BOOKS24X7 COM INC
Form 424B3
December 15, 2010

Filed Pursuant to Rule 424(b)(3) and Rule 424(c)
Registration No. 333-169857

PROSPECTUS SUPPLEMENT NO. 1

Offer to Exchange

$310,000,000 principal amount of our 11.125% Senior Notes due 2018,

which have been registered under the Securities Act,

for any and all of our outstanding 11.125% Senior Notes due 2018

SSI INVESTMENTS II LIMITED

SSI CO-ISSUER LLC

This prospectus supplement amends the prospectus dated November 22, 2010 that relates to the issuance of up to $310,000,000 principal amount of our 11.125% Senior Notes due 2018, in exchange for our registered 11.125% Senior Notes due 2018.

This prospectus supplement is being filed to include in the prospectus relating to the exchange offer the information set forth in the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2010, which was filed by the Company with the Securities and Exchange Commission on December 15, 2010. This prospectus supplement should be read in conjunction with the prospectus dated November 22, 2010 referred to above. The exchange offer will expire at 5:00 p.m., New York City time, on December 22, 2010, unless extended.

You should consider carefully the risk factors beginning on page 12 of the prospectus before participating in the exchange offer.

Neither the U.S. Securities and Exchange Commission nor any other federal or state agency has approved or disapproved of the securities to be distributed in this exchange offer, nor have any of these organizations determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement No. 1 is December 15, 2010.

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

FORM 10-Q

(MARK ONE)

R	QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2010
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 333-169857

SSI INVESTMENTS II LIMITED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Republic of Ireland (State or Other Jurisdiction of Incorporation or Organization)	None (I.R.S. Employer Identification No.)
107 Northeastern Boulevard Nashua, New Hampshire (Address of Principal Executive Offices)	03062 (Zip Code)

Registrant's Telephone Number, Including Area Code: (603) 324-3000

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 R

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was require to submit and post such files).
Yes £ No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £	Accelerated filer £
Non-accelerated filer R (Do not check if a smaller reporting company)	Smaller reporting company £

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

SSI INVESTMENTS II LIMITED

FORM 10-Q
FOR THE QUARTER ENDED OCTOBER 31, 2010
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PART I

ITEM 1. — CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SSI INVESTMENTS II LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	SUCCESSOR OCTOBER 31, 2010 (Unaudited)	PREDECESSOR JANUARY 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,106	$ 76,682
Short-term investments	-	3,559
Restricted cash	922	2,786
Accounts receivable, net	64,933	141,828
Deferred tax assets	1,360	28,902
Prepaid expenses and other current assets	19,018	23,447
Total current assets	123,339	277,204
Property and equipment, net	5,415	6,288
Goodwill	554,682	238,550
Intangible assets, net	617,176	5,227
Deferred tax assets	318	49,127
Other assets	24,829	9,835
Total assets	$ 1,325,759	$ 586,231
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Current maturities of long term debt	$ 5,344	$ 865
Accounts payable	3,399	4,519
Accrued compensation	9,048	18,287
Accrued expenses	33,991	23,099
Deferred tax liabilities	308	-
Deferred revenue	109,597	200,369
Total current liabilities	161,687	247,139
Long term debt	626,887	83,500
Deferred tax liabilities	74,181	-
Other long term liabilities	4,056	4,432
Total long term liabilities	705,124	87,932
Commitments and contingencies (Note 11)		
Shareholders’ equity:		
Ordinary shares, €0.11 par value: 250,000,000 shares authorized; 94,905,067 shares issued at January 31, 2010	-	9,983
Ordinary shares, $1.00 par value:1,000,000,000 shares authorized; 534,513,270 shares issued at October 31, 2010	534,513	-
Additional paid-in capital	-	482,592

Treasury stock, at cost, 249,368 ordinary shares January 31, 2010	-	(2,471)
Accumulated deficit	(88,258)	(239,506)
Accumulated other comprehensive income	12,693	562
Total shareholders' equity	458,948	251,160
Total liabilities and shareholders' equity	$ 1,325,759	$ 586,231

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

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SSI INVESTMENTS II LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS)

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended October 31, 2010	Three Months Ended October 31, 2009	May 26, to October 31, 2010	February 1, to May 25, 2010	Nine Months Ended October 31, 2009
Revenue	$ 52,544	$ 80,402	$ 86,600	$ 97,538	$ 235,767
Cost of revenue (1)	7,036	6,845	12,247	9,226	21,842
Cost of revenue – amortization of intangible assets	15,986	32	27,692	40	96
Gross profit	29,522	73,525	46,661	88,272	213,829
Operating expenses:					
Research and development (1)	10,275	12,508	17,653	17,131	31,212
Selling and marketing (1)	22,254	23,336	36,775	40,378	70,134
General and administrative (1)	7,569	7,857	13,244	21,828	25,070
Amortization of intangible assets	10,752	2,118	18,541	1,137	6,690
Acquisition related expenses	998	-	21,596	15,063	-
Total operating expenses	51,848	45,819	107,809	95,537	133,106
Operating (loss) income	(22,326)	27,706	(61,148)	(7,265)	80,723
Other (expense) interest, net	(487)	(220)	(1,522)	385	(1,443)
Interest income	36	66	52	95	204
Interest expense	(15,131)	(1,633)	(33,711)	(3,723)	(6,110)
(Loss) income before (benefit) provision for income taxes	(37,908)	25,919	(96,329)	(10,508)	73,374
(Benefit) provision for income taxes	(2,620)	6,289	(8,071)	(1,894)	17,794
Net (loss) income	$ (35,288)	$ 19,630	$ (88,258)	$ (8,614)	$ 55,580

(1) Share-based compensation included in cost of revenue and operating expenses:

Cost of revenue	-	17	-	201	66
Research and development	-	226	-	4,861	742
Selling and marketing	-	486	-	8,260	1,725
General and administrative	-	701	-	11,837	2,108

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

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SSI INVESTMENTS II LIMITED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, IN THOUSANDS)

	Successor	Predecessor	Predecessor
	For the Periods		
	May 26, to October 31, 2010	February 1, to May 25, 2010	Nine Months Ended October 31, 2009
Cash flows from operating activities:			
Net (loss) income	$ (88,258)	$ (8,614)	$ 55,580
Adjustments to reconcile net income to net cash provided by operating activities:			
Share-based compensation	-	25,159	4,641
Depreciation and amortization	1,661	1,374	3,419
Amortization of intangible assets	46,233	1,177	6,786
Recovery of bad debts	(90)	(52)	(130)
(Benefit) provision for income tax — non-cash	(9,613)	(2,800)	11,924
Non-cash interest expense	1,903	3,219	854
Tax effect related to exercise of non-qualified stock options	-	282	169
Changes in current assets and liabilities, net of acquisitions			
Accounts receivable	(9,105)	86,230	80,962
Prepaid expenses and other current assets	(1,752)	(2,218)	3,951
Accounts payable	424	(1,559)	(1,502)
Accrued expenses, including long-term	3,204	(6,296)	(10,809)
Deferred revenue	28,140	(41,817)	(68,029)
Net cash (used in) provided by operating activities	(27,253)	54,085	87,816
Cash flows from investing activities:			
Purchases of property and equipment	(1,709)	(438)	(1,703)
Acquisition of SkillSoft, net of cash acquired	(1,074,181)	-	-
Purchases of investments	-	(2,562)	(7,762)
Maturity of investments	-	6,122	5,212
Decrease in restricted cash, net	1,837	27	998
Net cash (used in) provided by investing activities	(1,074,053)	3,149	(3,255)
Cash flows from financing activities:			
Exercise of share options	-	3,065	1,343
Proceeds from employee share purchase plan	-	1,666	2,192
Proceeds from issuance of ordinary shares	534,513	-	-
Proceeds from issuance of Senior Credit Facilities, net of fees	306,398	-	-
Proceeds from issuance of Senior Notes, net of fees	296,448	-	-
Principal payments on Senior Credit Facilities	(813)	(84,365)	(38,802)
Acquisition of treasury stock	-	-	(29,817)
Tax effect related to exercise of non-qualified stock options	-	(282)	(169)
Net cash provided by (used in) financing activities	1,136,546	(79,916)	(65,253)
Effect of exchange rate changes on cash and cash equivalents	1,866	(1,315)	2,641
Net increase (decrease) in cash and cash equivalents	37,106	(23,997)	21,949

Cash and cash equivalents, beginning of period		-		76,682		37,853
Cash and cash equivalents, end of period	$	37,106	$	52,685	$	59,802

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

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SSI INVESTMENTS II LIMITED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. THE COMPANY

On May 26, 2010, SSI Investments III Limited ("SSI III"), a wholly owned subsidiary of SSI Investments Limited II ("SSI II"), completed its acquisition of SkillSoft PLC (the "Acquisition"), which was subsequently re-registered as a private limited company and whose corporate name changed from SkillSoft PLC (the "Predecessor") to SkillSoft Limited ("SkillSoft" or the “Successor"). Unless otherwise indicated or the context otherwise requires, as used in this discussion, the terms "the Company", "we", "us", "our" and other similar terms refer to (a) prior to the Acquisition of SkillSoft, the Predecessor and its subsidiaries and (b) from and after the Acquisition of SkillSoft, SSI II and its subsidiaries.

2. BASIS OF PRESENTATION

The accompanying, unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such SEC rules and regulations. In the opinion of management, the condensed consolidated financial statements reflect all material adjustments (consisting only of those of a normal and recurring nature) which are necessary to present fairly the consolidated financial position of the Company as of October 31, 2010 and the results of its operations and cash flows for three months ended October 31, 2010 and 2009, the period from May 26, 2010 through October 31, 2010, the period from February 1, 2010 through May 25, 2010 and the nine months ended October 31, 2009. The results from May 26 to October 31, 2010 represent the Successor period, and the results prior to May 26, 2010 represent the Predecessor period. The Predecessor period does not include financial information of SSI II because prior to May 26, 2010, SSI II did not conduct operations or have any material assets. These condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Registration Statement on Form S-4 as filed with the SEC on October 8, 2010. The results of operations for the interim period are not necessarily indicative of the results of operations to be expected for the full fiscal year.

We have reclassified certain prior period amounts to conform to the current period’s presentation. In the accompanying condensed consolidated statements of cash flows, amounts were reclassified from the non-cash (benefit) provision for income tax to the change in accrued expenses for the Predecessor period from February 1, 2010 through May 25, 2010. These reclassifications did not change the subtotal for cash flows from operating activities for the period impacted.

3. CASH, CASH EQUIVALENTS, RESTRICTED CASH AND INVESTMENTS

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents. At October 31, 2010, the Company did not have any cash equivalents or available for sale investments. At January 31, 2010, cash equivalents consisted mainly of high-grade commercial paper and corporate debt securities.

At October 31, 2010, the Company had approximately $0.9 million of restricted cash; approximately $0.8 million is held voluntarily to defend named former executives of SmartForce PLC for actions arising out of an SEC investigation and litigation related to the 2002 securities class action. On October 7, 2010, the Company's Board of

Directors approved a settlement in the amount of approximately $0.9 million of an indemnification claim made by former officers of SmartForce. The settlement amount was paid on November 22, 2010. The remaining $0.1 million of restricted cash is held in certificates-of-deposits with a commercial bank pursuant to terms of certain facilities lease agreements.

Cash and cash equivalents and available for sale short-term investments as of January 31, 2010 were as follows (in thousands):

Description	Contracted Maturity	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents:					
Cash	N/A	$ 76,321	$ -	$ -	$ 76,321
Commercial paper	0-3 months	160	-	-	160
Corporate debt securities	1 month	201	-	-	201
		$ 76,682	$ -	$ -	$ 76,682
Short-term investments:					
Commercial paper	4-12 months	1,199	-	-	1,199
Treasury bills	4-12 months	1,649	-	-	1,649
Certificate of deposit	4-12 months	$ 711	$ -	$ -	$ 711
		$ 3,559	$ -	$ -	$ 3,559

Realized gains and losses and declines in value determined to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in other income.

4. REVENUE RECOGNITION

The Company generates revenue primarily from the licensing of its products, the provision of professional services and from the provision of hosting/application service provider (ASP) services.

The Company follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 985-605 Software – Revenue Recognition and Staff Accounting Bulletin No. 104 to account for revenue derived pursuant to license agreements under which customers license the Company's products and services. The pricing for the Company's courses varies based upon the content offering selected by a customer, the number of users within the customer's organization and the term of the license agreement (generally one, two or three years). License agreements permit customers to exchange course titles, generally on the contract anniversary date. Hosting services are sold separately for an additional fee. A license can provide customers access to a range of learning products including courseware, Referenceware®, simulations, mentoring and prescriptive assessment.

The Company offers discounts from its ordinary pricing, and purchasers of licenses for a larger number of courses, larger user bases or longer periods of time generally receive discounts. Generally, customers may amend their license agreements, for an additional fee, to gain access to additional courses or product lines and/or to increase the size of the user base. The Company also derives revenue from hosting fees for customers that use its solutions on an ASP basis and from the provision of professional services. In selected circumstances, the Company derives revenue on a pay-for-use basis under which some customers are charged based on the number of courses accessed by its users.

The Company recognizes revenue ratably over the license period if the number of courses that a customer has access to is not clearly defined, available, or selected at the inception of the contract, or if the contract has additional undelivered elements for which the Company does not have vendor specific objective evidence (VSOE) of the fair value of the various elements. This may occur if the customer does not specify all licensed courses at the outset, the customer chooses to wait for future licensed courses on a when and if available basis, the customer is given exchange privileges that are exercisable other than on the contract anniversaries, or the customer licenses all courses currently available and to be developed during the term of the arrangement. Revenue from nearly all of the Company's contractual arrangements is recognized on a subscription or straight-line basis over the contractual period of service.

The Company also derives revenue from extranet hosting/ASP services, which is recognized on a straight-line basis over the period the services are provided. Upfront fees are recorded as revenue over the contract period.

The Company generally bills the annual license fee for the first year of a multi-year license agreement in advance and license fees for subsequent years of multi-year license arrangements are billed on the anniversary date of the agreement. Occasionally, the Company bills customers on a quarterly basis. In some circumstances, the Company offers payment terms of up to six months from the initial shipment date or anniversary date for multi-year license agreements to its customers. To the extent that a customer is given extended payment terms (defined by the Company as greater than six months), revenue is recognized as payments become due, assuming all of the other elements of revenue recognition have been satisfied.

The Company typically recognizes revenue from resellers over the commitment period when both the sale to the end user has occurred and the collectibility of cash from the reseller is probable. With respect to reseller agreements with minimum commitments, the Company recognizes revenue related to the portion of the minimum commitment that exceeds the end user sales at the expiration of the commitment period provided the Company has received payment. If a definitive service period can be determined, revenue is recognized ratably over the term of the minimum commitment period, provided that payment has been received or collectibility is probable.

The Company provides professional services, including instructor led training, customized content development, website development/hosting and implementation services. If the Company determines that the professional services are not separable from an existing customer arrangement, revenue from these services is recognized over the existing contractual terms with the customer; otherwise the Company typically recognizes professional service revenue as the services are performed.

Multiple contracts with a single customer or amendments to existing contracts with the same customer are evaluated as to whether they should be recognized as separate accounting arrangements from other contracts with the customer, based on an evaluation of several factors including but not limited to the timing of when contracts were negotiated and executed, whether the software is interdependent in terms of design, technology or function and whether payment terms coincide. If contracts are considered linked for accounting purposes and accounted for as one arrangement, fees are recognized over the longest service periods. If contracts are considered separable, fees in each arrangement are recognized over the respective service period.

The Company records reimbursable out-of-pocket expenses in both revenue and as a direct cost of revenue, as applicable. Out-of-pocket expenses were immaterial for the periods ended October 31, 2010 and 2009.

The Company records revenue net of applicable sales tax collected. Taxes collected from customers are recorded as part of accrued expenses on the balance sheet and are remitted to state and local taxing jurisdictions based on the filing requirements of each jurisdiction.

The Company records as deferred revenue amounts that have been billed in advance for products or services to be provided. Deferred revenue includes the unamortized portion of revenue associated with license fees for which the Company has received payment or for which amounts have been billed and are due for payment in 90 days or less for resellers and 180 days or less for direct customers.

The Company’s contracts often include an uptime guarantee for solutions hosted on the Company's servers whereby customers may be entitled to credits in the event of non-performance. The Company also retains the right to remedy any nonperformance event prior to issuance of any credit. Furthermore the Company’s contracts contain standard warranty and indemnification coverage to its customers. Historically, the Company has not incurred substantial costs relating to this guarantee and the Company currently accrues for such costs as they are incurred. The Company reviews these costs on a regular basis as actual experience and other information becomes available; and should these costs become substantial, the Company would accrue an estimated exposure and consider the potential related effects of the timing of recording revenue on its license arrangements. The Company has not accrued any costs related to these warranties in the accompanying condensed consolidated financial statements.

5. SHAREHOLDERS' EQUITY

(a) ADS Repurchase Program

On April 8, 2008, the Company's shareholders approved a program for the repurchase by the Company of up to an aggregate of 10,000,000 ADSs. On September 24, 2008, the Company's shareholders approved an increase in the number of shares that may be repurchased under the program to 25,000,000 and an extension of the repurchase program, which ended on March 23, 2010. The Company discontinued this repurchase program in January 2010.

The Company retired 249,368 shares that were purchased in the prior fiscal year during the three months ended April 30, 2010. As of May 26, 2010, all repurchased shares had been retired or canceled.

(b) Share Based Compensation

The Company had two share-based compensation plans under which employees, officers, directors and consultants may be granted options to purchase the Company's ordinary shares, generally at the market price on the date of grant. The options became exercisable over various periods, typically four years (and typically one or three years in the case of directors), and had a maximum term of ten years. As of May 26, 2010, no ordinary shares remain available for future grant under the Company's share option plans.

A summary of share option activity under the Company's plans ended May 26, 2010 is as follows:

Share Options	Shares	Exercise Price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding, January 31, 2010	11,988,938	$0.14 – $42.88	$ 6.93	3.17	$ 41,181
Granted	-	-	-		
Exercised	(934,089)	0.25 – 10.96	5.76		
Forfeited	(2,925)	5.55 – 19.06	9.34		
Expired	(1,525,226)	11.32 – 42.88	14.39		
Cancelled and paid out May 26, 2010	(9,526,698)		5.85		
Outstanding, May 26, 2010	-	-	$ -	-	$ -

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the closing price of the shares and the exercise price of each in-the-money option outstanding) that would have been realized by the option holders had all option holders exercised their options on January 31, 2010.

No options have been granted fiscal year to date. The total intrinsic value of options exercised for the three month period ended October 31, 2009 was approximately $0.7 million. The total intrinsic value of options exercised during the period from February 1, 2010 through May 26, 2010 and the nine month period ended October 31, 2009 was approximately $5.0 million and $1.2 million, respectively.

(c) Share Capital following the Acquisition

As of October 31, 2010, the Company's share capital consisted of 1,000,000,000 ordinary shares of par value $1.00 each. As of October 31, 2010, 534,513,270 ordinary shares were issued and outstanding.

6. ACQUISITIONS

(a) SkillSoft PLC

On March 31, 2010, SkillSoft and SSI III, a wholly owned subsidiary of SSII, announced an agreement on the terms of the proposed revised recommended acquisition of SkillSoft by SSI III for cash at the increased price of $11.25 per SkillSoft share (the "Acquisition") to be implemented by means of a scheme of arrangement under Irish law (the "Scheme"). SkillSoft and SSI III had previously announced on February 12, 2010 that they had reached agreement on the terms of a recommended acquisition of SkillSoft by SSI III for cash at a price of $10.80 per SkillSoft share.

The Acquisition valued the entire issued and to be issued share capital of SkillSoft at approximately $1.2 billion. Shareholder approval was obtained on May 3, 2010. At the time of the Acquisition, pursuant to the Scheme, the shares of SkillSoft were cancelled in accordance with Irish law or transferred to SSI III. SkillSoft then issued new SkillSoft shares to SSI III in place of those shares cancelled pursuant to the Scheme, and SSI III paid consideration to former SkillSoft shareholders and option holders in consideration for the Acquisition. As a result of the Scheme, SkillSoft became a wholly-owned subsidiary of SSI III. The Acquisition closed on May 26, 2010.

On June 23, 2010, SkillSoft PLC re-registered under the Companies Acts 1963 to 2009 as a private limited company and its corporate name changed from SkillSoft PLC to SkillSoft Limited.

The acquisition of SkillSoft was preliminarily accounted for as a business combination under FASB Accounting Standards Codification (ASC) 805 Business Combinations, using the purchase method. Accordingly, the results of SkillSoft have been included in the Company's consolidated financial statements since the date of acquisition. The components of the consideration paid are as follows:

Total purchase price, cash paid	$ 1,129,184

The purchase price of $1.1 billion was allocated based upon the fair value of the assets acquired and liabilities assumed at the date of acquisition using available information and certain assumptions management believed reasonable. The following table summarizes the allocation of the initial purchase price (in thousands):

Description		Amount
Current assets	$	125,089
Property and equipment		5,842
Goodwill		561,055
Other intangible assets		656,558
Current liabilities		(141,960)
Deferred revenue		(77,400)
Total	$	1,129,184

The estimated fair values assigned to intangible assets, fixed assets, goodwill, deferred tax liabilities, deferred revenue and related income statement accounts are considered preliminary.

The acquisition resulted in preliminary allocations of the purchase price to goodwill and identified intangible assets of $561.1 million and $656.6 million, respectively. Intangible assets and their estimated useful lives consist of the following (in thousands):

Description		Amount	Life
Trademark/tradename - SkillSoft	$	129,900	indefinite

Trademark/tradename – Books 24X7		14,700	10 years
Developed software and courseware		247,958	2 to 5 years
Customer relationships		218,900	10 years
Backlog		45,100	6 years
	$	656,558	

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The trademark/tradename and customer relationships were valued using the income approach and the developed software and courseware was valued using the cost approach. Values and useful lives assigned to intangible assets were based on estimated value and use of these assets of a market participant.

Goodwill represents the excess of the purchase price over the net identifiable tangible and intangible assets acquired. The Company determined that the acquisition of SkillSoft PLC resulted in the recognition of goodwill primarily because the acquisition is expected to help SkillSoft to reach critical mass and shorten its timeframe to approach its long term operating profitability objectives through incremental scalability and significant cost synergies.

The acquired intangible assets and goodwill are subject to review for impairment as indicators of impairment develop and otherwise at least annually.

The Company assumed certain liabilities in the Acquisition including deferred revenue that was ascribed a fair value of $77.4 million using a cost-plus profit approach. The Company is amortizing deferred revenue over the average remaining term of the contracts, which reflects the estimated period to satisfy these customer obligations. In allocating the preliminary purchase price, the Company recorded an adjustment to reduce the carrying value of SkillSoft's deferred revenue by $78.1 million. Approximately $28.0 million of acquired SkillSoft deferred revenue remained unamortized at October 31, 2010.

SUPPLEMETAL PRO-FORMA INFORMATION

The Company has concluded that the Acquisition represents a material business combination. The following unaudited pro forma information presents the consolidated results of operations of the Company and SkillSoft as if the acquisition had occurred at as of the beginning of the annual period for each interim period presented with pro forma adjustments to give effect to amortization of intangible assets, an increase in interest expense on acquisition financing, and certain other adjustments:

	THREE MONTHS ENDED OCTOBER 31,		NINE MONTHS ENDED OCTOBER 31,	
	2010	2009	2010	2009
Revenue	$ 57,588	$ 58,467	$ 152,419	$ 153,766
Cost of revenue	7,036	6,828	21,272	21,776
Cost of revenue – amortization of intangible assets	15,986	15,986	47,958	47,958
Gross profit	34,566	35,653	83,189	84,032
Operating expenses:				
Research and development	10,275	12,282	29,923	30,470
Selling and marketing	22,811	20,169	64,880	58,659
General and administrative	7,569	7,450	23,524	23,845
Amortization of intangible assets	12,056	12,056	36,167	36,167
Acquisition related expenses	998	998	36,659	36,659
Total operating expenses	53,709	52,955	191,153	185,800
Operating loss	(19,143)	(17,302)	(107,964)	(101,768)
Other (expense) income, net	(487)	(220)	(1,137)	(1,443)
Interest income	36	66	147	204
Interest expense	(15,105)	(15,131)	(45,282)	(45,218)
Income before provision for income taxes from continuing operations	(34,699)	(32,587)	(154,236)	(148,225)
Provision for income taxes	1,182	(1,583)	(1,631)	(10,854)

Net income	$	(35,881)	$	(31,004)	$	(152,605)	$	(137,371)

The unaudited pro forma results are not necessarily indicative of the results that the Company would have attained had the Acquisition occurred as of February 1, 2010 and 2009.

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7. SPECIAL CHARGES

MERGER AND EXIT COSTS RECOGNIZED AS LIABILITIES IN PURCHASE ACCOUNTING

The Company's merger and exit liabilities, which include previous merger and acquisition transactions, are recorded in accrued expenses (see Note 13) and long-term liabilities. Activity in the nine month period ended October 31, 2010 is as follows (in thousands):

	Closedown of Facilities
Merger and exit accrual January 31, 2010	$ 514
Payments made	(485)
Merger and exit accrual October 31, 2010	$ 29

The Company anticipates that the remainder of the merger and exit accrual will be paid out by January 2011.

8. GOODWILL AND INTANGIBLE ASSETS

Intangible assets are as follows (in thousands):

	Successor October 31, 2010			Predecessor January 31, 2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Internally developed software/ courseware	$ 247,958	$ 27,787	$ 220,171	$ 38,717	$ 38,590	$ 127
Customer contracts	225,915	13,946	211,969	36,848	32,648	4,200
Non-compete agreement	-	-	-	6,900	6,900	-
Trademarks and trade names	14,700	928	13,772	3,625	2,725	900
Backlog	45,100	3,736	41,364	-	-	-
SkillSoft trademark	129,900	-	129,900	-	-	-
	$ 663,573	$ 46,397	$ 617,176	$ 86,090	$ 80,863	$ 5,227

In connection with the Acquisition, the Company concluded that its “SkillSoft” brand name is an indefinite lived intangible asset, as the brand has been in continuous use since 1999 and the Company has no plans to discontinue using the SkillSoft name.

The change in goodwill at October 31, 2010 from the amount initially recorded in purchase accounting is as follows:

Acquisition of SkillSoft PLC	561,055
Purchase accounting adjustments	(12,767)
Foreign currency translation adjustment	6,394
Gross carrying amount of goodwill, October 31, 2010	$ 554,682

The Company will be conducting its annual impairment test of goodwill for fiscal 2011 in the fourth quarter. There were no indicators of impairment in the third quarter of fiscal 2011.

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9. COMPREHENSIVE INCOME

Comprehensive income was as follows (in thousands):

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended 2010	Three Months Ended October 31, 2009	May 26, to October 31, 2010	February 1, to May 25, 2010	Nine Months Ended October 31, 2009
Comprehensive income:					
Net (loss) income	$ (35,288)	$ 19,630	$ (88,258)	$ (8,614)	$ 55,580
Other comprehensive (loss) income — Foreign currency adjustment, net of tax	4,654	45	12,693	210	(570)
Change in fair value of interest rate hedge, net of tax	-	208	-	-	866
Comprehensive income	$ (30,634)	$ 19,883	$ (75,565)	$ (8,404)	$ 55,876

10. INCOME TAXES

The Company operates as a holding company with operating subsidiaries in several countries, and each subsidiary is taxed based on the laws of the jurisdiction in which it operates.

The Company has significant net operating loss (NOL) carryforwards, some of which are subject to potential limitations based upon the change in control provisions of Section 382 of the United States Internal Revenue Code.

Predecessor Period

For the interim period ended May 25, 2010, the Company's effective tax rate was 18%. During this period, the Company recorded an income tax benefit of $1.9 million, consisting of a cash tax provision of $0.9 million and a non-cash tax benefit of $2.8 million. Included in the non-cash tax benefit of $2.8 million is a $0.5 million provision due to an adjustment to the Company's net operating loss carryforward related to a deferred tax asset and a $0.2 million provision related to uncertain tax return positions.

The Company's unrecognized tax benefits, including interest and penalties, totaled $6.3 million at May 25, 2010, all of which, if recognized, would affect the Company's effective tax rate. The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. As of May 25, 2010, the Company had approximately $0.7 million of accrued interest related to uncertain tax positions.

Successor Period

For the period ended October 31, 2010, the Company's effective tax rate was 8.4%. During this period, the Company recorded an income tax benefit of $8.1 million consisting of a cash tax provision of $1.5 million and a non-cash tax benefit of $9.6 million. Included in the non-cash tax benefit of $9.6 million is a net tax benefit of $0.3 million related to deductible transaction costs from the Acquisition, and a $1.0 million provision related to uncertain tax provisions.

The Company's unrecognized tax benefits, including interest and penalties, totaled $4.0 million at October 31, 2010, all of which, if recognized, would affect the Company's effective tax rate. The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. As of October 31, 2010, the Company had approximately $0.6 million of accrued interest related to uncertain tax positions.

In the normal course of business, the Company and its subsidiaries are subject to examination by taxing authorities in such major jurisdictions as Ireland, the United Kingdom, Germany, Australia, Canada and the U.S. With few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S based income tax examinations for years before fiscal 2005.

11. COMMITMENTS AND CONTINGENCIES

From time to time, the Company is a party to or may be threatened with other litigation in the ordinary course of its business. The Company regularly analyzes current information, including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable and estimable liabilities for the eventual disposition of these matters. The Company is not a party to any material legal proceedings.

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 circum-stances. 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 rights.

The Company has entered into service level agreements with some of its hosted application customers warranting certain levels of uptime reliability and permitting 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 consolidated financial statements.

12. GEOGRAPHICAL DISTRIBUTION OF REVENUE

The Company attributes revenue to different geographical areas on the basis of the location of the customer. Revenues by geographical area were as follows (in thousands):

	Successor	Predecessor	Successor	Predecessor	
	Three Months Ended October 31, 2010	Three Months Ended October 31, 2009	May 26, to October 31, 2010	February 1, to May 25, 2010	Nine Months Ended October 31, 2009
Revenue:					
United States	$ 59,092	$ 60,284	$ 101,301	$ 72,583	$ 179,036
United Kingdom	8,603	9,552	14,617	10,802	27,126
Canada	3,788	3,350	6,498	4,789	9,090
Europe, excluding United Kingdom	2,444	2,331	4,138	2,754	6,617
Australia/New Zealand	3,653	3,321	6,160	4,268	9,186
Other	1,817	1,564	3,701	2,342	4,712
Purchase accounting adjustments	(26,853)	-	(49,815)	-	-

Total revenue	$	52,544	$	80,402	$	86,600	$	97,538	$	235,767

Long-lived tangible assets at international locations are not significant.

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13. ACCRUED EXPENSES

Accrued expenses in the accompanying combined balance sheets consisted of the following (in thousands):

	October 31, 2010	January 31, 2010
Professional fees	$ 3,637	$ 2,921
Sales tax payable/VAT payable	2,068	4,933
Accrued royalties	3,843	1,810
Accrued tax	820	1,082
Accrued interest	16,722	281
Other accrued liabilities	6,901	12,072
Total accrued expenses	$ 33,991	$ 23,099

14. OTHER ASSETS

Other assets in the accompanying consolidated balance sheets consist of the following (in thousands):

	October 31, 2010	January 31, 2010
Debt financing cost – long term (See Note 16)	$ 24,101	$ 2,148
Deferred charge	-	7,451
Other	728	236
Total other assets	$ 24,829	$ 9,835

15. OTHER LONG TERM LIABILITIES

Other long term liabilities in the accompanying consolidated balance sheets consist of the following (in thousands):

	October 31, 2010	January 31, 2010
Uncertain tax positions; including interest and penalties – long term	3,817	4,152
Other	239	280
Total other long-term liabilities	$ 4,056	$ 4,432

16. CREDIT FACILITIES AND DEBT

SENIOR CREDIT FACILITIES

On May 26, 2010, in connection with the closing of the acquisition, the Company entered into a Senior Credit Facility with certain lenders (the "Lenders") providing for a $365 million senior secured credit facility comprised of a $325 million term loan facility and a $40 million revolving credit facility. The revolving credit facility includes borrowing capacity available for letters of credit and for borrowings on same-day notice, referred to as the swingline loans. The revolving credit facility is available for general corporate purposes, including capital expenditures, subject to certain conditions.

The term loans under the Senior Credit Facilities bear interest at a rate per annum equal to, at the Company's election, (i) a base rate plus a margin of 3.75%, provided that the base rate is not lower than 2.75% or (ii) adjusted LIBOR, provided that adjusted LIBOR is not lower than 1.75% plus a margin of 4.75%. As of October 31, 2010, the applicable base rate was 3.25% and adjusted LIBOR was 1.75%. On June 30, 2010, we elected our interest calculation to be based on adjusted LIBOR. The applicable margin percentage for the revolving credit facility is 3.50% per annum for base rate loans and 4.50% per annum for LIBOR rate loans.

Our Senior Credit Facilities require us to prepay outstanding term loans, subject to certain exceptions, with:

- a percentage initially expected to be 50% (subject to reduction to 25% and 0% based upon our leverage ratio) of our annual excess cash flow;
- 100% of the net cash proceeds of certain asset sales and casualty and condemnation events, subject to reinvestment rights and certain other exceptions; and
- 100% of the net cash proceeds of any incurrence of certain debt, other than debt permitted under our Senior Credit Facilities.

The foregoing mandatory prepayments are applied to installments of the term loan facility in direct order of maturity.

We may voluntarily repay outstanding loans under our Senior Credit Facilities at any time without premium or penalty, other than customary "breakage" costs with respect to LIBOR loans and, with respect to outstanding term loans, a premium during the first three years following the closing date for voluntary prepayments, repricings or effective repricings of such term loans. The premium for voluntary prepayments, repricings or effective repricings of term loans is 2% in the second year and 1% in the third year, with a customary make-whole premium for prepayments during the first year of the term loan facility. Voluntary prepayments may be applied as directed by the borrower.

Our Senior Credit Facilities require scheduled quarterly payments on the term loan facility equal to 0.25% of the initial aggregate principal amount of the term loans made on the closing date, with the balance due at maturity.

The Senior Credit Facilities are guaranteed by, subject to certain exceptions (including an exception for foreign subsidiaries of U.S. subsidiaries), each of our existing and future material wholly owned subsidiaries and our immediate parent. All obligations under our Senior Credit Facilities, and the guarantees of those obligations, will be secured by substantially all of our, our subsidiary guarantors' and our parent's existing and future property and assets and by a pledge of our capital stock and the capital stock of, subject to certain exceptions, each of our material wholly owned restricted subsidiaries (or up to 65% of the capital stock of material first-tier foreign wholly owned restricted subsidiaries of our U.S. subsidiaries).

In addition, our Senior Credit Facilities require us to comply on a quarterly basis with a single financial covenant for the benefit of the revolving credit facility only. Such covenant will require us to maintain a maximum secured leverage ratio tested on the last day of each fiscal quarter (but failure to maintain the required ratio would not result in a default under the revolving credit facility so long as the revolving credit facility is undrawn at such time). The maximum secured leverage ratio will reduce over time, subject to increase in connection with certain material acquisitions. As of October 31, 2010, we were in compliance with this financial covenant.

In addition, our Senior Credit Facilities include negative covenants that, subject to significant exceptions, limit our ability and the ability of our restricted subsidiaries to, among other things, incur additional indebtedness; create liens on assets; engage in mergers or consolidations; sell assets (including pursuant to sale and leaseback transactions); pay dividends and distributions or repurchase our capital stock; make investments, loans or advances; repay certain indebtedness (including the senior notes); engage in certain transactions with affiliates; amend material agreements governing certain indebtedness (including the senior notes); and change our lines of business.

Our Senior Credit Facilities include certain customary representations and warranties, affirmative covenants and events of default, including payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, certain events under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), material judgments, the invalidity of material provisions of the

Senior Credit Facilities documentation, actual or asserted failure of the guarantees or security documents for our Senior Credit Facilities, and a change of control. If an event of default occurs, the lenders under our Senior Credit Facilities will be entitled to take various actions, including the acceleration of all amounts due under our Senior Credit Facilities and all actions permitted to be taken by a secured creditor. As of October 31, 2010, we were in compliance with these covenants.

In connection with the Senior Credit Facilities, the Company incurred debt financing costs of $18.6 million. The Company capitalized these fees and amortizes them to interest expense over the term of the loans using the effective interest method. During the three months ended October 31, 2010, the Company paid approximately $5.5 million in interest and recorded $0.7 million of amortized interest expense related to the capitalized debt financing costs. During the period from May 26, 2010 through October 31, 2010, the Company paid approximately $7.5 million in interest and recorded $1.2 million of amortized interest expense related to the capitalized debt financing costs.

Future scheduled minimum payments including estimated mandatory prepayments under this credit facility are as follows (in thousands):

Fiscal 2011 (remaining 3 months)	$	813
Fiscal 2012		5,344
Fiscal 2013		3,250
Fiscal 2014		3,250
Fiscal 2015		3,250
Fiscal 2016		3,250
Fiscal 2017		3,250
Fiscal 2018		301,781
Total	$	324,188

SENIOR NOTES

On May 26, 2010, in connection with the closing of the acquisition, senior notes ("senior notes") were issued under an indenture among the Company, as issuer, SSI Co-Issuer LLC, a wholly owned subsidiary of SSI II; as co-issuer, Wilmington Trust FSB, as trustee, and the Guarantors in an aggregate principal amount of $310.0 million. The senior notes mature on June 1, 2018. Interest is payable semiannually (at 11.125% per annum) in cash to holders of senior notes of record at the close of business on the May 15 or November 15 immediately preceding the interest payment date, on June 1 and December 1 of each year, commencing December 1, 2010. Interest is paid on the basis of a 360-day year consisting of twelve 30-day months.

The senior notes are unsecured senior obligations of SSI II and SSI Co-Issuer LLC and are guaranteed on a senior unsecured basis by SSI III Limited and the restricted subsidiaries of SkillSoft (other than immaterial subsidiaries and certain other excluded subsidiaries) that guarantee our Senior Credit Facilities.

We may redeem the senior notes, in whole or in part, at any time on or after on June 1, 2014, at a redemption price equal to 100% of the principal amount of the senior notes plus a premium declining ratably to par plus accrued and unpaid interest (if any). We may also redeem any of the senior notes at any time prior to June 1, 2014 at a redemption price of 100% of their principal amount plus a make-whole premium and accrued and unpaid interest (if any). In addition, at any time prior to June 1, 2013, we may redeem up to 35% of the aggregate principal amount of the senior notes with the net cash proceeds of certain equity offerings at a redemption price of 111.125% of their principal amount plus accrued interest and unpaid interest (if any).

If we experience certain kinds of changes of control, we must offer to purchase the senior notes at 101% of their principal amount plus accrued and unpaid interest (if any). If we sell certain assets and do not reinvest the net proceeds as specified in the indenture governing the senior notes, we must offer to repurchase the senior notes at 100% of their principal amount plus accrued and unpaid interest (if any).

The indenture governing the senior notes contain covenants that, among other things, restrict, subject to certain exceptions, our ability to: incur additional debt; pay dividends or distributions on our capital stock or repurchase our capital stock; issue preferred stock of subsidiaries; make certain investments; create liens on our assets to secure debt; enter into transactions with affiliates; merge or consolidate with another company; and sell or otherwise transfer assets. Subject to certain exceptions, the indenture governing the senior notes permits us and our subsidiaries to incur additional indebtedness, including secured indebtedness. As of October 31, 2010, we were in compliance with these covenants.

In connection with issuance of the senior notes, the Company incurred debt financing costs of $11.5 million. The Company capitalized these fees and amortizes them to interest expense over the term of the loans. During the three ended October 31, 2010, the Company recorded $0.4 million of amortized interest expense related to the capitalized debt financing costs. During the period from May 26, 2010 through October 31, 2010, the Company recorded $0.6 million of amortized interest expense related to the capitalized debt financing costs.

On October 8, 2010, the Company filed a Registration Statement on Form S-4 for an exchange offer relating to its senior notes.

17. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In October 2009, the FASB issued ASU 2009-13, Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force to amend certain guidance in ASC 605-25, "Revenue Recognition, 25 Multiple-Element Arrangements." The amended guidance in ASC 605-25 (1) modifies the separation criteria by eliminating the criterion that requires objective and reliable evidence of fair value for the undelivered item(s), and (2) eliminates the use of the residual method of allocation and instead requires that arrangement consideration be allocated, at the inception of the arrangement, to all deliverables based on their relative selling price.

In October 2009, the FASB also issued ASU 2009-14, Certain Revenue Arrangements That Include Software Elements – a consensus of the FASB Emerging Issues Task Force, to amend the scope of arrangements under ASC 985-605, Software, 605, "Revenue Recognition" to exclude tangible products containing software components and non-software components that function together to deliver a product's essential functionality.

18. 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 developed 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 Company had no assets or liabilities that would be considered Type 1, 2 or 3 as of October 31, 2010. The Company currently invests excess cash balances primarily in cash deposits held at major banks. The carrying amounts of cash deposits, trade receivables, trade payables and accrued liabilities, as reported on the consolidated balance sheet as of October 31, 2010, approximate their fair value because of the short maturity of those instruments. The carrying value of borrowings outstanding on the Company's new Senior Credit Facilities bear interest at a variable rate and are considered to approximate fair value. The carrying value of the Company's senior notes which bear interest at a fixed rate approximate the fair value based on comparable market terms and conditions.

19. GUARANTORS

On May 26, 2010, in connection with the Acquisition, the Company completed an offering of $310.0 million aggregate principal amount of 11.125% Senior Notes due 2018 as described in Note 10. The senior notes are unsecured senior obligations of the Company and SSI Co-Issuer LLC, a wholly owned subsidiary of the Company, and are guaranteed on a senior unsecured basis by SSI III Limited and the restricted subsidiaries of SkillSoft (other than immaterial subsidiaries and certain other excluded subsidiaries) that guarantee our Senior Credit Facilities. Each of the Guarantors is 100 percent owned, directly or indirectly, by the Company. All other subsidiaries of the Company, either direct or indirect, do not guarantee the senior notes ("Non-Guarantors"). The Guarantors also unconditionally guarantee the Senior Secured Credit Facilities, described in Note 10.

The following condensed consolidating and combined financial statements are presented for the information of the holders of the senior notes and present the Condensed Consolidating and Combining Balance Sheets as of October 31, 2010 and the Condensed Consolidating and Combining Statements of Operations and Statements of Cash Flows for the periods May 26, 2010 to October 31, 2010 of the Company, which is the issuer of the senior notes, the Guarantors, the Non-Guarantors, the elimination entries necessary to consolidate and combine the issuer with the Guarantor and Non-Guarantor subsidiaries and the Company on a consolidated and combined basis.

Investments in subsidiaries are accounted for using the equity method for purposes of the consolidated and combined presentation. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions. Separate financial statements and other disclosures with respect to the subsidiary guarantors have not been provided as management believes the following information is sufficient, as the guarantor subsidiaries are 100 percent owned by the parent and all guarantees are full and unconditional.

CONDENSED CONSOLIDATED BALANCE SHEETS
OCTOBER 31, 2010
(IN THOUSANDS)

	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
			ASSETS		
Current assets:					
Cash and cash equivalents	$ 36	$ 26,572	$ 10,498	$ -	$ 37,106
Restricted cash	-	862	60	-	922
Accounts receivable, net	-	58,233	6,700	-	64,933
Intercompany receivables	-	349,748	2,712	(352,460)	-
Deferred tax assets	-	1,355	5	-	1,360
Prepaid expenses and other current assets	1,461	16,133	1,355	69	19,018
Total current assets	1,497	452,903	21,330	(352,391)	123,339
Property and equipment, net	-	5,409	6	-	5,415
Goodwill	-	525,320	29,362	-	554,682
Intangible assets, net	-	592,381	24,795	-	617,176
Investment in subsidiaries	1,129,184	1,197,764	402	(2,327,350)	-
Investment in, and advances to, nonconsolidated affiliates	-	69	-	(69)	-
Deferred tax assets	-	186	132	-	318
Other assets	9,455	15,358	16	-	24,829
Total assets	$ 1,140,136	$ 2,789,390	$ 76,043	$ (2,679,810)	$ 1,325,759
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long term debt	$ -	$ 5,344	$ -	$ -	$ 5,344
Accounts payable	-	3,325	74	-	3,399
Accrued expenses	14,872	17,584	1,535	-	33,991
Accrued compensation	-	8,156	892	-	9,048
Intercompany payable	313,768	827,413	74,286	(1,215,467)	-
Other liabilities	-	-	400	(400)	-
Deferred tax liabilities	-	884	(576)	-	308
Deferred revenue	-	94,518	15,079	-	109,597
Total current liabilities	328,640	957,224	91,690	(1,215,867)	161,687
Long term debt	308,043	318,844	-	-	626,887
Deferred tax liabilities	-	71,396	2,785	-	74,181
Other long term liabilities	-	3,141	915	-	4,056
Total long term liabilities	308,043	393,381	3,700	-	705,124
Total shareholders' equity	503,453	1,438,785	(19,347)	(1,463,943)	458,948

Total liabilities and shareholders' equity	$	1,140,136	$	2,789,390	$	76,043	$	(2,679,810)	$	1,325,759

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CONDENSED CONSOLIDATED BALANCE SHEETS
JANUARY 31, 2010
(IN THOUSANDS)

	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ -	$ 64,214	$ 12,468	$ -	$ 76,682
Short-term investments	-	3,559	-	-	3,559
Restricted cash	-	2,686	100	-	2,786
Accounts receivable, net	-	125,778	16,050		141,828
Intercompany receivables	-	41,127	3,281	(44,408)	-
Deferred tax assets	-	27,873	1,029	-	28,902
Prepaid expenses and other current assets	-	19,202	2,009	2,236	23,447
Total current assets	-	284,439	34,937	(42,172)	277,204
Property and equipment, net	-	6,275	13	-	6,288
Goodwill	-	99,370	815	138,365	238,550
Intangible assets, net	-	338,670	-	(333,443)	5,227
Investment in subsidiaries	-	37,122	401	(37,523)	-
Investment in, and advances to, nonconsolidated affiliates	-	-	-	-	-
Deferred tax assets	-	41,533	7,594	-	49,127
Other assets	-	3,854	39	5,942	9,835
Total assets	$ -	$ 811,263	$ 43,799	$ (268,831)	$ 586,231
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long term debt	$ -	$ 865	$ -	$ -	$ 865
Accounts payable	-	4,462	57	-	4,519
Accrued expenses	-	19,752	3,347	-	23,099
Accrued compensation	-	16,587	1,700	-	18,287
Intercompany payable	-	186,339	41,127	(227,466)	-
Other liabilities	-	-	400	(400)	-
Deferred tax liabilities	-	-	-	-	-
Deferred revenue	-	179,728	20,641	-	200,369
Total current liabilities	-	407,733	67,272	(227,866)	247,139
Long term debt	-	83,500	-	-	83,500
Deferred tax liabilities	-	-	-	-	-
Other long term liabilities	-	3,859	573	-	4,432
Total long term liabilities	-	87,359	573	-	87,932
Total shareholders' equity	-	316,171	(24,046)	(40,965)	251,160
	$ -	$ 811,263	$ 43,799	$ (268,831)	$ 586,231

Total liabilities and shareholders' equity

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2010
(UNAUDITED, IN THOUSANDS)

	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenue	$ -	$ 49,055	$ 7,746	$ (4,257)	$ 52,544
Cost of revenue	-	7,001	4,292	(4,257)	7,036
Cost of revenue - amortization of intangible assets	-	15,512	-	474	15,986
Gross profit	-	26,542	3,454	(474)	29,522
Operating expenses:					
Research and development	-	9,974	301	-	10,275
Selling and marketing	-	20,003	2,251	-	22,254
General and administrative	17	7,405	147	-	7,569
Amortization of intangible assets	-	(3,574)	908	13,418	10,752
Acquisition related expenses	-	998	-	-	998
Total operating expenses	17	34,806	3,607	13,418	51,848
Operating loss	(17)	(8,264)	(153)	(13,892)	(22,326)
Other income (expense), net	-	10,890	(608)	(10,769)	(487)
Interest income	-	4	32	-	36
Interest expense	(9,029)	(6,102)	-	-	(15,131)
Loss before benefit of income taxes	(9,046)	(3,472)	(729)	(24,661)	(37,908)
Benefit of income taxes	-	(2,579)	(41)	-	(2,620)
Net loss	$ (9,046)	$ (893)	$ (688)	$ (24,661)	$ (35,288)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2009
(UNAUDITED, IN THOUSANDS)

	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenue	$ -	$ 85,457	$ 7,465	$ (12,520)	$ 80,402
Cost of revenue	-	6,727	12,638	(12,520)	6,845
Cost of revenue - amortization of intangible assets	-	810	-	(778)	32
Gross profit	-	77,920	(5,173)	778	73,525
Operating expenses:					
Research and development	-	12,264	244	-	12,508
Selling and marketing	-	20,858	2,478	-	23,336
General and administrative	-	7,648	209	-	7,857
Amortization of intangible assets	-	21,209	27	(19,118)	2,118
Acquisition related expenses	-	-	-	-	-
Total operating expenses		61,979	2,958	(19,118)	45,819
Operating income (loss)	-	15,941	(8,131)	19,896	27,706
Other income (expense), net	-	7,439	(675)	(6,984)	(220)
Interest income	-	60	6	-	66
Interest expense		(1,641)	8	-	(1,633)
Income (loss) before provision for (benefit) income taxes		21,799	(8,792)	12,912	25,919
Provision for (benefit) income taxes	-	6,527	(28)	(210)	6,289
Net income (loss)	$	$ 15,272	$ (8,764)	$ 13,122	$ 19,630

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIOD FROM MAY 26, 2010 TO OCTOBER 31, 2010
(UNAUDITED, IN THOUSANDS)

	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenue	$ -	$ 81,251	$ 13,695	$ (8,346)	$ 86,600
Cost of revenue	-	12,188	8,405	(8,346)	12,247
Cost of revenue - amortization of intangible assets	-	27,692	-	-	27,692
Gross profit	-	41,371	5,290	-	46,661
Operating expenses:					
Research and development	-	17,172	481	-	17,653
Selling and marketing	-	33,050	3,725	-	36,775
General and administrative	23	13,005	216	-	13,244
Amortization of intangible assets	-	17,004	1,537	-	18,541
Acquisition related expenses	7,879	13,717	-	-	21,596
Total operating expenses	7,902	93,948	5,959	-	107,809
Operating loss	(7,902)	(52,577)	(669)	-	(61,148)
Other income (expense), net	-	9,663	(1,119)	(10,066)	(1,522)
Interest income	-	19	45	(12)	52
Interest expense	(23,158)	(10,565)	-	12	(33,711)
Loss before benefit of income taxes	(31,060)	(53,460)	(1,743)	(10,066)	(96,329)
Benefit of income taxes	-	(7,949)	(122)	-	(8,071)
Net loss	$ (31,060)	$ (45,511)	$ (1,621)	$ (10,066)	$ (88,258)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIOD FROM FEBRUARY 1, 2010 TO MAY 25, 2010
(UNAUDITED, IN THOUSANDS)

	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenue	$ -	$ 92,854	$ 9,329	$ (4,645)	$ 97,538
Cost of revenue	-	9,166	4,705	(4,645)	9,226
Cost of revenue - amortization of intangible assets	-	822	-	(782)	40
Gross profit	-	82,866	4,624	782	88,272
Operating expenses:					
Research and development	-	16,744	387	-	17,131
Selling and marketing	-	36,825	3,553	-	40,378
General and administrative	-	21,513	315	-	21,828
Amortization of intangible assets	-	24,422	-	(23,285)	1,137
Acquisition related expenses	-	15,063	-	-	15,063
Total operating expenses	-	114,567	4,255	(23,285)	95,537
Operating (loss) income	-	(31,701)	369	24,067	(7,265)
Other income (expense), net	-	22,569	54	(22,238)	385
Interest income	-	64	31	-	95
Interest expense		(3,723)	-	-	(3,723)
(Loss) income before benefit of income taxes		(12,791)	454	1,829	(10,508)
Benefit of income taxes	-	(1,866)	(28)	-	(1,894)
Net (loss) income	$	$ (10,925)	$ 482	$ 1,829	$ (8,614)

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED OCTOBER 31, 2009
(UNAUDITED, IN THOUSANDS)

	Issuer	Guarantor	Non-Guarantor	Elimination	Consolidated
Revenue	$ -	$ 233,451	$ 21,945	$ (19,629)	$ 235,767
Cost of revenue	-	21,349	20,122	(19,629)	21,842
Cost of revenue - amortization of intangible assets	-	2,357	3	(2,264)	96
Gross profit	-	209,745	1,820	2,264	213,829
Operating expenses:					
Research and development	-	30,299	913	-	31,212
Selling and marketing	-	62,894	7,240	-	70,134
General and administrative	-	24,147	923	-	25,070
Amortization of intangible assets	-	61,937	83	(55,330)	6,690
Acquisition related expenses	-	-	-	-	-
Total operating expenses	-	179,277	9,159	(55,330)	133,106
Operating income (loss)	-	30,468	(7,339)	57,594	80,723
Other income (expense), net	-	14,201	(1,675)	(13,969)	(1,443)
Interest income	-	162	42	-	204
Interest expense		(6,110)	-	-	(6,110)
Income (loss) before provision for (benefit) income taxes		38,721	(8,972)	43,625	73,374
Provision for (benefit) income taxes	-	19,719	(346)	(1,579)	17,794
Net income (loss)	$	$ 19,002	$ (8,626)	$ 45,204	$ 55,580

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD FROM MAY 26, 2010 TO OCTOBER 31, 2010
(UNAUDITED, IN THOUSANDS)

	Issuer SSI II	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	SSI II Consolidated
Cash flows from operating activities:					
Net (loss) income	$ (31,060)	$ (45,511)	$ (1,621)	$ (10,066)	$ (88,258)
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation & amortization	-	1,658	3	-	1,661
Amortization of intangible assets	-	44,696	1,537	-	46,233