of the interest rate swap are expected to offset changes in cash flows of the variable rate debt. The Interest Rate Swaps are not designated as a cash flow hedge and changes in the fair value of the interest rate swaps are recorded in earnings each period. For the three and six months ended July 31, 2023, the Company recognized a non-cash gain of $6.9 million and $7.2 million, respectively, attributable to the Interest Rate Swaps. For the three and six months ended July 31, 2022, the Company recognized a loss of $15.1 million attributable to the Interest Rate Swaps.

The inputs for determining fair value of the Interest Rate Swaps are classified as Level 2 inputs. Level 2 fair value is based on estimates using standard pricing models. These standard pricing models use inputs which are derived from or corroborated by observable market data such as interest rate yield curves, index forward curves, discount curves, and volatility surfaces. The counterparties to these derivative contracts are highly rated financial institutions which we believe carry only a minimal risk of nonperformance.

Warrants

A summary of liability-classified warrants is as follows (in thousands, except per share amounts):

Type	Underlying Common Shares	Strike Price	Redemption Price	Expiration Date	Fair Value at July 31, 2023
Private Placement Warrants – Sponsor	15,846	$ 11.50	None	6/11/2026	$ 1,109

The Company classifies Sponsor Private Placement Warrants as liabilities in accordance with ASC Topic 815. Refer to Note 11 "Warrants" for more detail. The inputs for determining fair value of these warrants are classified as Level 3 inputs. The Company estimates the fair value of the Sponsor Private Placement Warrants using a Black-Scholes option pricing model and the following assumptions:

	July 31, 2023
Risk-free interest rates	4.5%
Expected dividend yield	0.0%
Volatility factor	70.0%
Expected lives (years)	2.9
Value per unit	$ 0.07

Changes in the fair value of liability-classified warrants classified as Level 3 due to significant unobservable inputs used to determine fair value were as follows:

	Three Months Ended July 31, 2023	Six Months Ended July 31, 2023
Balance as of beginning-of-period	$ 1,902	$ 4,754
Unrealized gains	(793)	(3,645)
Balance as of July 31, 2023	$ 1,109	$ 1,109

Other Fair Value Instruments

The Company currently invests excess cash balances primarily in money market funds invested in United States Treasury securities and United States Treasury securities repurchase agreements, as well as cash deposits held at major banks. The carrying amounts of cash and cash equivalents, trade receivables, trade payables and accrued liabilities, as reported on the condensed consolidated balance sheet as of July 31, 2023, approximate their fair value because of the short maturity of those instruments.

Our long-term debt is a financial instrument, and the fair value of the Company's outstanding principal as of July 31, 2023 was $540.3 million. This fair value is determined based on inputs that are classified as Level 2 within the fair value hierarchy.

(15) Segment Information

ASC 280, Segment Reporting, establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), in determining how to allocate resources and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company's CODM evaluates results using the operating segment structure as the primary basis for which the allocation of resources and financial results are assessed.

The Company has organized its business into two segments: Content & Platform (formerly referred to as Skillsoft content) and Instructor-Led Training (formerly referred to as Global Knowledge). All of the Company's segments market and sell their offerings globally to businesses of many sizes, government agencies, educational institutions and resellers with a worldwide sales force positioned to offer the combinations that best meet customer needs. The CODM primarily uses revenues and operating income as measures to evaluate financial results and allocation of resources. The Company allocates certain operating expenses to the reportable segments, including general and administrative costs based on the usage and relative contribution provided to the segments. There are no intercompany revenue transactions reported between the Company's reportable segments.

The Content & Platform business engages in the sale, marketing and delivery of its content learning solutions, in areas such as Leadership and Business, Technology and Developer and Compliance. This includes individualized coaching as well as technical skill areas assumed in the Codecademy acquisition. In addition, Content & Platform offers Percipio, an intelligent artificial intelligence ("AI")-driven online learning platform that delivers an immersive learning experience through software as a service ("SaaS") solutions. It leverages its highly engaging content, curated into nearly 700 learning paths (channels) that are continuously updated to ensure customers always have access to the latest information.

The Instructor-Led Training business offers training solutions covering information technology and business skills for corporations and their employees. Instructor-Led Training guides its customers throughout their lifelong technology learning journey by offering relevant and up-to-date skills training through instructor-led (in-person "classroom" or online "virtual") and self-paced ("on-demand"), vendor certified, and other proprietary offerings. Instructor-Led Training offers a wide breadth of training topics and delivery modalities both on a transactional and subscription basis.

The following presents summary results for each of the businesses for the three and six months ended July 31, 2023 and July 31, 2022:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Content & Platform				
Revenues	$ 103,188	$ 98,753	$ 201,761	$ 188,539
Operating expenses	122,077	136,602	251,601	265,024
Operating income (loss)	(18,889)	(37,849)	(49,840)	(76,485)
Instructor-Led Training				
Revenues	37,999	41,821	74,980	86,874
Operating expenses	44,408	114,754	85,820	166,407
Operating income (loss)	(6,409)	(72,933)	(10,840)	(79,533)
Consolidated				
Revenues	141,187	140,574	276,741	275,413
Operating expenses	166,485	251,356	337,421	431,431
Operating income (loss)	(25,298)	(110,782)	(60,680)	(156,018)
Total non-operating income (loss)	(63)	80	207	1,132
Interest expense, net	(16,255)	(11,460)	(32,191)	(22,837)
Fair value adjustment of warrants	793	6,846	3,645	16,952
Fair value adjustment of hedge	6,935	(15,065)	7,205	(15,065)
(Provision for) benefit from income taxes	1,889	3,065	6,273	25,402
Net income (loss) from continuing operations	(31,999)	(127,316)	(75,541)	(150,434)
Gain (loss) on sale of business	—	—	(682)	—
Income (loss) from discontinued operations, net of tax	—	5,817	—	7,292
Net income (loss)	$ (31,999)	$ (121,499)	$ (76,223)	$ (143,142)

Content & Platform segment depreciation for the three and six months ended July 31, 2023 was $0.6 million and $1.4 million, respectively. Content & Platform segment depreciation for the three and six months ended July 31, 2022 was $0.9 million and $1.8 million, respectively.

Instructor-Led Training segment depreciation for the three and six months ended July 31, 2023 was $0.5 million and $0.9 million, respectively. Instructor-Led Training segment depreciation for the three and six months ended July 31, 2022 was $0.3 million and $0.9 million, respectively.

The Company's segment assets primarily consist of cash and cash equivalents, accounts receivable, prepaid expenses, deferred taxes, property and equipment, goodwill and intangible assets. The following sets forth the Company's segment assets as of July 31, 2023 and January 31, 2023 (in thousands):

	July 31, 2023	January 31, 2023
Content & Platform	$ 1,282,884	$ 1,434,920
Instructor-Led Training	195,190	207,767
Total assets	$ 1,478,074	$ 1,642,687

The following sets forth the Company's long-lived tangible assets by geographic region as of July 31, 2023 and January 31, 2023 (in thousands):

	July 31, 2023	January 31, 2023
United States	$ 3,703	$ 7,117
Rest of world	3,541	3,033
Total long-lived tangible assets	$ 7,244	$ 10,150

(16) Net Loss Per Share

Basic earnings per share is computed by dividing net income for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income for the period by the weighted-average number of common shares outstanding during the period, plus the dilutive effect of outstanding restricted stock-based awards, stock options, and shares issuable under the employee stock purchase plan using the treasury stock method.

The following sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Net income (loss) from continuing operations	$ (31,999)	$ (127,316)	$ (75,541)	$ (150,434)
Net income (loss) from discontinued operations	—	5,817	(682)	7,292
Net income (loss)	$ (31,999)	$ (121,499)	$ (76,223)	$ (143,142)
Weighted average common shares outstanding:				
Ordinary – Basic and diluted	160,098	164,089	160,836	153,442
Net income (loss) per share:				
Ordinary – Basic and diluted - continuing operations	$ (0.20)	$ (0.78)	$ (0.47)	$ (0.98)
Ordinary – Basic and diluted - discontinued operations	—	0.04	—	0.05
Ordinary – Basic and diluted	$ (0.20)	$ (0.74)	$ (0.47)	$ (0.93)

During the three and six months ended July 31, 2023 and July 31, 2022, the Company incurred net losses and, therefore, the effect of the Company's potentially dilutive securities was not included in the calculation of diluted loss per share as the effect would be anti-dilutive. The following contains share/unit totals with a potentially dilutive impact (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Warrants to purchase common shares	61,967	61,967	61,967	61,967
Stock options	2,028	2,826	2,090	2,826
RSUs	21,872	14,408	17,530	14,408
Total	85,867	79,201	81,587	79,201

(17) Related Party Transactions

Agreement with Largest Shareholder

In December 2021, Skillsoft entered into a commercial agreement to provide off-the-shelf Skillsoft products to the Company's largest shareholder, MIH Learning B.V., and its affiliates for $0.7 million over three years.

Codecademy Transaction

An affiliate of our largest shareholder, MIH Learning B.V. also owned approximately 23.8% of the outstanding equity of Codecademy which we acquired on April 4, 2022.

Consulting Services

In December 2021, Skillsoft engaged The Klein Group, LLC (the "Klein Group") to act as a consultant to advise the Company of a potential transaction with Codecademy, to assist management in its evaluation of the business opportunity and structuring and negotiation of a potential transaction. Pursuant to this engagement, Skillsoft paid the Klein Group a transaction fee equal to $2.0 million in connection with the Codecademy acquisition. Michael Klein, a member of our Board, is the Chief Executive Officer of the Klein Group and the Klein Group is closely affiliated with our second largest shareholder.

(18) Subsequent Events

The Company has completed an evaluation of all subsequent events after the balance sheet date of July 31, 2023 through the date this Quarterly Report on Form 10-Q was filed with the SEC, to ensure that this filing includes appropriate disclosure of events both recognized in the financial statements as of July 31, 2023, and events which occurred subsequently but were not recognized in the financial statements. The Company has concluded that no subsequent events have occurred that require disclosure, except as disclosed within these financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the financial condition as of July 31, 2023, compared with January 31, 2023, and the results of operations for the three and six months ended July 31, 2023, compared with the corresponding period in fiscal 2023 of Skillsoft Corp. and its consolidated subsidiaries. Unless otherwise stated or the context otherwise requires, "Skillsoft," "Company," "we," "our" or "us" refers to Skillsoft Corp. and its consolidated subsidiaries.

The MD&A is provided as a supplement to, and should be read in conjunction with, the condensed consolidated financial statements and the accompanying notes to the condensed consolidated financial statements ("Notes") presented in "Part I – Item 1. Financial Statements"; our Form 10-K for the year ended January 31, 2023 ("2023 Form 10-K"); and other reports filed with the Securities and Exchange Commission ("SEC"). For more detailed information on the risks and uncertainties associated with the Company's business activities, see the risks described in "Part I – Item 1A. Risk Factors" in our 2023 Form 10-K.

Unless otherwise noted, amounts referenced in this discussion, other than in reference to share numbers, are in thousands.

General

At Skillsoft, we propel organizations and people to grow together through transformative learning experiences.

Through a portfolio of high-quality content, a platform that is personalized and connected to customer needs, and a broad ecosystem of partners, Skillsoft drives continuous growth and performance for employees and their organizations by overcoming critical skills gaps, unlocking human potential, and transforming the workforce. With more than 150,000 expert-led skills-building courses in modalities ranging from video and audio to instructor-led training and practice labs, Skillsoft offers transformative learning experiences for leaders to frontline workers, readers to hands-on learners.

Skillsoft supports approximately 70% of the Fortune 1000 with today's sought-after competencies: leadership and business skills, technology and developer skills, and essential safety and risk management compliance. We leverage various learning modalities adaptable to different preferences, schedules, and learning styles — from books to videos, full courses to micro-learning, audiobooks to live bootcamps and coaching. Content is continuously updated with the latest insights, information, and training methods.

Today's learners want the right learning experience, delivered when, where, and how they want it. That's why our approach is mobile-first, and our expert-curated, cloud-based content is served on an open platform that reaches learners wherever they are.

Our community of approximately 90 million learners in more than 150 countries around the globe learn in more than 30 languages. As often as they need or want, typical learners turn to Skillsoft to acquire critical job skills in the flow of work, and grow as leaders, employees, and people. We have helped fuel performance and career growth for more than 20 years.

For more details, refer to "Part I – Item 1. Business" in our 2023 Form 10-K.

Significant Transactions

The two transactions discussed below both occurred during fiscal 2023.

Completion of the Codecademy Acquisition

On April 4, 2022, the Company acquired Codecademy, a leading online learning platform for technical skills. Codecademy is an innovative and popular learning platform providing high-demand technical skills to approximately 40 million registered learners in nearly every country worldwide. The platform offers interactive, self-paced courses and hands-on learning in 14 programming languages across multiple domains such as application development, data science, cloud and cybersecurity. Total consideration for the acquisition was approximately $386.0 million, consisting of the issuance of 30,374,427 common shares and a net cash payment of $203.4 million.

Discontinued Operations

On June 12, 2022, we entered into the Purchase Agreement to sell our SumTotal business to a third party for $200 million in cash, subject to adjustments as set forth in the Purchase Agreement. The sale was completed on August 15, 2022. Net proceeds from the sale were $174.9 million, after final working capital adjustments in April 2023. The disposal of SumTotal assets met the criteria to be reported as held for sale and discontinued operations. As a result, SumTotal's results of operations are presented, net of tax, separate from the results of continuing operations for all periods presented.

Results of Operations

Our results of operations as reported in our condensed consolidated financial statements for these periods are prepared in accordance with GAAP.

The following sets forth certain items from our condensed consolidated statements of operations as a percentage of total revenues for the periods indicated:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Revenues:				
Total revenues	100.0%	100.0%	100.0%	100.0%
Operating expenses:				
Costs of revenues	28.7%	24.9%	28.3%	26.5%
Content and software development	12.7%	14.0%	12.6%	13.1%
Selling and marketing	28.6%	29.8%	31.2%	29.6%
General and administrative	17.8%	18.8%	18.2%	20.2%
Amortization of intangible assets	27.8%	32.2%	28.0%	30.8%
Impairment of intangible assets	0.0%	50.1%	0.0%	25.6%
Acquisition-related costs	0.7%	6.0%	0.8%	7.9%
Restructuring	1.8%	3.1%	2.8%	3.0%
Total operating expenses	118.1%	178.8%	121.9%	156.6%
Operating loss	(18.1)%	(78.8)%	(21.9)%	(56.6)%
Other income (expense), net	(0.7)%	0.1%	(0.5)%	0.4%
Fair value adjustment of warrants	0.6%	4.9%	1.3%	6.2%
Fair value of hedge instruments	4.9%	(10.7)%	2.6%	(5.5)%
Interest income	0.6%	0.0%	0.5%	0.1%
Interest expense	(11.5)%	(8.2)%	(11.6)%	(8.4)%
Income (loss) before provision for (benefit from) income taxes	(24.2)%	(92.7)%	(29.6)%	(63.8)%
Provision for (benefit from) income taxes	(1.3)%	(2.2)%	(2.3)%	(9.2)%
Income (loss) from continuing operations	(22.9)%	(90.5)%	(27.3)%	(54.6)%
Gain (loss) on sale of business	0.0%	0.0%	(0.2)%	0.0%
Income (loss) from discontinued operations, net of tax	0.0%	4.1%	0.0%	2.6%
Net income (loss)	(22.9)%	(86.4)%	(27.5)%	(52.0)%

Revenues

We provide, through our Content & Platform and Instructor-Led Training segments, enterprise learning solutions designed to prepare organizations for the future of work, overcome critical skills gaps, drive demonstrable behavior-change, and unlock the potential in their people.

Content & Platform generates revenues from its comprehensive suite of premium, original, and authorized partner content, featuring one of the deepest libraries of leadership and business, technology and development, and compliance curricula. With access to a broad spectrum of learning options (including video, audio, books, bootcamps, live events, and practice labs), organizations can meaningfully increase learner engagement and retention. Content & Platform offerings are predominantly delivered through Percipio, our award-winning, artificial intelligence ("AI")-driven, immersive learning platform purpose built to make learning easier, more accessible, and more effective. In addition, we also have proprietary platforms used for our Codecademy and Skillsoft Coaching offerings. Our learning solutions are typically sold on a subscription basis for a fixed term.

Our Instructor-Led Training segment generates revenues from virtual, in-classroom, and on-demand training solutions in information technology geared at foundational, practitioner and expert information technology professionals. Instructor-Led Training's digital and in-classroom learning solutions provide enterprises, government agencies, and educational institutions a broad selection of customizable courses to meet their technology and development needs.

Subscription and Non-Subscription Revenue

Software as a service ("SaaS") Subscription Revenue. Represents revenue generated from contracts specifying a minimum fixed fee for services delivered over the life of the contract. The initial term of enterprise contracts is generally one to three years and is usually non-cancellable for the term of the subscription. The fixed fee is commonly paid upfront on an annual basis. These contracts typically consist of subscriptions to our various offerings which provide access to our SaaS platforms, associated content and services, over the contract term.

Non-Subscription Revenue. Primarily comprised of instructor-led training offerings, which consist of both in-person and virtual environments. Instructor-led training, including virtual offerings, are first scheduled, then delivered later, with revenue realized on the delivery date. Non-subscription revenues also include professional services related to implementation of our offerings and subsequent, ongoing consulting engagements. Our non-subscription services complement our subscription business in creating strong and comprehensive customer relationships.

The following is a summary of our revenues by product and service type for the periods indicated:

(In thousands, except percentages)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change
SaaS and subscription revenues:								
Content & Platform	$ 97,875	$ 94,247	$ 3,628	3.8%	$ 191,501	$ 179,316	$ 12,185	6.8%
Total subscription revenues	97,875	94,247	3,628	3.8%	191,501	179,316	12,185	6.8%
Non-subscription revenues:								
Instructor-Led Training	37,999	41,821	(3,822)	(9.1)%	74,980	86,874	(11,894)	(13.7)%
Content & Platform	5,313	4,506	807	17.9%	10,260	9,223	1,037	11.2%
Total non-subscription revenues	43,312	46,327	(3,015)	(6.5)%	85,240	96,097	(10,857)	(11.3)%
Total revenues	$ 141,187	$ 140,574	$ 613	0.4%	$ 276,741	$ 275,413	$ 1,328	0.5%

The increase in total revenues, when comparing the three months ended July 31, 2023 and 2022, was primarily the result of organic growth in our Content & Platform segment due to higher bookings in the prior year, as revenue from our subscription offerings is typically recognized over the twelve months that follow a booking. This increase was partially offset by a decline in bookings and revenues in our Instructor-Led Training segment primarily due to changes in training programs at two large technology partners during fiscal 2023. The increase in total revenues, when comparing the six months ended July 31, 2023 and 2022, was also impacted by the aforementioned items as well as the result of the inclusion of Codecademy's revenues earned subsequent to its acquisition on April 4, 2022.

Operating expenses

Summary of operating expenses

The following provides select operating expenses, which are discussed in the associated captions that immediately follow:

(In thousands, except percentages)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change
Cost of revenues	$ 40,467	$ 34,998	$ 5,469	15.6%	$ 78,291	$ 73,008	$ 5,283	7.2%
Content and software development expenses	17,863	19,693	(1,830)	(9.3)%	34,898	36,026	(1,128)	(3.1)%
Selling and marketing expenses	40,411	41,848	(1,437)	(3.4)%	86,338	81,410	4,928	6.1%
General and administrative expenses	25,085	26,367	(1,282)	(4.9)%	50,381	55,711	(5,330)	(9.6)%
Amortization of intangible assets	39,221	45,200	(5,979)	(13.2)%	77,466	84,758	(7,292)	(8.6)%
Impairment of goodwill and intangible assets	—	70,475	(70,475)	(100.0)%	—	70,475	(70,475)	(100.0)%
Acquisition-related costs	937	8,452	(7,515)	(88.9)%	2,328	21,764	(19,436)	(89.3)%
Restructuring	2,501	4,323	(1,822)	(42.1)%	7,719	8,279	(560)	(6.8)%
Total operating expenses	$ 166,485	$ 251,356	$ (84,871)	(33.8)%	$ 337,421	$ 431,431	$ (94,010)	(21.8)%

Cost of revenues

Cost of revenues consists primarily of employee salaries and benefits for hosting operations, professional service and customer support personnel; royalties; hosting and software maintenance services; facilities and utilities costs; consulting services; and instructor fees, course materials, logistics costs and overhead costs associated with virtual, in-classroom, and on-demand training solutions. The following provides details regarding the changes in components of cost of revenues:

(In thousands, except percentages)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change
Courseware, instructor fees and outside services	$ 22,643	$ 17,395	$ 5,248	30.2%	$ 43,128	$ 36,336	$ 6,792	18.7%
Compensation and benefits	14,123	12,927	1,196	9.3%	27,539	27,057	482	1.8%
Hosting and software maintenance	2,926	2,377	549	23.1%	5,785	4,535	1,250	27.6%
Facilities, utilities and other	775	2,299	(1,524)	(66.3)%	1,839	5,080	(3,241)	(63.8)%
Total cost of revenues	$ 40,467	$ 34,998	$ 5,469	15.6%	$ 78,291	$ 73,008	$ 5,283	7.2%

The increases in courseware, instructor fees and outside services, when comparing the three and six months ended July 31, 2023, to the same periods in 2022, were primarily attributable to rising third-party costs and product mix in our Instructor-Led Training segment. When comparing these same periods, both the compensation and benefits, and hosting and software maintenance categories increased primarily due to the organic growth in our Content & Platform segment and investments in our employees. Refer to Subscription and Non-Subscription Revenue above for additional information related to the organic growth in our Content & Platform segment and declines in our Instructor-Led Training segment. The decrease in facilities and utilities expenses, when comparing the three and six months ended July 31, 2023, to the same periods in 2022, were primarily attributable to cost savings from consolidation of our facilities. In addition, the inclusion of Codecademy's expenses subsequent to its acquisition on April 4, 2022 increased cost of revenues when comparing the six months ended July 31, 2023, to the same period in 2022.

Content and software development

Content and software development expenses include costs associated with the development of new products and the enhancement of existing products, consisting primarily of employee salaries and benefits; development-related professional services; facilities costs; depreciation; and software maintenance costs. The following provides details regarding the changes in components of content and software development expenses:

(In thousands, except percentages)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change
Compensation and benefits	$ 13,128	$ 14,244	$ (1,116)	(7.8)%	$ 26,004	$ 25,523	$ 481	1.9%
Consulting and outside services	2,962	4,139	(1,177)	(28.4)%	5,277	8,108	(2,831)	(34.9)%
Facilities, utilities and other	817	693	124	17.9%	2,090	1,393	697	50.0%
Software maintenance	956	617	339	54.9%	1,527	1,002	525	52.4%
Total content and software development expenses	$ 17,863	$ 19,693	$ (1,830)	(9.3)%	$ 34,898	$ 36,026	$ (1,128)	(3.1)%

The decreases in compensation and benefits and consulting and outside services, when comparing the three months ended July 31, 2023 and 2022, were primarily attributable to expense reductions and savings from the Company's integration and restructuring activities. The inclusion of Codecademy's compensation and benefits, facilities, utilities and other expenses subsequent to its acquisition on April 4, 2022 increased content and software development expenses, when comparing the six months ended July 31, 2023, to the same period in 2022. Refer to Subscription and Non-Subscription Revenue above for additional information related to the organic growth in our Content & Platform segment.

Selling and marketing

Selling and marketing, or S&M, expenses consist primarily of employee salaries and benefits for selling, marketing and pre-sales support personnel; commissions; travel expenses; advertising and promotional expenses; consulting and outside services; facilities costs; depreciation; and software maintenance costs. The following provides details regarding the changes in components of S&M expenses:

(In thousands, except percentages)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change
Compensation and benefits	$ 27,036	$ 25,678	$ 1,358	5.3%	$ 60,870	$ 52,226	$ 8,644	16.6%
Advertising and promotions	7,670	7,759	(89)	(1.1)%	14,305	15,519	(1,214)	(7.8)%
Software maintenance	3,230	1,469	1,761	119.9%	6,219	2,592	3,627	139.9%
Consulting and outside services	1,148	1,908	(760)	(39.8)%	2,442	3,822	(1,380)	(36.1)%
Facilities, utilities and other	1,327	5,034	(3,707)	(73.6)%	2,502	7,251	(4,749)	(65.5)%
Total S&M expenses	$ 40,411	$ 41,848	$ (1,437)	(3.4)%	$ 86,338	$ 81,410	$ 4,928	6.1%

The decrease in facilities and utilities expenses, when comparing the three and six months ended July 31, 2023, to the same periods in 2022, were primarily attributable to cost savings from consolidation of our facilities. When comparing these same periods, the increase in compensation and benefits and software maintenance was primarily a result of investments in our go-to-market transformation activities and enablement programs. In addition, the increase in compensation and benefits for these same periods was affected by lower incentive compensation in the prior year periods. Also contributing to the increases in compensation and benefits and software maintenance, when comparing the six months ended July 31, 2023, to the same period in 2022, were the inclusion of Codecademy's expenses subsequent to its acquisition on April 4, 2022.

General and administrative

General and administrative, or G&A, expenses consist primarily of employee salaries and benefits for executive, finance, administrative, and legal personnel; audit, legal and consulting fees; insurance; franchise, sales and property taxes; facilities costs; and depreciation.

The following provides details regarding the changes in components of G&A expenses:

(In thousands, except percentages)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change
Compensation and benefits	$ 16,754	$ 14,858	$ 1,896	12.8%	$ 31,535	$ 32,845	$ (1,310)	(4.0)%
Consulting and outside services	5,135	7,268	(2,133)	(29.3)%	11,718	13,700	(1,982)	(14.5)%
Insurance	944	1,473	(529)	(35.9)%	2,247	3,407	(1,160)	(34.0)%
Facilities, utilities and other	916	1,941	(1,025)	(52.8)%	2,177	3,807	(1,630)	(42.8)%
Software maintenance	1,087	400	687	171.8%	1,980	824	1,156	140.3%
Franchise, sales, and property tax	249	427	(178)	(41.7)%	724	1,128	(404)	(35.8)%
Total G&A expenses	$ 25,085	$ 26,367	$ (1,282)	(4.9)%	$ 50,381	$ 55,711	$ (5,330)	(9.6)%

The decrease in total G&A expenses, when comparing the three and six months ended July 31, 2023, to the same periods in 2022, was primarily attributable to expense reductions and savings from the Company's integration and restructuring activities, including cost savings from consolidation of our facilities and lower insurance, partially offset by lower incentive compensation in the prior year periods. These decreases for the six months ended July 31, 2023, when comparing to the same period in 2022, were partially offset by Codecademy’s expenses subsequent to its acquisition on April 4, 2022.

Amortization of intangible assets

Intangible assets arising from business combinations are developed technology, customer-related intangibles, trade names and other identifiable intangible assets with finite lives. These intangible assets are amortized over the estimated useful lives of such assets. We also capitalize certain internal use software development costs related to our SaaS platform incurred during the application development stage. The internal use software is amortized on a straight-line basis over its estimated useful life.

The decrease in amortization of intangible assets, when comparing the six months ended July 31, 2023, to the same period in 2022, was primarily due to certain intangible assets becoming fully amortized, partially offset by the intangible assets that arose from the acquisition of Codecademy completed on April 4, 2022.

Acquisition-related costs

Acquisition-related costs consist of professional fees for legal, investment banking and other advisor costs incurred in connection with the business combinations completed in April 2022 and June 2021 and the subsequent integration-related activities. The changes in acquisition-related costs were primarily due to the timing of these aforementioned activities.

Restructuring

In connection with the acquisition integration process and our workplace flexibility policy, we continued our initiatives and commitment to reduce our costs and better align operating expenses with existing economic conditions and our operating model. In January 2021, we committed to a restructuring plan that encompassed a series of measures intended to improve our operating efficiency, competitiveness and business profitability. These included workforce reductions and consolidation of facilities as we adopted new work arrangements for certain locations. Our restructuring charges recognized during the three and six months ended July 31, 2023 and 2022, have been primarily associated with lease termination and lease impairment charges and employee severance cost. The restructuring charges for the three months ended July 31, 2023 totaling $2.5 million are substantially all related to severance costs of terminated employees. The restructuring charges for the six months ended July 31, 2023 totaling $7.7 million also included severance costs as well as $4.4 million for lease termination and lease impairment charges. The restructuring charges for the three and six months ended July 31, 2022 totaling $4.3 million and $8.3 million, respectively, were substantially all related to severance costs of terminated employees and lease termination and lease impairment charges.

Interest and other

Interest and other, net, consists of gain or loss on derivative instruments, interest income, interest expense, and other expense and income.

(In thousands, except percentages)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change
Other income (expense), net	$ (934)	$ 80	$ (1,014)	(1267.5)%	$ (1,309)	$ 1,132	$ (2,441)	(215.6)%
Interest income	871	10	861	8610.0%	1,516	170	1,346	791.8%
Interest expense	(16,255)	(11,470)	(4,785)	41.7%	(32,191)	(23,007)	(9,184)	39.9%

The other income (expense) was primarily the foreign exchange gains and losses (specifically, resulting from foreign currency denominated transactions and the revaluation of foreign currency denominated assets and liabilities), which fluctuates as the U.S. dollar appreciates or depreciates against other currencies. Interest income for both the three months and six months ended July 31, 2023, compared to the corresponding prior year periods, increased primarily due to the use of money market investments to realize increased returns on cash balances. The increase in interest expense, when comparing the three months ended July 31, 2023, to the corresponding period in 2022, was primarily due to higher interest rates. The increase in interest expense, when comparing the six months ended July 31, 2023, to the corresponding period in 2022, was primarily due to the additional $160 million of term loans in connection with the closing of the Codecademy acquisition on April 4, 2022, and higher interest rates. As a result of the interest rate swaps we executed on June 17, 2022, we have a fixed cash interest rate of 9.05% on $300 million of our outstanding term loans.

Fair value adjustment of warrants

The gains attributable to warrants are primarily a result of the Company's underlying common stock performance during the three and six months ended July 31, 2023 and 2022, which decreased the fair value of our liability-classified warrants that are marked to market at each balance sheet date, with gains and losses being recorded in current period earnings.

Fair value adjustment of hedge instruments

We entered into two fixed-rate interest rate swap agreements on June 17, 2022 for a combined notional amount of $300 million and a maturity date of June 5, 2027. The objective of the interest rate swaps is to eliminate the variability of cash flows in interest payments on $300 million of variable rate debt attributable to changes in benchmark one-month Secured Overnight Financing Rate ("SOFR") interest rates. The interest rate swaps are not designated for hedge accounting and are carried on the statement of financial position at their fair value. Unrealized gains and losses from changes in fair value of the interest rate swaps, which arise from fluctuations in the forward-looking yield curve, are included in the income statement as they occur.

Gain on sale of business

On June 12, 2022, we entered into the Purchase Agreement to sell our SumTotal business to a third party for $200 million in cash, subject to adjustments set forth in the Purchase Agreement. The sale was completed on August 15, 2022. Net proceeds from the sale were $174.9 million, after final working capital adjustments in April 2023. In accordance with ASC 810, we recorded a gain on sale upon completion of the transaction. The $55.9 million gain, including a loss of $0.7 million recognized in the first quarter of fiscal 2024, was calculated by measuring the difference between the fair value of consideration received less the carrying amount of assets and liabilities sold.

Provision for (benefit from) income taxes

(In thousands, except percentages)	Three Months Ended July 31, 2023	Three Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change	Six Months Ended July 31, 2023	Six Months Ended July 31, 2022	Dollar Increase/ (Decrease)	Percent Change
Provision for (benefit from) income taxes	$ (1,889)	$ (3,065)	$ 1,176	(38.4)%	$ (6,273)	$ (25,402)	$ 19,129	(75.3)%
Effective income tax rate	5.6%	2.4%			7.7%	14.4%		

The effective income tax rate for the three and six months ended July 31, 2023 and 2022 differed from the United States federal statutory rate of 21.0% due primarily to the impact of non-deductible items, foreign rate differential and changes in the valuation allowance on the Company's deferred tax assets.

Due to the acquisition of Codecademy on April 4, 2022 the Company analyzed the realizability of its existing deferred tax assets with the addition of the Codecademy assets and liabilities. Based on this analysis the Company determined that a valuation allowance release of $20.7 million was required and recorded in full as a discrete income tax benefit for the six months ended July 31, 2022.

Liquidity and Capital Resources

Liquidity and Sources of Cash

As of July 31, 2023, we had $147.9 million of cash and cash equivalents on hand. Our investment policy is approved by the Board of Directors and reviewed annually by the Audit Committee. Our current investment policy's primary objectives when investing excess cash are, in order of importance: 1) preservation of capital and protection of principal; 2) maintenance of liquidity that is sufficient to meet cash flow needs; and 3) maximize rate of return. Pursuant to this policy, as of July 31, 2023, most of our cash and cash equivalents were held at large financial institutions with high rating agency designations and our exposure to regional banks was not significant. We have funded operations primarily through the use of cash collected from our customers and the proceeds received from the Term Loan Facility (described below), supplemented with borrowings under our accounts receivable facility. Our cash requirements vary depending on factors such as the growth of the business, changes in working capital and capital expenditures. We expect to operate the business and execute our strategic initiatives principally with funds generated from operations and supplemented by borrowings up to a maximum of $75.0 million under our accounts receivable facility. We anticipate that we will have sufficient internal and external sources of liquidity to fund operations and anticipated working capital and other expected cash needs for at least the next twelve months, as well as for the foreseeable future with capital sources currently available.

Term Loan

On July 16, 2021, Skillsoft Finance II, Inc. ("Skillsoft Finance II"), a subsidiary of Skillsoft Corp., entered into a Credit Agreement (the "Credit Agreement"), by and among Skillsoft Finance II, as borrower, Skillsoft Finance I, Inc. ("Holdings"), the lenders party thereto and Citibank, N.A., as administrative agent and collateral agent, pursuant to which the lenders provided a $480 million term loan facility (the "Term Loan Facility") to Skillsoft Finance II, the proceeds of which, together with cash on hand, were used to refinance existing debt. The Term Loan Facility is scheduled to mature on July 16, 2028.

In connection with the closing of the Codecademy acquisition, Skillsoft Finance II entered into Amendment No. 1 to the Credit Agreement, dated as of April 4, 2022 (the "First Amendment"), among Skillsoft Finance II, Holdings, certain subsidiaries of Skillsoft Finance II, as guarantors, Citibank N.A., as administrative agent, and the financial institutions party thereto as Term B-1 Lenders, which amended the Credit Agreement (as amended by the First Amendment, the "Amended Credit Agreement").

The First Amendment provides for the incurrence of up to $160 million of Term B-1 Loans (the "Term B-1 Loans") under the Amended Credit Agreement. In addition, the First Amendment, among other things, (a) provides for early opt-in to the Secured Overnight Financing Rate ("SOFR") subject to a 0.75% floor, for the existing term loans under the Credit Agreement (such existing term loans together with the Term B-1 Loans, the "Initial Term Loans") and (b) provides for the applicable margin for the Initial Term Loans at 4.25% with respect to base rate borrowings and 5.25% with respect to SOFR borrowings.

Prior to the maturity thereof, the Initial Term Loans are subject to quarterly amortization payments of $1.6 million through maturity. The proceeds of the Term B-1 Loans were used by the Company to finance, in part, the Codecademy acquisition, and to pay costs, fees, and expenses related thereto.

SumTotal Proceeds

On August 15, 2022, we completed the sale of our SumTotal business to a third party. Net proceeds from the sale were $174.9 million, after final working capital adjustments in April 2023. Under the terms of our Amended Credit Agreement, the net proceeds attributable to the sale of SumTotal required a mandatory prepayment of $31.4 million which was made in August 2022. The remaining net cash proceeds attributable to the sale of SumTotal were subject to reinvestment provisions and could not be used for general corporate purposes. As defined in the Amended Credit Agreement, no additional repayment was required.

Accounts Receivable Facility

We also have access to up to $75.0 million of borrowings under our accounts receivables facility, where borrowing can be made against eligible accounts receivable, with advance rates between 50.0% and 85.0%. Borrowings under the facility bear interest at 3.11% per annum plus the applicable Term SOFR rate. The maturity date of the accounts receivable facility is the earlier of (i) December 2024 or (ii) 90 days prior to the maturity of any corporate debt. The accounts receivable facility requires a minimum outstanding balance of $10 million at all times. Based on seasonality of billings and the characteristics of accounts receivable, some of which are not eligible for advances, we are not always able to access the full $75.0 million available capacity. As of July 31, 2023, $40.1 million was drawn from our accounts receivable facility.

Share Repurchase Program

On September 7, 2022, our Board of Directors authorized the Company to repurchase up to $30.0 million of our common stock, which authorization expired September 7, 2023. Although our Board of Directors authorized the share repurchase program, we were not obligated to repurchase any specific dollar amount or acquire any specific number of shares under the program. From inception through April 19, 2023, we repurchased 5,995,530 of our shares for $10.9 million.

Cash Flows

The following summarizes our cash flows for the periods presented:

(In thousands)	Six Months Ended July 31, 2023	2022
Net cash provided by (used in) operating activities	$ 1,985	$ (13,003)
Net cash used in investing activities	(14,494)	(207,882)
Net cash provided by (used in) financing activities	(11,730)	113,014
Effect of foreign currency exchange rates on cash and cash equivalents	(472)	(4,646)
Net increase (decrease) in cash and cash equivalents and restricted cash	$ (24,711)	$ (112,517)

Cash Flows from Operating Activities

The year-over-year increase in cash flows from operating activities in the six months ended July 31, 2023, compared to the same period in fiscal 2022, was primarily the result of favorability in working capital, net of effects from acquisitions.

Cash flows from operating activities directly attributable to SumTotal, which was sold on August 15, 2022, were not significant for the periods presented herein.

Cash Flows from Investing Activities

Cash flows from investing activities in the six months ended July 31, 2023 include $6.0 million of cash payments for internally developed software.

Cash flows from investing activities for the six months ended July 31, 2022 include cash paid of $198.7 million related to the acquisition of Codecademy. See Note 3 “Business Combination” for more details.

Our purchases of property and equipment largely consist of computer hardware and software, as well as capitalized software development costs, to support content and software development activities.

Cash flows from investing activities directly attributable to SumTotal, which was sold on August 15, 2022, were not significant for the periods presented herein.

Cash Flows from Financing Activities

Cash flows from financing activities consist primarily of borrowings and repayments under our debt facilities and our accounts receivable facility, and payments for share repurchases.

The Company received $157.1 million of net proceeds from the Term Loan Facility on April 4, 2022. The Company used the net proceeds and cash on hand for the closing of the Codecademy acquisition. See Note 3 “Business Combination” for more details.

Contractual and Commercial Obligations

The scheduled maturities of our debt and future minimum rental commitments under non-cancelable lease agreements as of July 31, 2023 were as set forth below.

	Payments due by Fiscal Year				
(In thousands)	Total	Remainder of 2024	2025-2026	2027-2028	Thereafter
Term Loan Facility	$ 597,803	$ 3,202	$ 12,808	$ 12,808	$ 568,985
Operating leases	16,749	2,492	6,174	3,885	4,198
Total	$ 614,552	$ 5,694	$ 18,982	$ 16,693	$ 573,183

Contingencies

From time to time, we are party to or may be threatened with litigation in the ordinary course of our business. We regularly analyze then current information including, as applicable, our defense and insurance coverage and, as necessary, provide accruals for probable and estimable liabilities for the eventual disposition of these matters. For information regarding legal proceedings see Note 8.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements and the related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the condensed consolidated financial statements, and the reported amounts of assets, liabilities, revenues and expenses during the reporting period. We regularly reevaluate our estimates and judgments, including those related to the following: business combinations, revenue recognition, impairment of goodwill and intangible assets, accounting for warrants, income tax assets and liabilities; and restructuring charges and accruals. We base our estimates and judgments on historical experience and various other factors we believe to be reasonable under the circumstances, the results of which form the basis for judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. To the extent there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, or results of operations could be impacted.

We believe the following critical accounting estimates most significantly affect the portrayal of our financial condition and involve our most difficult and subjective estimates and judgments.

Revenue Recognition

The Company enters into contracts that provide customers access to a broad spectrum of learning options including cloud-based learning content, talent management solutions, virtual, on-demand and classroom training, and individualized coaching. The Company recognizes revenue that reflects the consideration that we expect to be entitled to receive in exchange for these services. We apply judgment in determining our customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience, credit, or financial information. The Company is not required to exercise significant judgment in determining the timing for the satisfaction of performance obligations or the transaction price.

The Company's cloud-based solutions generally do not provide customers with the right to take possession of the software supporting the platform or to download course content without continuing to incur fees for hosting services and, as a result, are accounted for as service arrangements. Access to the platform and course content represents a series of distinct services as the Company continually provides access to, and fulfill its obligation to, the end customer over the subscription term. The series of distinct services represents a single performance obligation that is satisfied over time. Accordingly, the fixed consideration related to subscription revenue is generally recognized on a straight-line basis over the contract term, beginning on the date the service is made available to the customer. The Company's subscription contracts typically vary from one year to three years. The Company's cloud-based solutions arrangements are generally non-cancellable and non-refundable.

Revenue from virtual, on-demand and classroom training, and individualized coaching is recognized in the period in which the services are rendered. The Company also sells professional services related to its cloud solutions which are typically considered distinct performance obligations and are recognized over time as services are performed. For fixed-price contracts, revenue is recognized over time based on a measure of progress that reasonably reflects our advancement toward satisfying the performance obligation.

While the majority of the Company's revenue relates to SaaS subscription services where the entire arrangement fee is recognized on a ratable basis over the contractual term, the Company sometimes enters into contractual arrangements that have multiple distinct performance obligations, one or more of which have different periods over which the services or products are delivered. These arrangements may include a combination of subscriptions and non-subscription products such as professional services. The Company allocates the transaction price of the arrangement based on the relative estimated standalone selling price, or SSP, of each distinct performance obligation.

Reimbursements received from customers for out-of-pocket expenses are recorded as revenues, with related costs recorded as cost of revenues. The Company presents revenues net of any taxes collected from customers and remitted to government authorities.

As the Company's contractual agreements predominately call for advanced billing, contract assets are rarely generated.

Income Taxes

We provide for deferred income taxes resulting from temporary differences between the basis of assets and liabilities for financial reporting purposes as compared to tax purposes, using rates expected to be in effect when such differences reverse. We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized.

We follow the authoritative guidance on accounting for and disclosure of uncertainty in tax positions which requires us to determine whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals of litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced to the largest benefit that has a greater than fifty percent likelihood of being realized upon the ultimate settlement with the relevant taxing authority. Interest and penalties related to uncertain tax positions are included in the provision for income taxes in the condensed consolidated statements of operations.

Intangible Assets, including Goodwill

Intangible assets arising from fresh-start accounting and business combinations are generally recorded based upon estimates of the future performance and cash flows from the acquired business. We use an income approach to determine the estimated fair value of certain identifiable intangible assets including customer relationships and trade names and use a cost approach for other identifiable intangible assets, including developed software/courseware. The income approach determines fair value by estimating the after-tax cash flows attributable to an identified asset over its useful life (Level 3 inputs) and then discounting these after-tax cash flows back to a present value. The cost approach determines fair value by estimating the cost to replace or reproduce an asset at current prices and is reduced for functional and economic obsolescence. Developed technology represents patented and unpatented technology and know-how. Customer contracts and relationships represents established relationships with customers, which provide a ready channel for the sale of additional content and services. Trademarks and trade names represent acquired product names and marks that we intend to continue to utilize.

We review intangible assets subject to amortization at least annually to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in remaining useful life. Conditions that would indicate impairment and trigger a more frequent impairment assessment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset, or an adverse action or assessment by a regulator.

We review indefinite-lived intangible assets, including goodwill and certain trademarks, during the fourth quarter of each year for impairment, or more frequently if certain indicators are present or changes in circumstances suggest that impairment may exist and reassess their classification as indefinite-lived assets.

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and specifically identified intangible assets acquired. Goodwill in fresh-start accounting results when the reorganization value of the emerging entity exceeds what can be attributed to specific tangible or identified intangible assets. We test goodwill for impairment during the fourth quarter every year in accordance with ASC 350, Intangibles — Goodwill (“ASC 350”). In connection with the impairment evaluation, the Company may first consider qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not (i.e., a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. Performing a quantitative goodwill impairment test is not necessary if an entity determines based on this assessment that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. If the Company fails or elects to bypass the qualitative assessment, the goodwill impairment test must be performed. This test requires a comparison of the carrying value of the reporting unit to its estimated fair value. If the carrying value of a reporting unit’s goodwill exceeds its implied fair value, an impairment loss equal to the difference is recorded, not to exceed the amount of goodwill allocated to the reporting unit. In determining reporting units, the Company first identifies its operating segments, and then assesses whether any components of these segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component.

If current discount rates rise or if relevant market-based inputs for our impairment assessment worsen during the remainder of fiscal 2024, and if our share price remains below our reporting unit fair value per share, we will need to reassess intangible impairment at the end of each quarter. Subsequent reviews of intangibles could result in impairment during fiscal 2024. Factors that could result in an impairment include, but are not limited to, the following:

- Prolonged period of our estimated fair value of our reporting units exceeding our market capitalization;
- Lower expectations for future profitability of bookings or EBITDA, which in part, could be impacted by legislative, regulatory or tax changes that affect the cost of, or demand for, products and services as well as the loss of key personnel;
- Deterioration in key assumptions used in our income approach estimates of fair value, such as higher discount rates from higher stock market volatility; and
- Valuations of significant mergers or acquisitions of companies that provide relevant market-based inputs for our impairment assessment that could support less favorable conclusions regarding the estimated fair value of our reporting units.

Derivative Instruments

We account for debt and equity issuances as either equity-classified or liability-classified instruments based on an assessment of the instrument's specific terms and applicable authoritative guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 480, Distinguishing Liabilities from Equity (“ASC 480”) and ASC 815, Derivatives and Hedging (“ASC 815”). The assessment considers whether the instruments are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the instruments meet all of the requirements for equity classification under ASC 815, including whether the instruments are indexed to our own common stock and whether the holders could potentially require “net cash settlement” in a circumstance outside of our control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of issuance of the instruments and as of each subsequent quarterly period end date while the instruments are outstanding.

For issued or modified instruments that meet all of the criteria for equity classification, the instruments are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified instruments that do not meet all the criteria for equity classification, the instruments are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the instruments are recognized as a non-cash gain or loss on the statements of operations.

Recent Accounting Pronouncements

Our recently adopted and to be adopted accounting pronouncements are set forth in Note 2.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposures to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Interest Rate Risk

Interest rate risk is the risk of financial loss due to adverse changes in the value of assets and liabilities due to movements in interest rates. We are exposed to interest rate risk arising from our interest sensitive long-term debt and accounts receivable facility and to a lesser extent our cash and cash equivalents.

Based on the balance of our long-term debt and accounts receivable facility and taking into account the two interest rate swap agreements discussed below, a hypothetical 100 basis point increase or decrease in interest rates would result in approximately $3.5 million additional or lower pre-tax interest expense on an annualized basis, respectively. To manage our exposure to interest rate risk on our long-term debt, we entered into two fixed-rate interest rate swap agreements to change the SOFR-based component of the interest rate on $300.0 million of variable rate debt to a fixed rate. For further information regarding our long-term debt and interest rate swap agreements, see Note 9 and Note 14, respectively, to our condensed consolidated financial statements.

Based on the balance of our cash and cash equivalents, a hypothetical 100 basis point increase or decrease in interest rates would result in an approximately $0.7 million increase or decrease, respectively, on our interest income on an annualized basis.

Our interest rate swaps are not designated for hedge accounting and are carried on the statement of financial position at their fair value. Unrealized gains and losses from changes in fair value of the interest rate swaps are included in the statement of operations as they occur. A hypothetical 100 basis point increase or decrease in interest rates would result in an approximately $9.6 million increase or decrease, respectively, on our fair value adjustment of hedge instruments at a point in time.

Foreign Currency Risk

Our reporting currency and the functional currency of our wholly owned foreign subsidiaries is the U.S. dollar. Fluctuations in foreign currency exchange rates may cause us to recognize transaction gains and losses in other income/(expenses) in our consolidated statement of operations. The Company is exposed to foreign currency fluctuations, including the Euro, pound sterling, Canadian dollar, Australian dollar, Indian rupee, Singapore dollar and related currencies. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments, although we may choose to do so in the future. A hypothetical 10% increase or decrease in current exchange rates would have resulted in an impact of approximately $1.6 million on our pre-tax income (loss) on an annualized basis.

ITEM 4. CONTROLS AND PROCEDURES

Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on the evaluation of these disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that, as of July 31, 2023, our disclosure controls and procedures were effective to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Previously Identified Material Weakness

We have taken the actions described in our Annual Report on Form 10-K for the year ended January 31, 2023 regarding the previously identified material weakness. We will continue to evaluate the operating effectiveness of our internal controls in subsequent periods.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended July 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Because of the inherent limitations in a cost-effective control system, any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will prevent or detect all misstatements, due to error or fraud, from occurring in the condensed consolidated financial statements. Additionally, management is required to use judgment in evaluating controls and procedures.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Incorporated by reference herein is information regarding legal proceedings as set forth under "Litigation" contained in Note 8 – "Leases, Commitments and Contingencies" in the Notes to the Unaudited Condensed Consolidated Financial Statements in Item 1 of Part I of this Form 10-Q.

ITEM 1A. RISK FACTORS.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for our fiscal year ended January 31, 2023. Such risks and uncertainties are not the only ones facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be insignificant also may materially and adversely affect our business, financial condition or operating results in the future.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On September 7, 2022, our Board of Directors authorized the Company to repurchase up to $30.0 million of our common stock, which authorization expired September 7, 2023. From inception through April 19, 2023, we repurchased 5,995,530 of our shares for $10.9 million. The Company did not repurchase any common stock during the quarter ended July 31, 2023.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

10b5-1 Trading Plans

During the three months ended July 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS.

The following list includes exhibits submitted with this Quarterly Report on Form 10-Q as filed with the SEC and those incorporated by reference to other filings.

Exhibit No.	Description	Form	File No.	Exhibit	Filing Date
3.1	Second Amended and Restated Certificate of Incorporation of Skillsoft Corp., as amended.				
10.7*#	Amended and Restated Employment Agreement, dated as of September 8, 2023, by and between Jeffrey R. Tarr and Skillsoft Corp.				
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934				
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934				
32.1‡	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2‡	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101.INS*	Inline XBRL Instance Document				
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted in Inline XBRL and included as Exhibit 101)				

* Filed herewith.

‡ Furnished herewith.

Represents management compensation plan, contract or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SKILLSOFT CORP.
(Registrant)

Dated: September 11, 2023

By: /s/ Richard George Walker
Richard George Walker
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.7

AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT (this "**Agreement**") is entered into as of September 8, 2023, by and between JEFFREY R. TARR ("**Executive**") and SKILLSOFT CORP., a Delaware corporation, f/k/a Churchill Capital Corp II (the "**Company**").

W I T N E S S E T H:

WHEREAS, Executive and the Company entered into that certain Executive Employment Agreement dated October 13, 2020 (the "**Original Agreement**"), for the purpose of employing Executive as the Chief Executive Officer of the Company;

WHEREAS, the Original Agreement became effective on June 11, 2021 (the "**Start Date**"), upon the closing of the transactions contemplated by that certain Merger Agreement dated as of October 12, 2020, between Software Luxembourg Holding S.A. and the Company;

WHEREAS, Executive and the Company desire to amend and restate the Original Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

1. <u>Term.</u> The Company has employed Executive since the Start Date and agrees to continue to employ the Executive, and the Executive agrees to remain in employment with the Company, until June 11, 2024 (the "**Initial Term**"), unless terminated earlier in accordance with Sections 6, 7, 8 or 9. Except with respect to Sections 13 through 17, which survive as set forth therein, this Agreement shall expire on the last day of the Initial Term, or, in the case of the Executive's earlier termination in accordance with Sections 6, 7, 8 or 9 (a "**Termination**"), when all obligations of the parties hereunder have been satisfied. The Initial Term shall be automatically extended for successive one (1) year periods (each such extension term and the Initial Term, a "**Term**" and, collectively, the "**Employment Term**") unless either party hereto gives notice of nonrenewal of the Term to the other party no later than six (6) months prior to the expiration of the then-applicable Term.

2. <u>Duties and Scope of Employment.</u>

    a. <u>Position</u>. The Company agrees to employ the Executive in the Denver, Colorado metropolitan area (the "**Primary Work Location**") as its Chief Executive Officer. The Executive shall report to the Company's Board of Directors (the "**Board**") and shall have the authority and responsibilities customarily granted to the Chief Executive Officer. In addition, during the Employment Term, the Executive shall serve as a member of the Board.

    b. <u>Obligations</u>. During the Employment Term, the Executive shall devote his full business efforts and time to the Company and its affiliates and shall not render services to any other person or entity without the consent of the Board. The foregoing, however, shall not preclude the Executive from (i) serving on the boards of directors of not-for-profit entities, (ii) serving on the boards of directors of up to two other corporations as the Board may approve from time to time (including the board of directors of EchoStar Corporation for so long as such directorship does not interfere or conflict with the Executive's responsibilities to the Company, <u>provided</u>, that any determination regarding such interference or conflict shall be made in the Company's reasonable discretion, and upon a finding of any such interference or conflict, the Executive agrees and acknowledges that he shall immediately resign from such directorship), (iii) engaging in other civic, charitable, non-profit, industry or trade associations, or religious activities (including periodic speaking engagements which do not interfere or conflict with his responsibilities to the Company) or (iv) devoting a reasonable amount of time to his personal and family investments which do not interfere or conflict with his responsibilities to the Company.

    c. <u>Termination and Offices Held</u>. At the time that the Executive ceases to be an employee of the Company and its affiliates, the Executive agrees that he shall resign from any offices he holds with the Company and any affiliates of the Company, including any boards of directors or boards of managers positions held at the Company or any of its affiliates.

3. <u>Cash Compensation</u>.

    a. <u>Base Salary</u>. The Compensation Committee of the Company determines Executive's base salary (the "**Base Salary**") at least annually for his services as Chief Executive Officer. The Executive's Base Salary shall be subject to required withholding taxes, shall be subject to annual review by the Board, and shall not be decreased during the Employment Term, provided that the foregoing prohibition shall not apply to decreases in base salary (as adjusted from time to time) that do not exceed 10% (individually or in the aggregate) and that are applied uniformly to all senior managers of the Company.

    b. <u>Annual Incentive Compensation</u>. With respect to each fiscal year during the Employment Term, the Executive shall be eligible to receive an annual cash bonus (the "**Annual Cash Incentive**") based on performance objectives (for threshold, target and maximum) established for each such fiscal year by the Compensation Committee of the Board (the "**Committee**") in consultation with the Executive. The Executive's target Annual Cash Incentive amount for each such fiscal year will be 100% of Base Salary, and the maximum Annual Cash Incentive amount for each such fiscal year will be 200% of Base Salary. Payment of any Annual Cash Incentive for any fiscal year shall be made at the same time that bonuses are ordinarily paid to other senior executives of the Company, subject to the Executive's continued employment through the date of payment.

4. <u>Equity Incentives.</u>

    a. <u>Options</u>.

        i. Under the terms of the Original Contract, Executive was granted "new hire" options (the "**Initial Options**") under the 2020 Omnibus Incentive Plan (as it may be amended from time to time, the "**Plan**") to purchase shares (the "**Shares**") of Company common stock, with each such Initial Option having an exercise price equal to the fair market value of one (1) Share on the date of grant. The Initial Options vest ratably on a quarterly basis over the four-year period following the Start Date, subject to the Executive's continued employment through the applicable vesting date.

ii. In the event of the Executive's Termination by the Company for Cause (as defined below), the Initial Options and any Follow On Options (as defined below) (whether vested or unvested) shall be forfeited to the Company by the Executive for no consideration as of the date of such Termination. "**Follow On Options**" means any options to acquire Company common stock granted to the Executive by the Company after the date of grant of the Initial Options and shall, together with the Initial Options, be referred to herein as the "**Options**"; provided, that neither Follow On Options nor Options shall include the warrants transferred to the Executive on June 11, 2021 by Churchill Sponsor II LLC.

iii. In the event of the Executive's Termination due to death or the Executive's Disability (as defined herein) prior to the time that all of the Options have vested, any then-unvested Options shall vest in full. Following such Termination, each outstanding vested Option shall remain exercisable for one year thereafter (but in no event beyond the expiration of the exercise period).

iv. In the event of the Executive's Termination by the Company without Cause or by the Executive for Good Reason (as defined below), in either case prior to the time that all of the Options have vested, subject to the conditions set forth in Section 11 of the Employment Agreement, any then-unvested Options that were scheduled to vest and become exercisable over the one-year period immediately following such Termination shall continue to vest and become exercisable over such one-year period in accordance with the vesting schedule set forth in the grant notice. Following such Termination, each outstanding vested Option shall remain exercisable until the first anniversary of such Termination (but in no event beyond the expiration date of the Option).

v. In the event of a Change in Control (as defined in the Plan), (i) the Initial Options shall be entitled to accelerated vesting in full and (ii) any Follow On Options shall, subject to the conditions set forth in Section 11 of the Employment Agreement. be entitled to accelerated vesting in full if Executive's employment is terminated by the Company without Cause or by Executive for Good Reason, in either case during the three (3) months prior to or the twelve (12) months following the Change in Control.

b. <u>Restricted Stock Units</u>.

A.Executive was awarded restricted stock units under the Original Agreement and thereafter in 2022 and 2023 under the Plan (the "**RSUs**").

i. In the event of the Executive's Termination by the Company for Cause, any unvested RSUs shall be forfeited to the Company by the Executive for no consideration as of the date of such Termination.

ii. In the event of the Executive's Termination due to death or the Executive's Disability prior to the time that all of the RSUs have vested, any then-unvested RSUs shall vest in full.

iii. In the event of the Executive's Termination by the Company without Cause or by the Executive for Good Reason, in either case prior to the time that all of the RSUs have vested, subject to the conditions set forth in Section 11 of the Employment Agreement, the then-unvested RSUs that were scheduled to vest over the one-year period immediately following such Termination shall continue to vest over such one-year period in accordance with the vesting schedule set forth in the Grant Notice.

iv. In the event of a Change in Control (as defined in the Plan), (i) the 2021 RSUs shall be entitled to accelerated vesting in full, (ii) any other RSUs that vest solely based on continued employment shall, subject to the conditions set forth in Section 11 of the Employment Agreement, be entitled to accelerated vesting in full if Executive's employment is terminated by the Company without Cause or by Executive for Good Reason, in either case during the three (3) months prior to or the twelve (12) months following the Change in Control and (iii) any other RSUs that vest (in whole or in part) based on the achievement of performance metrics shall be treated as set forth in the definitive award agreement governing the award.

v. In respect of any present or future performance stock units granted pursuant to the Plan, as well as any other RSUs that vest (in whole or in part) based on the achievement of performance metrics (together, "PSUs"), in the event of the Executive's Termination by the Company without Cause or by the Executive for Good Reason prior to the time that all such PSUs have vested, subject to the conditions set forth in Section 11 of the Employment Agreement, then any unvested PSUs that have Measurement Dates within one year from the Termination date ("Eligible PSUs") shall be eligible to vest on the Termination date but only in accordance with the terms of this Section. Whether any Eligible PSUs vest shall be determined by using the performance criteria contained in the applicable Performance Award Agreement, whereby the Termination date shall be treated as the Closing Date for purposes of calculating whether the applicable performance metrics have been achieved. Eligible PSUs shall not be treated as though there has been a Change in Control pursuant to the Performance Award Agreement, but rather only the formula for determining what percentage of PSUs qualify for vesting upon a Change in Control shall be used to determine what percentage, if any, of the Eligible PSUs shall vest on the Termination date. If a Change in Control occurs within three months after the Termination date, then any PSUs or Eligible PSUs, if any, that had not vested on the Termination date pursuant to the terms of this Agreement shall vest in accordance with the terms of the applicable Performance Award Agreement as though there had been no Termination. If there is a conflict between any Performance Award Agreement and this Agreement, this Agreement shall govern. Terms used in this section but not defined in this Agreement shall be as defined in the Performance Award Agreement.

c. The definitive award agreements governing Options and RSUs shall permit the Executive to satisfy payment of any exercise price and/or withholding taxes, as applicable, through net exercise (for Options) and net Share withholding (for Options and RSUs).

5. <u>Employee Benefits and Expenses.</u>

a. <u>Benefits</u>. During the Employment Term, the Executive shall be entitled to participate in any health, welfare and other benefit plans, programs or arrangements offered to other senior executives of the Company, subject in each case to the generally applicable terms and conditions of the plan, program or arrangement in question as in effect from time to time. During the Employment Term, the Executive shall also be entitled to paid time off per calendar year, subject to the Company's vacation policy.

b. Business Expenses. During the Employment Term, the Executive shall be authorized to incur necessary and reasonable travel, entertainment and other business expenses in connection with his duties hereunder. The Company shall reimburse the Executive for such expenses upon timely presentation of appropriate documentation, all in accordance with the Company's generally applicable policies as applicable to the Executive, as in effect from time to time.

6. Involuntary Termination. The Company may terminate the Executive's employment for any reason, with or without Cause, including, but not limited to, the reasons described below, by giving the Executive not less than thirty (30) days' advance notice in writing (in which event the Executive may become entitled to the payments and benefits described in Section 9 or 10, as applicable). The date of the Executive's termination of employment from the Company hereunder shall be referred to as the Executive's "**Termination Date**."

   a. Termination for Cause. The Company may terminate the Executive's employment at any time for Cause. For all purposes under this Agreement, "**Cause**" shall mean (i) a willful failure by the Executive to substantially perform his duties hereunder, other than a failure resulting from the Executive's complete or partial incapacity due to physical or mental illness or impairment, (ii) a willful act by the Executive which constitutes gross misconduct and which is materially injurious to the Company, (iii) the Executive's indictment of, conviction of, or no contest plea to, an act of theft, fraud or embezzlement, (iv) Executive's commission of a felony; (v) Executive's breach, which is materially injurious to the Company, of any material Company policy, including, without limitation, the Company's sexual harassment policy or (vi) Executive's breach of any restrictive covenants which is materially injurious to the Company to which he is bound pursuant to any agreement with the Company or its affiliates, including the restrictive covenants set forth in Section 13 of this Agreement (the "**Restrictive Covenants**"). No act, or failure to act, by the Executive shall be considered "willful" unless committed (A) without good faith and without a reasonable belief that the act or omission was in the Company's best interest or (B) with gross negligence. The Company's notice of termination shall specify the nature of the Cause, and, unless the willful failure or act giving rise to such notice is not by its nature curable by the Executive, the Executive shall have fifteen (15) days following such notice to cure such failure or act, and, if so cured to the reasonable satisfaction of the Company, such failure or act shall not constitute Cause hereunder.

   b. Termination for Disability. The Company may terminate the Executive's employment for Disability. For all purposes under this Agreement, "**Disability**" shall mean that the Executive, at the time notice is given, has been unable to perform his duties under this Agreement for a period of not less than six (6) consecutive months as a result of an illness or injury, as determined for purposes of the Company's long-term disability income insurance and subject to such condition resulting in the Executive being disabled within the meaning of Internal Revenue Code Section 409A. The Company's notice of termination shall specify the nature of the Disability.

7. Voluntary Termination. The Executive may terminate his employment with the Company for any reason, including Good Reason, in which event the Executive may become entitled to the payments and benefits described in Section 9 or 10, as applicable, subject in the case of a Good Reason termination to Executive's compliance with the notice provisions set forth in this Section 7. In connection with a voluntary termination, other than a termination for Good Reason, the Executive shall give the Company not less than six (6) months' advance notice in writing. The Company may elect, in its sole discretion, to waive such six (6) month advance written notice requirement. In connection with a termination that is a Good Reason termination, the Executive shall give the Company not less than sixty (60) days' advance notice in writing. The Company, in its sole discretion, may elect to waive such sixty (60) day advance written notice requirement. Any waiver of notice by the Company shall not constitute an involuntary termination under Section 6, and the termination shall continue to be considered a voluntary termination. For all purposes under this Agreement, "**Good Reason**" shall mean (i) a demotion or reduction in the Executive's Base Salary, without his written consent, (ii) the Company's failure to pay material compensation when due and payable, (iii) a material reduction in the Executive's responsibility or authority (such as due to the appointment of an executive chairman or similarly functioning person) or a change in reporting such that the Executive is no longer reporting directly to the Board, (iv) removal of the Executive from the Company's Board or failure of the Executive to be re-elected to the Board, or (v) relocation by more than fifty (50) miles of the Primary Work Location, provided, that any relocation to which the Executive has consented shall not give rise to Executive's ability to terminate his employment for Good Reason. The Executive must give the Board advance notice in writing of the Executive's decision to terminate his employment for Good Reason within ninety (90) days of the initial occurrence of the condition that is the basis for such Good Reason resignation in order for the termination to be treated as a Good Reason termination; provided, further, that Good Reason will only exist if, in the case of a condition that may be cured, the Company fails to correct the deficiency within thirty (30) days of receipt of such notice. The thirty (30) day cure period shall run contemporaneously with the sixty (60) day advance written notice period referenced above.

8. Death. The Executive's employment under this Agreement automatically shall terminate on account of his death during the Employment Term.

9. Benefits for Termination by the Company Without Cause or Resignation by the Executive for Good Reason. In the event that during the Employment Term (i) the Company terminates the Executive's employment for any reason other than Cause or Disability or (ii) the Executive terminates his employment for Good Reason, the Executive shall be entitled to receive his Accrued Compensation (defined in Section 10) and, subject to the Executive's execution and delivery of a Waiver and Release Agreement pursuant to Section 11 and the Executive's continued compliance with the Restrictive Covenants, severance and benefits from the Company (the "**Severance**") consisting of (w) continued payment of two times the sum of (A) the Base Salary and (B) target Annual Cash Incentive for the year in which termination occurs in accordance with the Company's normal payroll practices, as in effect on the Termination Date, for a period of twenty-four (24) months after the Termination Date (the "**Salary Continuation Payments**"), (x) a bonus payment equal to the Annual Cash Incentive for the year in which termination occurs based on actual performance and prorated to reflect the period of the fiscal year that has lapsed as of the Termination Date, payable in accordance with Section 3(c) of this Agreement, (y) vesting of the Executive's equity awards as set forth in Section 4 of the Employment Agreement, and (z) if Executive was participating in the Company’s group health plans immediately prior to such Termination, Company payment of the cost of COBRA coverage on behalf of the Executive for up to twelve months, with such continuation on the same basis as in effect for active employees with the same coverage, and provided that if the provision of health plan coverage will violate the nondiscrimination requirements of applicable law, the Company shall not be required to provide such benefits. Any payment under this Section 9 shall be subject to required withholding taxes. The Company's election not to extend the Employment Term in accordance with Section 1 shall be deemed a termination by the Company without Cause and accordingly, Executive shall have the rights to severance and benefits as set forth in this Section 9.

10. Benefits for All Other Terminations. Subject to Section 4, in the event of the Executive's involuntary termination, other than an involuntary termination by the Company without Cause for which Severance is owed in accordance with Section 9, (ii) the Executive's voluntary termination of employment from the Company other than for Good Reason, or (iii) the Executive's automatic termination of employment with the Company on account of his death, the Executive shall be entitled to payment of compensation accrued through such date consisting of (A) any unpaid Base Salary owed to the Executive for services rendered to the Termination Date, (B) all vested benefits under applicable written plans and programs maintained by the Company subject to the terms and conditions of such plans or programs, (C) reasonable business expenses and disbursements incurred by the Executive in accordance with the Company's applicable written business expense reimbursement policy; and (D) any accrued but unpaid vacation payable in connection with a termination of employment of the Executive under the Company's applicable vacation policy (collectively, "**Accrued Compensation**").

11. Waiver and Release of Claims. The Executive agrees that, as a condition to the receipt of the Severance pursuant to Section 9, the Executive shall be required to (a) execute and deliver a waiver and release agreement, substantially in the form attached hereto as Exhibit A, (the "**Waiver and Release Agreement**") and (b) comply with the Restrictive Covenants. The Executive shall execute and deliver the Waiver and Release Agreement within sixty (60) days of the Termination Date, and the Company shall commence payment of the Salary Continuation Payments within sixty (60) days following the Termination Date (with payment in arrears from the Termination Date) provided, however, that if such sixty (60)-day period begins in one calendar year and ends in a second calendar year, then the Salary Continuation Payments shall not commence until the second of such two calendar years (regardless of whether Executive delivers the required Waiver and Release Agreement in the first calendar year or in the second calendar year). If the Waiver and Release Agreement is not executed and delivered to the Company within such sixty (60)-day period or is otherwise revoked, the Executive shall forfeit all rights to the Severance pursuant to Section 9.

12. Nature of Payments. For the avoidance of doubt, the Executive acknowledges and agrees that the payments set forth in Sections 9 constitute liquidated damages for termination of the Executive's employment during the Employment Term.

13. Confidentiality; Non-Solicitation; Non-Competition; and Non-disparagement.

    a. Confidential Information.

        i. The Executive acknowledges that, during the Employment Term the Executive shall be given access to and become acquainted with sensitive, proprietary or confidential information relating to the Company and its affiliates, including without limitation, trade secrets, processes, practices, pricing information, billing histories, customer requirements, customer lists, customer contacts, employee lists, salary information, personnel matters, financial data, operating results, plans, contractual relationships, projections for new business opportunities, new or developing business for the Company, technological innovations in any stage of development, the Company's financial data, long range or short range plans, any confidential or proprietary information of others licensed to the Company, and all other data and information of a competition-sensitive nature (collectively, "**Confidential Information**"). The Executive agrees that during the Employment Term or at any time thereafter, the Executive shall not, directly or indirectly, communicate, disclose, or divulge to any Person, or use for the Executive's benefit or the benefit of any Person, in any manner, any Confidential Information or any other information concerning the conduct and details of the businesses of the Company and its affiliates, except as required in the course of the Executive's employment with the Company or as otherwise may be required by applicable law.

        ii. The Executive acknowledges that the Confidential Information of the Company is a valuable, confidential, special, and unique asset of the Company and its affiliates, expensive to produce and maintain, and essential for the profitable operation of their respective businesses.

        iii. All documents relating to the businesses of the Company and its affiliates including, without limitation, documents, including electronic records, whether prepared by the Executive or otherwise coming into the Executive's possession, are the exclusive property of the Company and its applicable affiliates and must not be removed from the premises of the Company, except as required in the course of the Executive's employment with the Company. The Executive shall return all such documents and electronic records (including any copies thereof) to the Company upon the Termination Date or upon the earlier request of the Company or the Board.

This Agreement does not limit the Executive's ability to communicate with any governmental agency, file a charge or complaint with the Securities and Exchange Commission or otherwise participate in any investigation or proceeding that may be conducted by any governmental agencies, including by providing documents or other information, without notice to the Company. The Company acknowledges and agrees that pursuant to 18 USC § 1833(b), the Executive may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Company additionally acknowledges and agrees that if Executive is suing an employer for retaliation based on the reporting of a suspected violation of law, then he may disclose a trade secret to his attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

    b. Non-Solicitation. During the Employment Term and for a period of twelve (12) months following the Termination Date, the Executive shall not, except with the Company's express prior written consent, for the benefit of any entity or Person (including the Executive) (i) solicit, induce, or encourage any employee of the Company, or any of its affiliates, to leave the employment of the Company or its affiliates, (ii) solicit, induce, or encourage any customer, client, or independent contractor of the Company, or any of its affiliates, to cease or reduce its business with or services rendered to the Company or its affiliates or (iii) hire (on behalf of the Executive or any other person) any employee or independent contractor who has left the employment or other service of the Company or its affiliates within one (1) year of the termination of such employee's employment, or independent contractor's engagement, with the Company or its affiliates, provided, however, that nothing in this Section 13(b) shall prohibit Executive from being involved with general solicitations for employment or in hiring anyone who responds to such solicitations.

    c. Non-Competition.

        i. During the Employment Term, the Executive shall not, directly or indirectly be employed, engaged, concerned or interested in any other business or undertaking (except a Permitted Investment (as defined below), or any activity disclosed to the Company so long as such activities do not materially interfere with the Executive's duties to the Company or any of its subsidiaries), other than as authorized under Section 2(b) above or as approved by the Board prior to the date of this Agreement or from time to time thereafter (such approval, in the case of charitable, pro bono or educational activities, not to be unreasonably withheld); or

ii. During the Employment Term and for a period of twelve (12) months following the Termination Date, the Executive shall not, directly or indirectly engage in any activity (except as reasonably associated with a Permitted Investment) which the Board reasonably considers may be, or become, materially harmful to and competitive with the business of the Company or any of its subsidiaries or which might reasonably be considered to materially interfere with the performance of the Executive's duties under this Agreement; provided that, subject to Executive's advance notification of such activity to the Board, it shall not constitute a competitive activity for Executive, following the end of the Employment Term, to serve as a member of a board of directors or as an advisor or employee for any company whose revenues from business that competes with that of the Company (as being conducted immediately before the end of the Employment Term) do not exceed 10% of its revenues, or whose competitive business represents less than 10% of the revenues of the Company.

"Permitted Investment" means an investment: (a) comprising not more than 3% of the shares or other capital of a company (whether listed or not); provided, that the relevant company in which the investment is made either (A) does not carry on a business which competes with the Company or any of its subsidiaries or (B) does compete with the Company or any of its subsidiaries, but the investment is a passive investment in shares or other securities of the relevant company which are listed on a securities exchange; or (b) which is approved or consented to by the Board.

d. Non-Disparagement. During the Employment Term and for a period of five (5) years following the Termination Date, the Executive shall not publicly disparage the Company, its affiliates, or their respective officers or directors. Notwithstanding the foregoing, nothing in this Agreement shall preclude the Executive or the Executive's successor from making truthful statements that are required by applicable law, regulation, or legal process. Likewise, during the Employment Term and for a period of five (5) years following the Termination Date, members of the Board and members of the board of any subsidiary, and the respective officers of the Company and any affiliate, shall not publicly disparage the Executive. Notwithstanding the foregoing, nothing in this Agreement shall preclude members of the Board and members of the board of any subsidiaries, and the respective officers of the Company and any subsidiary, from making truthful statements that are required by applicable law, regulation, or legal process.

14. Cooperation with Regard to Litigation. The Executive agrees to cooperate with the Company, during the Employment Term and after the Termination Date, by making the Executive available to testify on behalf of the Company or any affiliate of the Company, in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and to assist the Company, or any affiliate of the Company, in any such action, suit, or proceeding, by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company or any affiliate of the Company, as may be reasonably requested and after taking into account the Executive's post- termination responsibilities and obligations. The Company agrees to reimburse the Executive, on an after-tax basis, for all reasonable expenses, including legal fees, actually incurred in connection with the Executive's provision of testimony or assistance; provided that, Executive shall be permitted to redact invoices for legal services incurred to preserve attorney-client privilege.

15. Section 280G of the Code.

a. If there is a change of ownership or effective control or change in the ownership of a substantial portion of the assets of the Company (within the meaning of Section 280G of the Code) (a "**Change in Control**") and any payment or benefit (including payments and benefits pursuant to this Agreement) that the Executive would receive from the Company or otherwise ("**Transaction Payment**") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then the Company shall cause to be determined, before any amounts of the Transaction Payment are paid to the Executive, which of the following two alternative forms of payment would result in the Executive's receipt, on an after-tax basis, of the greater amount of the Transaction Payment notwithstanding that all or some portion of the Transaction Payment may be subject to the Excise Tax: (A) payment in full of the entire amount of the Transaction Payment (a "Full Payment"), or (B) payment of only a part of the Transaction Payment so that the Executive receives the largest payment possible without the imposition of the Excise Tax (a "**Reduced Payment**"), and the Executive shall be entitled to payment of whichever amount shall result in a greater after-tax amount for the Executive. For purposes of determining whether to make a Full Payment or a Reduced Payment, the Company shall cause to be taken into account all applicable federal, state and local income and employment taxes and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes). If a Reduced Payment is made, the reduction in payments and/or benefits shall occur in the following order: (1) first, reduction of cash payments, in reverse order of scheduled payment date (or if necessary, to zero), (2) then, reduction of non-cash and non-equity benefits provided to the Executive, on a pro rata basis (or if necessary, to zero) and (3) then, cancellation of the acceleration of vesting of equity award compensation in the reverse order of the date of grant of the Executive's equity awards.

b. Unless the Executive and the Company otherwise agree in writing, any determination required under this section shall be made in writing by the Company's independent public accountants (the "**Accountants**"), whose determination shall be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required by this Section, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Accountants shall provide detailed supporting calculations to the Company and the Executive as requested by the Company or the Executive. The Executive and the Company shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section as well as any costs incurred by the Executive with the Accountants for tax planning under Sections 280G and 4999 of the Code.

c. Notwithstanding the foregoing, in the event that no stock of the Company or its Affiliates is readily tradable on an established securities market or otherwise (within the meaning of Section 280G of the Code) at the time of the Change in Control, the Company shall submit to a vote of shareholders for approval the portion of the Transaction Payments that equals or exceeds three times Executive's "base amount" (within the meaning of Section 280G of the Code) (the "**Excess Parachute Payments**") in accordance with Treas. Reg. §1.280G-1, and Executive shall cooperate with such vote of shareholders, provided that the Executive may execute, but shall not be required to execute, any documentation subjecting Executive's entitlement to all Excess Parachute Payments to such shareholder vote.

16. Section 409A Savings Provisions.

a. Section 409A Exemption. It is intended that the payments and benefits provided under this Agreement shall be exempt from the application of, or shall comply with, the requirements of Section 409A of the Code and the regulations and other guidance issued thereunder (collectively, "**Section 409A**"). Specifically, any taxable benefits or payments provided under this Agreement are intended to be separate payments that qualify for the "short term deferral" exception to Section 409A to the maximum extent possible, and to the extent they do not so qualify, are intended to qualify for the separation pay exceptions to Section 409A and to be paid in accordance with Section 409A (if applicable), to the maximum extent possible.

b. Separation from Service. The Executive shall be deemed to have a termination of employment for purposes of determining the timing of any payments or benefits hereunder that are classified as deferred compensation only upon a "separation from service" within the meaning of Section 409A.

c. Specified Employee Provisions. Notwithstanding any other provision of this Agreement to the contrary, if at the time of the Executive's separation from service, (i) the Executive is a specified employee (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time), and (ii) the Company makes a good faith determination that an amount payable on account of such separation from service to the Executive constitutes deferred compensation (within the meaning of Section 409A), the payment of which is required to be delayed pursuant to the six (6)-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A (the "**Delay Period**"), then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it in a lump sum on the first business day after such Delay Period (or upon the Executive's death, if earlier), together with interest for the Delay Period, compounded annually, equal to the prime rate (as published in the Wall Street Journal) in effect as of the dates the payments should otherwise have been provided. To the extent that any benefits to be provided during the Delay Period are considered deferred compensation under Section 409A provided on account of a separation from service, and such benefits are not otherwise exempt from Section 409A, the Executive shall pay the cost of such benefit during the Delay Period, and the Company shall reimburse the Executive, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to the Executive, the Company's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by the Company in accordance with the procedures specified herein.

d. Expense Reimbursements. (i) Any amount that the Executive is entitled to be reimbursed under this Agreement shall be reimbursed to the Executive as promptly as practical and in any event not later than the last day of the calendar year after the calendar year in which the expenses are incurred; (ii) any right to reimbursement or in kind benefits shall not be subject to liquidation or exchange for another benefit; and (iii) the amount of the expenses eligible for reimbursement during any taxable year shall not affect the amount of expenses eligible for reimbursement in any other taxable year.

17. Miscellaneous Provisions.

a. Delivery of Notice. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by certified mail, return receipt requested and postage prepaid. In the case of the Executive, mailed notices shall be addressed to him at the home address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary. For all purposes under this Agreement, the employment relationship shall terminate on the date properly specified in the notice of termination, and any waiver of such notice shall be valid only if it is made in writing and expressly refers to the applicable notice requirement described in Section 6 or 7, as applicable.

b. Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Executive and by the Company with the approval of the Board. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

c. Assignment and Successors. The Executive shall not assign any right or delegate any obligation hereunder without the Company's written consent, and any purported assignment or delegation by the Executive without the Company's written consent shall be void. This Agreement may be assigned by the Company to a solvent Person which is an affiliate having (or a successor in interest to) substantially all of the business operations and assets of the Company. Upon such assignment, the rights and obligations of the Company hereunder shall become the rights and obligations of such affiliate or successor Person. "**Person**" means any individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

d. Whole Agreement. This Agreement constitutes the sole and entire agreement between the parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter. For the avoidance of doubt, in the event of inconsistency between the provisions of this Agreement, the Plan or any related award agreements, the terms of this Agreement shall govern and control.

e. Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware, other than any conflicts or choice of law rules or principles thereof.

f. Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

g. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration conducted in the city in which the Primary Work Location is located, by three (3) arbitrators. The Executive and the Company shall each select one (1) arbitrator and those two (2) designated arbitrators shall select a third (3rd) arbitrator. The arbitration shall not be administered by the American Arbitration Association; however, the arbitration shall be conducted by the three (3) selected arbitrators using the procedural rules of the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association in effect at the time of submission to arbitration. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of entering any judgment upon an award rendered by the arbitrators, the Company and the Executive hereby consent to the jurisdiction of any or all of the following courts: (i) the United States District Court in or nearest to the city in which either the Primary Work Location is situated or the Company's headquarters are located, or (ii) any other court having jurisdiction. The Company and the Executive further agree that any service of process or notice requirements in any such proceeding shall be satisfied if the rules of such court relating thereto have been substantially satisfied. The Company and the Executive hereby waive, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to such jurisdiction and any defense of inconvenient forum. The Company and the Executive hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each party shall bear its or the Executive's costs and expenses arising in connection with any arbitration proceeding pursuant to this Section 17(g). Notwithstanding any provision in this Section 17(g), the Executive shall be paid compensation due and owing under this Agreement during the pendency of any dispute or controversy arising under or in connection with this Agreement. Any dispute or claim in law or equity, whether based on contract or tort or otherwise, relating to or arising out of the employment of the Executive by the Company, other than a claim based on a statute providing an exclusive means of enforcement, shall be settled exclusively by final arbitration in accordance with the labor arbitration rules of the American Arbitration Association in effect at the time the arbitration is initiated. Any claim or dispute subject to arbitration shall be deemed waived, and forever barred, if not presented for arbitration within six (6) months of the date when the claim or dispute arose.

h. WAIVER OF JURY TRIAL. TO THE EXTENT APPLICABLE, EACH OF THE PARTIES TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT.

(i) No Conflicts. The Executive represents, warrants and covenants that (a) the Executive has read and understands this Agreement, is fully aware of its legal effect, has not acted in reliance upon any representations or promises made by the Company other than those contained in writing herein, and has entered into this Agreement freely based on his own judgment, (b) the Executive has the full right, authority and capacity to enter into this Agreement and to perform the Executive's obligations hereunder, (c) the Executive is not bound by any agreement that conflicts with or prevents or restricts the full performance of the Executive's duties and obligations to the Company hereunder during or after the Employment Term and (d) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment or agreement to which the Executive is subject.

(j) Attorney's and Advisory Fees. The Company shall reimburse Executive (or pay directly) for attorney's fees and advisory fees incurred by the Executive in connection with the negotiation and execution of this Agreement and related term sheet that was negotiated prior to entry into this Agreement; provided that, the aggregate reimbursement in respect of the foregoing shall not exceed $25,000. The same reimbursement terms shall apply to any future renewals, extensions, or modifications to this Agreement that are initiated by the Company.

(k) Indemnification. The Company hereby agrees to indemnify the Executive and hold the Executive harmless to the maximum extent provided or allowable under the Company's organizational documents against and in respect of any and all actions, suits, proceedings, claims, demands, judgments, costs, expenses (including reasonable attorney's fees), losses, and damages resulting from the Executive's good faith performance (i) of the Executive's duties and obligations with the Company during the Employment Term, and (ii) of the Executive's services before the Employment Term relating to the Merger Agreement or the Closing.

(l) Trust Account Waiver. Notwithstanding anything to the contrary set forth herein, Executive acknowledges that the Company has established a trust account containing the proceeds from certain private placements (collectively, with interest accrued from time to time thereon, the "Trust Account"). Executive agrees that (i) he has no right, title, interest or claim of any kind in or to any monies held in the Trust Account, and (ii) he shall have no right of set-off or any right, title, interest or claim of any kind ("Claim") to, or to any monies in, the Trust Account, in each case in connection with this Agreement, and hereby irrevocably waives any Claim to, or to any monies in, the Trust Account that he may have in connection with this Agreement; provided, however, that nothing in this Section 17(l) shall be deemed to limit Executive's right, title, interest or claim to the Trust Account by virtue of Executive's record or beneficial ownership of securities of the Company acquired by any means other than pursuant to this Agreement, including, but not limited to, any redemption right with respect to any such securities of the Company. In the event Executive has any Claim against the Company under this Agreement, Executive shall pursue such Claim solely against the Company and its assets outside the Trust Account and not against the property or any monies in the Trust Account. Executive agrees and acknowledges that such waiver is material to this Agreement and has been specifically relied upon by the Company to induce the Company to enter into this Agreement and Executive further intends and understands such waiver to be valid, binding and enforceable under applicable law. In the event Executive, in connection with this Agreement, commences any action or proceeding which seeks, in whole or in part, relief against the funds held in the Trust Account or distributions therefrom or any of the Company's stockholders, whether in the form of monetary damages or injunctive relief, Executive shall be obligated to pay to the Company all of its legal fees and costs in connection with any such action in the event that the Executive prevails in such action or proceeding.

[Signature page follows]

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first above written.

EXECUTIVE:
/s/ Jeffrey R. Tarr
Jeffrey R. Tarr

SKILLSOFT CORP.
By: /s/ Joe T. Ruble
Name: Joe T. Ruble
Title: Authorized Signatory

EXHIBIT A

WAIVER AND RELEASE AGREEMENT

This Waiver and General Release Agreement (the "Agreement") is being entered into between Jeffrey R. Tarr ("Executive") and Skillsoft Corp., a Delaware corporation (the "Company"), in connection with the termination of Executive's employment with the Company as of [Month, Day], [Year] (the "Termination Date"), in consideration of the severance (the "Severance") provided to Executive pursuant to and in accordance with the Amended and Restated Executive Employment Agreement, dated October 13, 2020, by and between Executive and the Company (the "Employment Agreement"). Executive and the Company are referred to collectively as the "Parties."

1. **General Release**. Except for any rights granted under this Agreement, Executive, for himself, and for his heirs, assigns, executors and administrators, hereby releases, remises and forever discharges the Company, its parents, subsidiaries, joint ventures, affiliates, divisions, predecessors, successors, assigns, and each of their respective directors, officers, partners, attorneys, shareholders, administrators, employees, agents, representatives, employment benefit plans, plan administrators, fiduciaries, trustees, insurers and re-insurers, and all of their predecessors, successors and assigns (collectively, the "Releasees") of and from all claims, causes of action, covenants, contracts, agreements, promises, damages, disputes, demands, and all other manner of actions whatsoever, in law or in equity, that Executive ever had, may have had, now has, or that Executive's heirs, assigns, executors or administrators hereinafter can, shall or may have, whether known or unknown, asserted or unasserted, suspected or unsuspected, as a result of or related to Executive's employment with the Company, the termination of that employment, or any act or omission which has occurred at any time up to and including the date of the execution of this Release (the "Released Claims").

    a. **Released Claims**. The Released Claims released include, but are not limited to, any claims for monetary damages; any claims related to Executive's employment with the Company or the termination thereof; any claims to severance or similar benefits (except as provided below in Section 1(c); any claims to expenses, attorneys' fees or other indemnities; any claims to options or other interests in or securities of the Company; any claims based on any actions or failures to act that occurred on or before the date of this Agreement; and any claims for other personal remedies or damages sought in any legal proceeding or charge filed with any court or federal, state or local agency either by Executive or by any person claiming to act on Executive's behalf or in Executive's interest. Executive understands that the Released Claims may have arisen under different local, state and federal statutes, regulations, or common law doctrines. Executive hereby specifically, but without limitation, agrees to release all Releasees from any and all claims under each of the following laws:

        i. **Antidiscrimination laws**, such as Title VII of the Civil Rights Act of 1964, as amended, and Executive Order 11246 (which prohibit discrimination based on race, color, national origin, religion, or sex); Section 1981 of the Civil Rights Act of 1866 (which prohibits discrimination based on race or color); the Americans with Disabilities Act and Sections 503 and 504 of the Rehabilitation Act of 1973 (which prohibit discrimination based upon disability); the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621 *et seq.* (which prohibits discrimination on the basis of age); the Equal Pay Act (which prohibits paying men and women unequal pay for equal work); or any other local, state or federal statute, regulation, common law or decision concerning discrimination, harassment, or retaliation on these or any other grounds or otherwise governing the employment relationship.

        ii. **Other employment laws**, such as the federal Worker Adjustment and Retraining Notification Act of 1988 (known as WARN, which requires advance notice of certain workforce reductions); the Employee Retirement Income Security Act of 1974 (which, among other things, protects employee benefits); the Fair Labor Standards Act of 1938 (which regulates wage and hour matters); the Family and Medical Leave Act of 1993 (which requires employers to provide leaves of absence under certain circumstances); and any other federal, state, or local statute, regulation, common law or decision relating to employment, reemployment rights, leaves of absence or any other aspect of employment.

        iii. **Other laws of general application**, such as federal, state, or local laws enforcing express or implied employment agreements or other contracts or covenants, or addressing breaches of such agreements, contracts or covenants; federal, state or local laws providing relief for alleged wrongful discharge or termination, physical or personal injury, emotional distress, fraud, intentional or negligent misrepresentation, defamation, invasion of privacy, violation of public policy or similar claims; common law claims under any tort, contract or other theory now or hereafter recognized, and any other federal, state, or local statute, regulation, common law doctrine, or decision regulating or regarding employment.

    b. **Participation in Agency Proceedings**. Nothing in this Agreement shall prevent Executive from filing a charge (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission (the "EEOC"), the National Labor Relations Board (the "NLRB"), or other similar federal, state or local agency, or from participating in any investigation or proceeding conducted by the EEOC, the NLRB or similar federal, state or local agencies. However, by entering into this Agreement, Executive understands and agrees that Executive is waiving any and all rights to recover any monetary relief or other personal relief as a result of any such EEOC, NLRB or similar federal, state or local agency proceeding, including any subsequent legal action. Notwithstanding the foregoing, nothing in this Agreement prohibits or restricts Executive (or Executive's attorney) from filing a charge or complaint with the Securities and Exchange Commission (the "SEC"), the Financial Industry Regulatory Authority ("FINRA"), or any other securities regulatory agency or authority. Executive further understands that this Agreement does not limit Executive's ability to communicate with any securities regulatory agency or authority or otherwise participate in any investigation or proceeding that may be conducted by any securities regulatory agency or authority without notice to the Company. This Agreement does not limit Executive's right to receive an award for information provided to the SEC staff or any other securities regulatory agency or authority.

    c. **Claims Not Released**. The Released Claims do not include claims by Executive for: (1) payment of the Severance or reimbursements due under the Employment Agreement; (2) previously vested benefits under any the Company-sponsored benefits plan, including without limitation the equity awards granted pursuant to Section 4 of the Employment Agreement; (3) indemnification and advancement of expenses under the Company's certificate of incorporation or bylaws, and (4) any rights that cannot by law be released by private agreement.

    d. **No Existing Claims or Assignment of Claims**. Executive represents and warrants that he has not previously filed or joined in any claims that are released in this Agreement and that he has not given or sold any portion of any claims released herein to anyone else, and that he will indemnify and hold harmless the Company and the Releasees from all liabilities, claims, demands, costs, expenses and/or attorneys' fees incurred as a result of any such prior assignment or transfer.

e. **Defend Trade Secrets Act**. The Company acknowledges and agrees that pursuant to 18 USC § 1833(b), the Executive may not be held liable under any criminal or civil federal or state trade secret law for disclosure of a trade secret: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. The Company additionally acknowledges and agrees that if Executive is suing an employer for retaliation based on the reporting of a suspected violation of law, then he may disclose a trade secret to his attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

f. **Acknowledgement of Legal Effect of Release**. BY SIGNING THIS AGREEMENT, EXECUTIVE UNDERSTANDS THAT HE IS WAIVING ALL RIGHTS HE MAY HAVE HAD TO PURSUE OR BRING A LAWSUIT OR MAKE ANY LEGAL CLAIM AGAINST THE COMPANY OR THE RELEASEES, INCLUDING, BUT NOT LIMITED TO, CLAIMS THAT IN ANY WAY ARISE FROM OR RELATE TO EXECUTIVE'S EMPLOYMENT OR THE TERMINATION OF THAT EMPLOYMENT, FOR ALL OF TIME UP TO AND INCLUDING THE DATE OF THE EXECUTION OF THIS AGREEMENT. EXECUTIVE FURTHER UNDERSTANDS THAT BY SIGNING THIS AGREEMENT, EXECUTIVE IS PROMISING NOT TO PURSUE OR BRING ANY SUCH LAWSUIT OR LEGAL CLAIM SEEKING MONETARY OR OTHER RELIEF.

2. **General Provisions**. This Agreement contains the entire understanding and agreement between the Parties relating to the subject matter of this Agreement, and supersedes any and all prior agreements or understandings between the Parties pertaining to the subject matter hereof. This Agreement may not be altered or amended except by an instrument in writing signed by both Parties. Executive has not relied upon any representation or statement outside this Agreement with regard to the subject matter, basis or effect of this Agreement. This Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware, excluding the choice of law rules thereof, and shall be subject to the arbitration provisions under the Employment Agreement. This Agreement will be binding upon and inure to the benefit of the Parties and their respective representatives, successors and permitted assigns. If any one or more of the provisions of this Agreement, or any part thereof, will be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remainder of this Agreement will not in any way be affected or impaired thereby.

3. **No Admission; Attorney's Fees**. Executive agrees that nothing contained in this Agreement will constitute or be treated as an admission of liability or wrongdoing by either Executive or the Company. In any action to enforce the terms of this Agreement, the prevailing Party will be entitled to recover its costs and expenses, including reasonable attorneys' fees.

4. **ADEA Acknowledgement/Time Periods**. With respect to the General Release in Section 1 of this Agreement, Executive agrees and understands that by signing this Agreement, Executive is specifically releasing all claims under the Age Discrimination in Employment Act, as amended, 29 U.S.C. Section 621 *et seq*. Executive acknowledges that he has carefully read and understands this Agreement in its entirety and executes it voluntarily and without coercion.

a. **Consideration Period**. Executive is hereby advised to consult with a competent, independent attorney of Executive's choice, at Executive's expense, regarding the legal effect of this Agreement before signing it. Executive shall have [twenty-one (21)] / [forty-five (45)] days from receipt of this Agreement to consider whether to execute it, but Executive may voluntarily choose to execute this Agreement before the end of the [twenty-one (21)] / [forty-five (45)] day period.

b. **Revocation Period**. Executive understands that Executive has seven (7) days following his execution of this Agreement to revoke it in writing, and that this Agreement is not effective or enforceable until after this seven (7) day period has expired without revocation. If Executive wishes to revoke this Agreement after signing it, Executive must provide written notice of Executive's decision to revoke the Agreement to the Company, Attention: _, _______ by no later than 12:01 a.m. on the eighth (8th) calendar day after the date by which Executive has signed this Agreement (the "Revocation Deadline").

5. **Execution**. Executive understands and agrees that this Agreement shall be null and void and have no legal or binding effect whatsoever if the Agreement is not signed by Executive on or before the [twenty-first (21st)] / [forty-fifth (45th)] day after Executive receives it.

[Signature Page Follows]

BY SIGNING BELOW, EXECUTIVE REPRESENTS AND WARRANTS THAT EXECUTIVE HAS FULL LEGAL CAPACITY TO ENTER INTO THIS AGREEMENT, EXECUTIVE HAS CAREFULLY READ AND UNDERSTANDS THIS AGREEMENT IN ITS ENTIRETY, HAS HAD A FULL OPPORTUNITY TO REVIEW THIS AGREEMENT WITH AN ATTORNEY OF EXECUTIVE'S CHOOSING, AND HAS EXECUTED THIS AGREEMENT VOLUNTARILY, WITHOUT DURESS, COERCION OR UNDUE INFLUENCE.

IN WITNESS WHEREOF, the undersigned, intending to be bound hereby, has agreed to the terms and conditions of this Agreement as of the date set forth below.

EXECUTIVE:

____
Jeffrey R. Tarr Date:________________

ELECTION TO EXECUTE PRIOR TO EXPIRATION
OF THE [TWENTY-ONE (21)] / [FORTY-FIVE (45)]-DAY CONSIDERATION PERIOD

I, Jeffrey R. Tarr, understand that I have [twenty-one (21)] / [forty-five (45)] days within which to consider and execute the attached Waiver and General Release Agreement. However, after having an opportunity to consult counsel, I have freely and voluntarily elected to execute the Waiver and General Release Agreement before such [twenty-one (21)] / [forty-five (45)]-day period has expired.

____
Jeffrey R. Tarr Date:________________

Exhibit 31.1

I, Jeffrey R. Tarr, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skillsoft Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 11, 2023

/s/ Jeffrey R. Tarr

Jeffrey R. Tarr
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

I, Richard Walker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skillsoft Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 11, 2023

/s/ Richard George Walker

Richard George Walker
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Skillsoft Corp. (the "Company") on Form 10-Q for the period ended July 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 11, 2023

/s/ Jeffrey R. Tarr
Jeffrey R. Tarr
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Skillsoft Corp. (the "Company") on Form 10-Q for the period ended July 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 11, 2023

/s/ Richard George Walker
Richard George Walker
Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.