

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):
December 8, 2004

FRANKLIN COVEY CO.

(Exact name of registrant as specified in its charter)

Commission File No. 1-11107

Utah
(State or other jurisdiction of
incorporation)

87-0401551
(IRS Employer Identification
Number)

2200 West Parkway Boulevard
Salt Lake City, Utah 84119-2099
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: **(801) 817-1776**

Former name or former address, if changed since last report: **Not Applicable**

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- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-12(b))
- Pre-commencement communications pursuant to rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

1. Amended and Restated Option Agreement

In consideration of the substantially improved financial performance of Franklin Covey Co. (the "Company") under the leadership of Robert A. Whitman ("Mr. Whitman"), Chairman of the Board of Directors (the "Board"), and the President and Chief Executive Officer of the Company, Mr. Whitman's Forgone Compensation (as discussed in Item 1.02 below), and the cancellation of Mr. Whitman's employment agreement with the Company (as discussed in Item 1.02 below), on December 8, 2004, the Company, among other things, entered into an Amended and Restated Option Agreement (the "Amended Option Agreement") with Mr. Whitman, which Amended Option Agreement is attached hereto as Exhibit 99.1. The Amended Option Agreement amends and restates the terms of the Option Agreement (the "Original Option Agreement") entered into by Mr. Whitman and the Company on September 1, 2000. The Original Option Agreement was executed by the Company pursuant to the Franklin Covey Co. 1992 Stock Incentive Plan, as amended from time to time (the "Incentive Plan"), granting Mr. Whitman an option to purchase 1,602,000 shares of common stock of the Company at an exercise price of \$14.00 per share (the "Option").

The Amended Option Agreement fully vests all Option shares granted thereunder, eliminating the vesting schedule under the Original Option Agreement, and allows Mr. Whitman to exercise the Option thereunder until August 31, 2010, regardless of Mr. Whitman's earlier termination of employment, death or disability.

The foregoing summary of the Amended Option Agreement is subject to, and qualified in its entirety by, the Amended Agreement attached to this Current Report on Form 8-K as Exhibit 99.1, and incorporated herein by reference.

2. Agreement for the Issuance of Restricted Shares

In consideration of the substantially improved financial performance of the Company under the leadership of Mr. Whitman, Chairman of the Board, and the President and Chief Executive Officer of the Company, Mr. Whitman's Forgone Compensation (as discussed in Item 1.02 below), and the cancellation of Mr. Whitman's employment agreement with the Company (as discussed in Item 1.02 below), on December 8, 2004, the Company, among other things, entered into an Agreement for the Issuance of Restricted Shares (the "Restricted Shares Agreement") with Mr. Whitman pursuant to the Incentive Plan, which Restricted Shares Agreement is attached hereto as Exhibit 99.2. Pursuant to the Restricted Shares Agreement, the Company issued 225,000 shares of restricted stock that vest over five years to Mr. Whitman. Vesting is accelerated if the Company achieves specific financial performance objectives. If Mr. Whitman's employment were to terminate prior to vesting for any reason except total disability, retirement or death, Mr. Whitman would forfeit all restricted shares that have not yet vested.

Prior to vesting, the restricted shares held by Mr. Whitman pursuant to the Restricted Shares Agreement entitle him to both voting and dividend rights with respect to the restricted shares. Prior to vesting, Mr. Whitman will not be able to pledge, hypothecate, transfer or otherwise dispose of any of the restricted shares.

The foregoing summary of the Restricted Shares Agreement is subject to, and qualified in its entirety by, the Restricted Shares Agreement attached to this Current Report on Form 8-K as Exhibit 99.2, and incorporated herein by reference.

3. Letter Agreement with Robert A. Whitman

On December 8, 2004, Mr. Whitman, Chairman of the Board, and the President and Chief Executive Officer of the Company, entered into a letter agreement (the "Letter Agreement") concerning the cancellation of his employment agreement. The terms of the Letter Agreement are discussed in Item 1.02 below.

The summary of the Letter Agreement contained in Items 1.01 and 1.02 is subject to, and qualified in its entirety by, the Letter Agreement attached to this Current Report on Form 8-K as Exhibit 99.3, and incorporated herein by reference.

Item 1.02. Termination of a Material Definitive Agreement

On December 8, 2004, Mr. Whitman's employment agreement with the Company (the "Employment Agreement"), dated as of September 1, 2000, by and between Mr. Whitman and the Company, and all obligations under that agreement, were terminated pursuant to the Letter Agreement. A copy of such Employment Agreement is filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K/A filed with the Securities and Exchange Commission on January 11, 2001.

Although the Employment Agreement's term extended through August 31, 2007, Mr. Whitman requested that the Employment Agreement be cancelled in order to create parity between himself and other executive officers and to enhance his working partnership with the Board. The Board agreed to Mr. Whitman's request, and the Employment Agreement was cancelled effective December 8, 2004. Mr. Whitman continues to serve as Chairman of the Board, President and Chief Executive Officer of the Company at the will and pleasure of the Board, on such terms and conditions as the Board and Mr. Whitman from time-to-time agree, consistent with the Company's Bylaws.

Mr. Whitman had elected to forgo receipt of any cash compensation from the Company from May 1, 2001 through August 31, 2003 (the "Forgone Compensation") despite having performed all of his duties and responsibilities contemplated for such period under the terms of the Employment Agreement. In connection with his cancellation of the Employment Agreement, Mr. Whitman has confirmed, pursuant to the Letter Agreement, that he unconditionally forever waives, and releases the Company from, any and all claims, rights or demands he has or may have to the Forgone Compensation.

The Company has agreed, pursuant to the Letter Agreement, to issue 225,000 shares of restricted stock pursuant to the Restricted Shares Agreement, to accelerate the vesting of 1,602,000 options to purchase common stock, pursuant to the Amended Option Agreement, and to grant 187,000 fully vested shares of the Company's common stock to Mr. Whitman pursuant to the Incentive Plan. Also, Mr. Whitman will receive a cash bonus based upon the same formula and subject to the same terms and conditions provided to the other executive officers in connection with their restricted share awards on January 26, 2004, if he chooses to make an 83(b) election pursuant to the Internal Revenue Code.

In addition, the Employment Agreement provided for the Company to pay \$2,500,000 in the event of Mr. Whitman's death or disability. The Organization and Compensation Committee (the "Compensation Committee") determined that it would be more cost-effective for the Company and tax-effective for Mr. Whitman to restructure the Company's obligation. Therefore, the Compensation Committee agreed, and the terms of the Letter Agreement contemplate, that the Company would procure, at its expense, a portable 20-year level term life insurance policy on Mr. Whitman's life with a death benefit of \$2,500,000. The Company will also provide Mr. Whitman with sufficient funds to enable him to procure long term disability insurance which, combined with the Company's current group policy, provides, in the aggregate, monthly long term disability benefits equal to 75% of his fiscal 2005 target cash compensation.

Item 9.01 Financial Statements and Exhibits

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| (c) | Exhibits |
| 99.1 | Amended and Restated Option Agreement, dated as of December 8, 2004, by and between the Company and Robert A. Whitman. |
| 99.2 | Agreement for the Issuance of Restricted Shares, dated as of December 8, 2004, by and between the Company and Robert A. Whitman. |
| 99.3 | Letter agreement regarding the cancellation of Mr. Whitman's employment agreement, dated December 8, 2004. |
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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.

FRANKLIN COVEY CO.

Date: December 14, 2004

/s/ VAL J. CHRISTENSEN

Val J. Christensen
Executive Vice President

EXHIBIT INDEX

99.1 Amended and Restated Option Agreement, dated as of December 8, 2004, by and between the Company and Robert A. Whitman.

99.2 Agreement for the Issuance of Restricted Shares, dated as of December 8, 2004, by and between the Company and Robert A. Whitman.

99.3 Letter agreement regarding the cancellation of Mr. Whitman's employment agreement, dated December 8, 2004.

AMENDED AND RESTATED OPTION AGREEMENT

for the

FRANKLIN COVEY CO.

1992 STOCK INCENTIVE PLAN (Nonqualified Options)

THIS AMENDED AND RESTATED OPTION AGREEMENT (the "Agreement"), made and entered into effective as of the eighth day of December, 2004, by and between Franklin Covey Co., a Utah corporation (the "Company"), and Robert A. Whitman ("Optionee"), amends and restates the terms of the Option Agreement entered into by the parties dated September 1, 2000. Capitalized terms used herein without definition shall have the meanings set forth in the Franklin Covey Co. 1992 Stock Incentive Plan, as amended from time to time (the "Plan").

RECITALS:

- A. The Plan has been adopted by the Board and the stockholders of the Company;
- B. Optionee is an employee to whom the Committee has determined to grant Options under the Plan; and
- C. The Committee, on behalf of the Company, and Optionee now desire to set forth the terms and conditions that will govern the issuance, holding and exercise of the Options to be granted to Optionee, subject in all respects to the terms and conditions set forth in the Plan.

NOW, THEREFORE, upon these premises and in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT:

1. **Number of Options.** The Company hereby acknowledges and confirms the grant to Optionee, upon the terms and conditions set forth in this Agreement, of One Million Six Hundred Two Thousand (1,602,000) Nonqualified Stock Options. Each Option shall entitle Optionee to purchase, upon the terms and conditions set forth in this Agreement, one (1) share of the Company's common stock. The number of common shares to which each Option pertains shall be adjusted, as necessary, in accordance with the provisions of Article 10 of the Plan.
2. **Exercise Price.** The price for which each Option granted to Optionee may be exercised shall be \$14.00 per common share, payable as provided in the Plan.
3. **Options Fully Vested.** The Options granted hereunder are fully exercisable and shall continue to be exercisable notwithstanding Optionee's death or disability or Optionee's termination of employment with the Company; provided, however, that to the extent unexercised, the Options will expire and cease to be exercisable on August 31, 2010. Optionee acknowledges that all Options shall be treated as nonqualified options for tax purposes.
4. **Governing Documents.** This Agreement hereby incorporates by reference all of the provisions of the Plan, as presently existing and as hereafter amended. Optionee expressly acknowledges and agrees that the terms and conditions of this Agreement are subject in all respects to the provisions of the Plan; that the terms and conditions of this Agreement in no way limit or modify any provision of the Plan; and that in case of any conflict between the provisions of the Plan and the terms and conditions of this Agreement, the provisions of the Plan shall control and shall bind the parties hereto. Optionee also hereby expressly agrees and represents as follows:
 - (a) Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the provisions of the Plan.
 - (b) Optionee acknowledges and understands that the establishment of the Plan and the existence of this Agreement are not sufficient, in and of themselves, to exempt Optionee from the reporting requirements and short-swing liability provisions of Section 16 of the Exchange Act and any rules or regulations promulgated thereunder, and that Optionee shall not be exempt from the short-swing liability provisions pursuant to Rule 16b-3 unless and until Optionee shall comply with all applicable requirements of Rule 16b-3, including without limitation, the requirement that Optionee must not sell or otherwise dispose of any common stock acquired upon exercise of an Option unless and until a period of at least six months shall have elapsed between the date upon which such Option was granted to Optionee and the date upon which Optionee desires to sell or otherwise dispose of any common stock acquired upon exercise of such Option.
 - (c) Optionee acknowledges and understands that the exercise of an Option could have substantial adverse tax consequences to Optionee, and that the Company recommends that Optionee consult with a knowledgeable tax advisor before exercising any Option.
5. **Representations and Warranties.** As a condition to the exercise of any Option, the Company may require Optionee to make any representations and warranties to the Company that legal counsel for the Company may reasonably determine to be advisable for the Company in order to assure that Optionee and the Company fully comply with state and federal securities laws.
6. **Restrictions on Encumbrances.** During the lifetime of Optionee, Optionee agrees and covenants that no Options will be pledged or otherwise encumbered in any manner, whether voluntarily or involuntarily, by operation of law or otherwise. The foregoing sentence shall not be deemed or construed, however, to prohibit any transfer otherwise allowed by will or by the laws of descent and distribution.
7. **Notices.**
 - (a) All notices, demands or requests provided for or permitted to be given pursuant hereto must be in writing. All notices, demands and requests shall be deemed to have been properly given or served when deposited in the United States mail, addressed to the individual or entity to whom notice is given, postage prepaid and registered or certified with return receipt requested, at the last known address of such individual or entity.
 - (b) By giving at least fifteen (15) days' prior written notice, the Company and Optionee shall have the right from time to time and at any time during the term of this Agreement to change their addresses and to specify any other address within the United States of America.

8. Titles and Captions. All Article, Section and Paragraph titles and captions in this Agreement are for convenience or reference only, and shall in no way define, limit, extend or describe the scope or intent of any provision hereof.

9. Applicable Law. This Agreement shall be construed in accordance with and shall be governed by the laws of the State of Utah, without reference to choice of law rules.

10. Binding Effect. This Agreement shall be binding upon Optionee and upon Optionee's heirs, executors, administrators, successors and legal representatives. This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns.

11. Creditors. None of the provisions of this Agreement shall be for the benefit of or shall be enforceable by any creditor of Optionee.

12. Entire Agreement. This Agreement, including the provisions of the Plan incorporated herein, constitutes the entire understanding and agreement between the Company and Optionee regarding the subject matter hereof. Any prior agreement, commitment, negotiation or understanding concerning any stock option, stock appreciation right or similar award to be granted by the Company and not reflected herein or in a separately executed Option Agreement is hereby superseded and canceled in all respects. This Agreement may not be amended or supplemented in any manner except in writing duly executed by both parties hereto.

13. No Contract of Employment. Neither the grant of the Options nor any terms of this Agreement shall constitute or be construed as an express or implied agreement to continue Optionee's employment with the Company or any of its subsidiaries for any length of time or to alter Optionee's "at will" employment status.

14. Severability. In the event that any condition, covenant or other provision herein contained is held to be invalid or void by any court of competent jurisdiction, the same shall be deemed severable from the remainder of this Agreement and shall in no way affect any other covenant, condition or provision herein contained. If such condition, covenant or other provision shall be deemed invalid due to its scope or breadth, such condition, covenant or provision shall be deemed valid to the extent of the scope or breadth permitted by law.

IN WITNESS WHEREOF, the Company and Optionee have executed this Agreement effective as of the date first set forth above.

FRANKLIN COVEY CO.

Dated: December 8, 2004

/s/ VAL J. CHRISTENSEN

Val J. Christensen
Executive Vice President

Dated: December 8, 2004

/s/ ROBERT A. WHITMAN

Robert A. Whitman
Optionee

**AGREEMENT FOR THE
ISSUANCE OF RESTRICTED SHARES
UNDER THE
FRANKLIN COVEY CO.
AMENDED AND RESTATED
1992 STOCK INCENTIVE PLAN**

THIS AGREEMENT FOR THE ISSUANCE OF RESTRICTED SHARES (the "Agreement") is made and entered into effective December 8, 2004, by and between FRANKLIN COVEY CO., a Utah corporation (the "Company"), and Robert A. Whitman (the "Key Employee"). Capitalized terms used herein without definition shall have the meanings set forth in the Franklin Covey Co. Amended and Restated 1992 Stock Incentive Plan, as amended from time to time (the "Plan").

RECITALS:

A. Article 8 of the Plan provides for the grant of awards ("Awards") in the form of Restricted Shares ("Restricted Shares") to such Key Employees as the Compensation Committee of the Board of Directors (the "Committee") has determined to grant Awards under the Plan.

C. The Committee, on behalf of the Company, and the Key Employee now desire to set forth the terms and conditions that will govern the issuance and holding of Restricted Shares to be granted to the Key Employee, subject in all respects to the terms and conditions set forth in the Plan.

AGREEMENT

NOW, THEREFORE, upon these premises and in consideration of the mutual covenants and promises contained herein, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, the parties hereto agree as follows:

1. Number of Restricted Shares. The Company hereby acknowledges and confirms the issuance of Restricted Shares to the Key Employee, upon the terms and conditions set forth in this Agreement of Two Hundred and Twenty-Five Thousand (225,000) Restricted Shares. The number of Restricted Shares to which this Agreement pertains shall be adjusted, as necessary, in accordance with the provisions of Article X of the Plan.

2. Vesting of Awards.

(a) Subject to earlier vesting as the result of the Company achieving the performance targets set forth in subsection 2(b) below, the Restricted Shares shall fully vest and be 100% non-forfeitable on the fifth anniversary of the date such Award was granted (the "Vesting Date").

(b) At such time as the Company achieves for any fiscal year ending on or after August 31, 2004, Operating EBITDA equal to or greater than \$20 Million (the "EBITDA Target"), fifty percent (50%) of the Restricted Shares shall fully vest. At such time as the Company achieves for any fiscal year ending on or after August 31, 2004, operating profits equal to or greater than 10% of its gross sales revenue, one hundred percent (100%) of any then unvested Restricted Shares shall fully vest. For purposes of this Subsection 2(b), Operating EBITDA means gross margin, less publicly reported operating SG&A (which shall not include store closure costs, costs incurred by the Company in preparing its buildings to be leased, accelerated expenses relating to restricted share awards, other one time charges and expenses, loan loss reserves relating to the Company's Management Stock Purchase Loan Program, impairment charges and other similar expenses). An event or date triggering the vesting of the Restricted Shares pursuant to this Section 2 shall be referred to herein as a "Vesting Event."

(c) Upon termination of the Key Employee's employment prior to Vesting Event, for any reason except total disability, retirement or death, this Award shall be forfeited and the Key Employee shall have no rights with respect to the Restricted Shares awarded hereunder. Upon termination of employment prior to a Vesting Event by reason of total disability (such determination to be made in the sole discretion of the Committee) or the Key Employee's retirement from the Company after having attained the age of 59, or by reason of death, an Award granted to such participant shall become non-forfeitable (except as provided below) but shall not be distributed to the Key Employee until a Vesting Event occurs. If, following the Key Employee's termination by reason of disability or retirement, but prior to a Vesting Event, the Key Employee engages or participates, directly or indirectly, in any business which competes with the business of the Company (whether as employee, partner, officer, director or owner, or in any other capacity) such Award shall nevertheless be forfeited and the Key Employee shall have no rights with respect to the Restricted Shares awarded hereunder.

3. Status of Restricted Shares Prior to Vesting Date. The Restricted Shares awarded to the Key Employee shall be evidenced by certificates issued in the name of the Key Employee but retained in the possession of the Company until a Vesting Event. Prior to a Vesting Event, and delivery of the Restricted Shares as hereinafter provided, the Key Employee shall possess both voting and dividend rights with respect to the Restricted Shares. Prior to a Vesting Event, the Key Employee shall have no right to pledge, hypothecate, transfer or otherwise dispose of any of the Restricted Shares.

4. Delivery of Restricted Shares.

(a) Subject to the provisions of paragraph (c) below, as soon as practicable after an Award has become vested in accordance with Section 2 above, such vested Award shall be paid to the Key Employee or, in the case of the death of the Key Employee, his designated beneficiary or beneficiaries, or in the absence of a designated beneficiary, to the estate of the Key Employee. Payment of Awards shall be made solely in shares of Common Stock of the Company by delivery of certificates evidencing the number of Restricted Shares to which the Key Employee is entitled.

(b) No shares of Common Stock shall be delivered pursuant to any payment of an Award until the requirements of such laws and regulations as may be deemed by the Company and the Committee to be applicable thereto are satisfied, including the requirements of applicable federal and state

securities laws and withholding or payment of any amounts due for withholding taxes due in respect of an Award or payment hereunder unless other arrangements satisfactory to the Company and the Committee shall have been made for the payment of such taxes.

5. General Provisions.

(a) *Designation of Beneficiary.* The Key Employee may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiaries with the Committee on a form to be prescribed by it, provided that no such designation shall be effective unless so filed prior to the death of the Key Employee.

(b) *No Right of Continued Employment.* Neither the issuance of Restricted Shares hereunder, nor the payment of any benefits hereunder or any action of the Company or the Board of Directors or the Committee shall be held or construed to confer upon the Key Employee any legal right to be continued in the employ of the Company or its subsidiaries, each of which expressly reserves the right to discharge the Key Employee whenever the interest of any such company in its sole discretion may so require, without liability to the Company, the Board of Directors or the Committee except as to any rights which may be expressly conferred upon such participant under this Agreement or the Plan.

(c) *No Segregation of Cash or Shares.* Except as provided herein, the Company shall not be required to segregate any cash or any shares of stock which may at any time be represented by the issuance of Restricted Shares. The Company shall not, by this Agreement or by any provisions of the Plan, be deemed to be a trustee of any stock or other property.

(d) *Utah Law to Govern.* All questions pertaining to the construction, regulation, validity and effect of this Agreement or the provisions of the Plan shall be determined in accordance with the laws of the State of Utah.

(e) *Binding Effect.* This Agreement shall be binding upon the Key Employee and upon the Key Employee's heirs, executors, administrators, successors and legal representatives. This Agreement shall be binding upon and shall inure to the benefit of the Company, its successors and assigns.

(f) *Creditors.* None of the provisions of this Agreement shall be for the benefit of or shall be enforceable by any creditor of the Key Employee.

(g) *Entire Agreement.* This Agreement, including the provisions of the Plan incorporated herein, constitutes the entire understanding and agreement between the Company and the Key Employee regarding the subject matter hereof. Any prior agreement, commitment, negotiation or understanding concerning any Award to be granted by the Company and not reflected herein or in a separately executed agreement is hereby superseded and cancelled in all respects. This Agreement may not be amended or supplemented in any manner except in a writing duly executed by both parties hereto.

(h) *Severability.* In the event that any condition, covenant or other provisions herein contained is held to be invalid or void by any court of competent jurisdiction, the same shall be deemed severable from the remainder of this Agreement and shall in no way affect any other covenant, condition or provision herein contained. If such condition, covenant or other provision shall be deemed invalid due to its scope or breadth, such condition, covenant or provision shall be deemed valid to the extent of the scope or breadth permitted by law.

(i) *Titles and Captions.* All article, section and paragraph titles and captions in this Agreement are for convenience of reference only, and shall in no way define, limit, extend or describe the scope or intent of any provision hereof.

IN WITNESS WHEREOF, the Company and the Key Employee have executed this Agreement effective as of the date first set forth above.

FRANKLIN COVEY CO.

/s/ VAL J. CHRISTENSEN

Val J. Christensen
Executive Vice President

KEY EMPLOYEE

/s/ ROBERT A. WHITMAN

ROBERT A. WHITMAN
Robert A. Whitman



December 8, 2004

Robert A. Whitman
2200 West Parkway Blvd.
Salt Lake City, Utah 84119

Re: Cancellation of Employment Agreement

Dear Bob:

This letter memorializes the agreement between you and the Board of Directors of Franklin Covey, Co. (the "Company") regarding your cancellation of your employment agreement with the Company dated September 1, 2000. During the course of discussions with the Organization and Compensation Committee of the Board of Directors regarding proposed amendments to the Employment Agreement entered into by you and the Company on September 1, 2000 (the "Employment Agreement"), you volunteered to simply terminate the Agreement, which would otherwise continue through August 31, 2007, and continue your service as Chairman of the Board, President and Chief Executive Officer of the Company at the pleasure of the Board.

The Board has carefully reviewed and approved your proposal, and has acknowledged and agreed with your reasoning that the cancellation of your employment agreement will create more parity between yourself and other executives and tend to develop a still stronger working partnership with the Board. The Board has instructed me to prepare this letter agreement confirming the Company's acceptance of your cancellation of the Employment Agreement on the terms and conditions set forth herein, effective as of the date of this letter.

1. Termination of Employment Agreement. The Agreement is hereby cancelled effective as of the date hereof. You will continue to serve as Chairman of the Board, President and Chief Executive Officer of the Company at the will and pleasure of the Board, on such terms and conditions as the Board and you may from time-to-time agree, consistent with the Company's Bylaws.
2. Waiver of Rights to Forgone Compensation. Having duly performed all of the duties and responsibilities required of you as President and Chief Executive Officer of the Company since September 1, 2000, and having rendered all of the services contemplated for such period under the terms of the Employment Agreement, you nevertheless elected to forego your receipt of any cash compensation from the Company from May 1, 2001 through August 31, 2003 (the "Forgone Compensation"). At your request, this letter confirms that you unconditionally forever waive, and release the Company from, any and all claims, right or demands you have or may have to the Forgone Compensation.
3. Grant of Restricted and Unrestricted Shares/Early Vesting of Options. In recognition of your leadership in achieving substantial improvements in the Company's operating results, and in consideration of the significant benefits derived by the Company from your termination of the Employment Agreement, the Company agrees as follows:
 - a. Within 10 days after the execution of this letter agreement, the Company will, pursuant to the Plan, issue to you 187,000 fully vested shares of the Company's common stock.
 - b. Upon execution hereof, the Company will, pursuant to the Plan, issue to you 225,000 Restricted Shares on the same terms and conditions, including vesting terms, as contained in the Restricted Share Awards that were granted to the other executive officers of the Company on January 26, 2004. The Company also agrees to pay you a cash bonus based on the same formula and subject to the same terms and conditions provided to the other executive officers in connection with their Restricted Share Awards, if you choose to make an 83(b) election pursuant to the Internal Revenue Code.
 - c. The terms of the Option Agreement between you and the Company dated September 1, 2000, to purchase up to 1,602,000 shares of the Company's common stock, will be amended as set forth in the Amended and Restated Option Agreement for the Franklin Covey Co. 1992 Stock Incentive Plan attached hereto. All of your options under the Option Agreement are now vested and shall be exercisable, notwithstanding your death, disability, or termination of employment from the Company, until August 31, 2010
4. Life Insurance and Long Term Disability Benefits. The Company will procure, at its expense, or provide sufficient funds for you to procure (i) a portable 20 year level term life insurance policy insuring your life, the beneficiaries of which you shall have the right to designate in your sole discretion, with a death benefit of \$2,500,000, and (ii), one or more long term disability insurance policies which, combined with the Company's current group policy, provide, in the aggregate, monthly long term disability benefits equal to 75% of your target cash compensation as of the date hereof.
5. Entire Agreement. This Agreement embodies the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants, or undertakings between the parties regarding such subject matter other than those expressly set forth or referred to herein. This Agreement supersedes all prior written and verbal agreements and understandings between the parties with respect to such subject matter.

Please signify your agreement with the foregoing by signing both original letters where indicated below and returning one original to me.

Sincerely,

/s/ Val J. Christensen

Val J. Christensen
Executive Vice President
General Counsel

ACCEPTED AND AGREED
this 8th day of December, 2004.

/s/ ROBERT A. WHITMAN

Robert A. Whitman