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

FORM 10-Q

(Mark One)

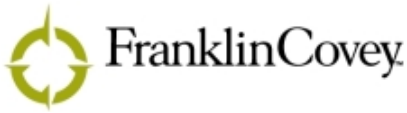
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended February 28, 2009

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

For the transition period from _____ to _____

Commission file no. 1-11107



FRANKLIN COVEY CO.

(Exact name of registrant as specified in its charter)

Utah (State of incorporation)	87-0401551 (I.R.S. employer identification number)
2200 West Parkway Boulevard Salt Lake City, Utah (Address of principal executive offices)	84119-2099 (Zip Code)
Registrant's telephone number, Including area code	(801) 817-1776

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 T 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 definitions 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	T		
Non-accelerated filer	£	(Do not check if a smaller reporting company)		Smaller reporting company	£

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date:

16,934,875 shares of Common Stock as of April 1, 2009

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)

	February 28, 2009	August 31, 2008
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,026	$ 15,904
Accounts receivable, less allowance for doubtful accounts of $986 and $1,066	20,956	27,114
Inventories	7,901	8,397
Deferred income taxes	2,523	2,472
Receivable from equity method investee	4,871	7,672
Income taxes receivable	4,495	-
Prepaid expenses and other assets	4,252	5,102
Assets held for sale	1,707	-
Total current assets	50,731	66,661
Property and equipment, net	24,714	26,928
Intangible assets, net	71,187	72,320
Other assets	12,137	11,768
	$ 158,769	$ 177,677
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and financing obligation	$ 587	$ 670
Line of credit	17,713	-
Accounts payable	6,860	8,713
Income taxes payable	-	384
Tender offer obligation	-	28,222
Accrued liabilities	20,288	23,419
Liabilities held for sale	522	-
Total current liabilities	45,970	61,408
Long-term debt and financing obligation, less current portion	31,419	32,291
Other liabilities	844	1,229
Deferred income tax liabilities	3,345	4,572
Total liabilities	81,578	99,500
Shareholders' equity:		
Common stock – $0.05 par value; 40,000 shares authorized, 27,056 shares issued and outstanding	1,353	1,353
Additional paid-in capital	183,467	184,313
Common stock warrants	7,597	7,597
Retained earnings	23,609	24,811
Accumulated other comprehensive income	918	1,007
Treasury stock at cost, 10,111 and 10,203 shares	(139,753)	(140,904)
Total shareholders' equity	77,191	78,177
	$ 158,769	$ 177,677

See notes to condensed consolidated financial statements.

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

	Quarter Ended		Two Quarters Ended	
	February 28, 2009	March 1, 2008	February 28, 2009	March 1, 2008
	(unaudited)		(unaudited)	
Net sales:				
Training and consulting services	$ 25,566	$ 33,828	$ 56,047	$ 68,027
Products	3,431	40,702	7,112	79,505
Leasing	906	597	1,825	1,170
	29,903	75,127	64,984	148,702
Cost of sales:				
Training and consulting services	8,804	10,663	19,827	21,386
Products	1,968	17,323	3,854	33,820
Leasing	448	339	923	702
	11,220	28,325	24,604	55,908
Gross profit	18,683	46,802	40,380	92,794
Selling, general, and administrative	20,253	37,652	40,864	76,424
Depreciation	906	1,532	1,809	2,911
Amortization	903	901	1,804	1,800
Income (loss) from operations	(3,379)	6,717	(4,097)	11,659
Earnings from an equity method investee	224	-	224	-
Interest income	20	15	74	24
Interest expense	(764)	(761)	(1,593)	(1,672)
Income (loss) before income taxes	(3,899)	5,971	(5,392)	10,011
Benefit (provision) for income taxes	3,266	(2,924)	4,190	(4,972)
Net income (loss)	$ (633)	$ 3,047	$ (1,202)	$ 5,039
Net income (loss) available to common shareholders per share:				
Basic	$ (.05)	$ .16	$ (.09)	$ .26
Diluted	$ (.05)	$ .15	$ (.09)	$ .25
Weighted average number of common shares:				
Basic	13,385	19,510	13,381	19,495
Diluted	13,385	19,805	13,381	19,782

See notes to condensed consolidated financial statements.

FRANKLIN COVEY CO.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Two Quarters Ended	
	February 28, 2009	March 1, 2008
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (1,202)	$ 5,039
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,613	4,907
Deferred income taxes	(1,235)	3,656
Loss on disposals of property and equipment	14	274
Share-based compensation expense (benefit)	194	(511)
Equity in earnings of equity method investee	(224)	-
Changes in assets and liabilities, net of effect of acquired business:		
Decrease (increase) in accounts receivable, net	6,781	(1,884)
Decrease in receivable from equity method investee	2,801	-
Decrease in inventories	790	3,541
Decrease in other assets	1,902	1,132
Decrease in accounts payable and accrued liabilities	(5,263)	(1,712)
Decrease in other long-term liabilities	(371)	(116)
Increase (decrease) in income taxes payable/receivable	(4,997)	172
Net cash provided by operating activities	2,803	14,498
Cash flows from investing activities:		
Proceeds on notes receivable from disposals of subsidiaries	105	1,046
Purchases of property and equipment	(1,856)	(2,345)
Curriculum development costs	(1,147)	(1,567)
Acquisition of business, net of cash acquired	(946)	-
Proceeds from sales of property and equipment	-	60
Net cash used for investing activities	(3,844)	(2,806)
Cash flows from financing activities:		
Proceeds from line-of-credit borrowing	49,809	40,029
Payments on line-of-credit borrowing	(32,096)	(51,714)
Principal payments on long-term debt and financing obligation	(340)	(312)
Proceeds from sales of common stock from treasury	159	193
Purchase of treasury shares through tender offer	(28,270)	-
Net cash used for financing activities	(10,738)	(11,804)
Effect of foreign exchange rates on cash and cash equivalents	(99)	(680)
Net decrease in cash and cash equivalents	(11,878)	(792)
Cash and cash equivalents at beginning of the period	15,904	6,126
Cash and cash equivalents at end of the period	$ 4,026	$ 5,334
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,583	$ 1,744
Cash paid for income taxes	$ 1,939	$ 1,686
Non-cash investing and financing activities:		
Acquisition of property and equipment through accounts payable	$ 116	$ 252

See notes to condensed consolidated financial statements.

NOTE 1 – BASIS OF PRESENTATION

Franklin Covey Co. (hereafter referred to as us, we, our, or the Company) believes that great organizations consist of great people who form great teams that in turn produce great results. To enable organizations and individuals to achieve great results, we provide integrated consulting, training, and performance solutions focused on leadership, strategy execution, productivity, sales force effectiveness, effective communication, and other areas. Our services and products have historically been available through professional consulting services, public workshops, retail stores, catalogs, and the Internet at www.franklincovey.com. Our best-known offerings in the marketplace have included the Franklin Planner®, and a suite of individual-effectiveness and leadership-development training products based on the best-selling book, *The 7 Habits of Highly Effective People*®.

During the fourth quarter of the fiscal year ended August 31, 2008, we completed the sale of substantially all of the assets of our Consumer Solutions Business Unit (CSBU) to a newly formed entity, Franklin Covey Products, LLC (Note 3). The CSBU was primarily responsible for the sale of our products, including the Franklin Planner®, to consumers through retail stores, catalogs, and our Internet site. Following the sale of the CSBU, our business primarily consists of training, consulting, assessment services, and related products to help organizations achieve superior results by focusing on and executing on top priorities, building the capability of knowledge workers, and aligning business processes. Our training, consulting, and assessment offerings include services based upon the popular workshops *The 7 Habits of Highly Effective People*®; *Leadership: Great Leaders—Great Teams—Great Results*™; *The 4 Disciplines of Execution*®; *FOCUS: Achieving Your Highest Priorities*™; *Building Business Acumen*® *Championing Diversity*™; *Leading at the Speed of Trust*™; *Writing Advantage*®, and *Presentation Advantage*®. Through interaction with our clients and assessment of marketplace needs, we seek to create, develop, and introduce new services and products that will help our clients achieve greatness.

The accompanying unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments, except for the correction of errors in prior periods as described in Note 2) necessary to present fairly the financial position and results of operations of the Company as of the dates and for the periods indicated. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to Securities and Exchange Commission (SEC) rules and regulations. The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2008.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

The Company utilizes a modified 52/53-week fiscal year that ends on August 31 of each year. Corresponding quarterly periods generally consist of 13-week periods that will end on November 29, 2008, February 28, 2009, and May 30, 2009 during fiscal 2009. Under the modified 52/53-week fiscal year, the quarter ended February 28, 2009 had the same number of business days as

the quarter ended March 1, 2008 and the two quarters ended February 28, 2009 had one less business day than the two quarters ended March 1, 2008. Unless otherwise noted, references to fiscal years apply to the 12 months ended August 31 of the specified year.

Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. These reclassifications included a change in the classification of leasing income, corresponding leasing cost of sales, and building depreciation costs related to sub-leased office space from product cost of sales to depreciation expense. The leasing revenues reclassed from product sales totaled $0.6 million and $1.2 million for the quarter and two quarters ended March 1, 2008 and the depreciation expense reclassified from product cost of sales totaled $0.2 million and $0.4 million for the quarter and two quarters ended March 1, 2008.

The results of operations for the quarter and two quarters ended February 28, 2009 are not necessarily indicative of results expected for the entire fiscal year ending August 31, 2009.

NOTE 2 – CORRECTION OF IMMATERIAL ERRORS

While closing the first quarter of fiscal 2009, we identified errors due to improper accounting for certain product sales in the fourth quarter of fiscal 2008, and the improper calculation of inventory reserves from late fiscal 2006 through the fourth quarter of fiscal 2008 in the financial statements of our directly owned subsidiary in Japan.

During the fourth quarter of fiscal 2008, certain product sales were recorded at our Japanese subsidiary where delivery had not occurred resulting in an overstatement of revenues. In addition, we determined that our Japanese subsidiary's inventory reserve calculation did not appropriately capture all considerations of old and outdated material resulting in an overstatement in the value of our inventory.

The revenue recognition error resulted in a $0.9 million overstatement of sales, which had a $0.6 million impact on gross profit in the fourth quarter of fiscal 2008. The inventory reserve calculation errors from the fourth quarter of fiscal 2006 through August 31, 2008 cumulatively totaled $0.7 million and were immaterial overall to previously reported quarterly and annual periods.

We previously assessed the materiality of these errors in accordance with Staff Accounting Bulletin (SAB) No. 108 and determined that the errors were immaterial to previously reported amounts contained in our periodic reports and we intend to correct these errors through subsequent periodic filings. For further information on the impact of these adjustments to all periods affected, refer to Note 2 in our quarterly report on Form 10-Q for the period ended November 29, 2008. The effects of recording these immaterial corrections in the consolidated statements of operations for the periods presented in this report were as follows (in thousands):

	For the Quarter Ended March 1, 2008	
	As Reported	As Revised
Gross profit	$ 46,688	$ 46,620
Operating income	6,785	6,717
Net income	3,082	3,047

	For the Two Quarters Ended March 1, 2008	
	As Reported	As Revised
Gross profit	$ 92,633	$ 92,429
Operating income	11,862	11,658
Net income	5,141	5,039

NOTE 3 – SALE OF THE CONSUMER SOLUTIONS BUSINESS UNIT

During the fourth quarter of fiscal 2008, we joined with Peterson Partners to create a new company, Franklin Covey Products, LLC (Franklin Covey Products). This new company purchased substantially all of the assets of our CSBU with the objective of expanding worldwide product sales as governed by a comprehensive license agreement between us and Franklin Covey Products. On the closing date of the sale, the Company invested approximately $1.8 million to purchase a 19.5 percent voting interest in Franklin Covey Products, made a $1.0 million priority capital contribution with a 10 percent return, and will have the opportunity to earn contingent license fees if Franklin Covey Products achieves specified performance objectives. We recognized a gain totaling $9.1 million on the sale of the CSBU assets and according to guidance found in Emerging Issues Task Force (EITF) Issue No. 01-2, *Interpretations of APB Opinion No. 29*, we deferred a portion of the gain equal to our investment in Franklin Covey Products. We will recognize the deferred gain over the life of the long-term assets acquired by Franklin Covey Products or when cash is received for payment of the priority contribution.

Based upon the guidance found in Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, EITF Issue No. 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations*, and SAB No. 103, Topic 5Z4, *Disposal of Operation with Significant Interest Retained*, we determined that the operations of CSBU should not be reported as discontinued operations because we continue to have significant influence over the operations of Franklin Covey Products and may participate in future cash flows. As a result of this determination, we have not presented the financial results of the CSBU as discontinued operations in the accompanying condensed consolidated statements of operations for the quarter or two quarters ended February 28, 2009.

The following unaudited pro forma condensed consolidated statements of operations for the fiscal quarter and two quarters ended March 1, 2008 give effect to the sale of the CSBU assets as if the sale transaction occurred at the beginning of the periods presented. The pro forma information is not necessarily indicative of the results of operations or indicative of results that would have actually occurred had the transaction been completed as of the beginning of the period presented. The pro forma adjustments, which primarily consist of entries to dispose of the CSBU for the period presented, are based upon available information and certain assumptions we believe are reasonable. The pro forma financial information should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements included in our report on Form 10-K for the fiscal year ended August 31, 2008 and our quarterly report on Form 10-Q for the period ended March 1, 2008 (in thousands).

	Pro Forma Quarter Ended March 1, 2008	Pro Forma Two Quarters Ended March 1, 2008
Sales	$ 37,423	$ 75,528
Cost of sales	12,626	25,640
Gross profit	24,797	49,888
Selling, general, and administrative	21,151	42,996
Depreciation	1,182	2,077
Amortization	901	1,800
Income from operations	1,563	3,015
Interest income	15	24
Interest expense	(761)	(1,672)
Income before provision for income taxes	817	1,367
Provision for income taxes	(400)	(679)
Net income	$ 417	$ 688
Diluted earnings per common share	$ .02	$ .03

Following the sale of the CSBU assets, we do not have any obligation to fund the losses of Franklin Covey Products. Under the terms of the agreements associated with the sale of the CSBU assets, we are entitled to receive reimbursement for certain operating costs, such as warehousing and distribution costs, which are billed to the Company by third-party providers. At February 28, 2009 we had a $4.9 million receivable from Franklin Covey Products, which is disclosed on our consolidated balance sheets as a receivable from an equity method investee and consisted of $3.6 million resulting from the working capital settlement and reimbursable costs associated with the sale transaction and $1.3 million of reimbursable operating costs. We also have a $1.4 million liability to Franklin Covey Products at February 28, 2009 for purchases of inventory items in the ordinary course of business that is included as a component of accounts payable in the accompanying condensed consolidated balance sheet. The working capital settlement payment was originally due in January 2009. However, the Company extended the due date of the working capital settlement to January 2010. We believe that we will collect the balance due on the working capital settlement, including accrued interest.

NOTE 4 – ASSETS HELD FOR SALE

During the quarter ended August 31, 2008, we initiated a restructuring plan that included significant changes to the operation of our wholly owned Canadian subsidiary. This restructuring plan included reassigning the sales force to domestic regions and eliminating the administrative functions located at our Canadian headquarters office located in Cambridge, Ontario. Subsequent to the initiation of the restructuring plan, the Company decided to sell its Canadian headquarters building. During the quarter ended February 28, 2009, the Company formalized its plan to sell the Canadian building and the premises became available for immediate sale as defined by SFAS No. 144. Accordingly, the Canadian building assets and corresponding mortgage liability have been classified as held for sale in the accompanying consolidated balance sheet for February 28, 2009. We expect that the Canadian building will be sold for an amount (including expected closing costs) that approximates its carrying value and believe that the sale will be completed within the upcoming 12 months.

NOTE 5 – ACQUISITION OF COVEYLINK

Effective December 31, 2008, we acquired the assets of CoveyLink Worldwide, LLC (CoveyLink). CoveyLink conducts seminars and training courses and provides consulting based upon the book, *The Speed of Trust* by Stephen M.R. Covey, who is the son of our Vice Chairman of the Board of Directors.

Based primarily upon the guidance found in EITF Issue 98-3, *Determining Whether a Nonmonetary Transaction Involves Receipt of Production Assets or of a Business*, we determined that the CoveyLink operation constituted a business and we accounted for the acquisition of CoveyLink using the guidance found in SFAS No. 141, *Business Combinations*. The purchase price was $1.0 million in cash plus or minus an adjustment for specified working capital. The previous owners of CoveyLink, which includes Stephen M.R. Covey, are also entitled to earn annual contingent payments based upon earnings growth over the next five years. We were unable to complete the allocation of the excess purchase price prior to the issuance of this quarterly report because we were waiting for additional information necessary to properly complete the allocation. Based upon the initial purchase price, we recorded a $0.6 million increase in our intangible assets during the quarter ended February 28, 2009. We also acquired $0.6 million of net accounts receivable, $0.2 million of other assets, and $0.5 million of accounts payable and current accrued liabilities on the acquisition date. We expect the excess purchase price allocation to be completed during our fiscal quarter ending on May 30, 2009.

The accompanying consolidated financial statements include the financial results of CoveyLink from January 1, 2009 through February 28, 2009. The CoveyLink results of operations had an immaterial impact on our consolidated financial statements and we recognized $0.4 million of net

sales and $0.2 million of income from operations as a result of the CoveyLink acquisition during the quarter ended February 28, 2009.

Prior to the acquisition date, CoveyLink had granted a non-exclusive license to the Company related to *The Speed of Trust* book and related training courses for which we paid CoveyLink specified royalties. As part of the CoveyLink acquisition, an amended and restated license of intellectual property was signed that granted us an exclusive, perpetual, worldwide, transferable, royalty-bearing license to use, reproduce, display, distribute, sell, prepare derivative works of, and perform the licensed material in any format or medium and through any market or distribution channel. We will continue to pay the former owners of CoveyLink a royalty based upon the amended royalty agreement.

NOTE 6 – INVENTORIES

Inventories are stated at the lower of cost or market, cost being determined using the first-in, first-out method, and were comprised of the following (in thousands):

	February 28, 2009	August 31, 2008
Finished goods	$ 7,437	$ 7,984
Raw materials	464	413
	$ 7,901	$ 8,397

NOTE 7 – SHARE-BASED COMPENSATION

We utilize various share-based compensation plans as integral components of our overall compensation and associate retention strategy. Our shareholders have approved various stock incentive plans that permit us to grant long-term performance awards, unvested stock awards, employee stock purchase plan (ESPP) shares, and stock options. In addition, our Board of Directors and shareholders may, from time to time, approve fully vested stock awards. The compensation cost of our share-based compensation plans was included in selling, general, and administrative expenses in the accompanying condensed consolidated statements of operations and no share-based compensation was capitalized during the two quarters ended February 28, 2009. We generally issue shares of common stock for our share-based compensation plans from shares held in treasury. The following is a description of recent developments in our share-based compensation plans.

Long-Term Performance Awards

The Company has a performance based long-term incentive plan (the LTIP) that provides for annual grants of share-based performance awards to certain managerial personnel and executive management as directed by the Organization and Compensation Committee (the Compensation Committee) of the Board of Directors. The LTIP performance awards cliff vest at the completion of a three-year performance period that begins on September 1 in the fiscal year of the grant. The number of common shares that are finally awarded to LTIP participants is variable and is based entirely upon the achievement of specified financial performance objectives during the three-year performance period. Due to the variable number of common shares that may be issued under the LTIP, we reevaluate our LTIP grants on a quarterly basis and adjust the number of shares expected to be awarded based upon actual and estimated financial results of the Company compared to the performance goals set for the award. Adjustments to the number of shares awarded, and to the corresponding compensation expense, are made on a cumulative basis at the adjustment date based upon the estimated probable number of common shares to be awarded.

During the quarter ended November 29, 2008, the Compensation Committee approved LTIP awards for 205,700 shares of common stock (the target award) to be awarded if we achieve the specified financial results of grant, which were primarily based on cumulative operating income

growth over the performance period ending August 31, 2011. The fair value of our common stock was $4.60 per share on the grant date of the fiscal 2009 LTIP award. However, due to ongoing organizational changes following the sale of the CSBU, the Company's structure evolved to the extent that the fiscal 2009 LTIP award criteria were no longer consistent with the Company's organization and performance goals and, in some cases, the approved measurement criteria were no longer measurable. As a result of these changes, combined with financial performance during the first two quarters of the measurement period, the Company determined that no shares would be awarded to participants under the terms of the fiscal 2009 LTIP award. Accordingly, no compensation expense was recognized for the fiscal 2009 LTIP award during the two quarters ended February 28, 2009.

Subsequent to February 28, 2009, the Compensation Committee formally terminated the fiscal 2009 and fiscal 2007 LTIP awards because no shares were expected to be awarded to participants under the terms of these awards. The Company does not currently anticipate another LTIP award to be granted during fiscal 2009.

Unvested Stock Awards

The fair value of our unvested stock awards is calculated based on the number of shares issued and the closing market price of our common stock on the date of the grant. The corresponding compensation cost of unvested stock awards is amortized to selling, general, and administrative expense on a straight-line basis over the vesting period of the award.

Based upon a report from its external compensation consultant regarding competitive compensation practices for Boards of Directors of similar sized public companies, and to provide closer alignment with current and emerging market practices which support the Board's stewardship role, the Compensation Committee approved changes in future awards under the Non-Employee Directors' Plan. These changes included: 1) a change from an annual grant of 4,500 shares to a whole-share grant equal to $40,000; 2) a change in the vesting period from three years to one year; 3) a change in the grant date from March 31 of each year to January (following the Annual Shareholders' Meeting) of each year; and 4) a minimum stock ownership requirement for directors. No previously granted awards were subject to these approved changes. The following information applies to our unvested stock awards granted to members of the Board of Directors under the Directors' Plan through the two quarters ended February 28, 2009:

	Number of Shares	Weighted-Average Grant-Date Fair Value Per Share
Unvested stock awards at August 31, 2008	94,500	$ 7.73
Granted	66,112	4.84
Forfeited	-	-
Vested	-	-
Unvested stock awards at February 28, 2009	160,612	$ 6.54

Employee Stock Purchase Plan

We have an employee stock purchase plan (ESPP) that offers qualified employees the opportunity to purchase shares of our common stock at a price equal to 85 percent of the average fair market value of the Company's common stock on the last trading day of the calendar month in each fiscal quarter. During the quarter and two quarters ended February 28, 2009, a total of 10,374 shares and 24,721 shares were issued to participants in the ESPP.

Stock Options

The Company has an incentive stock option plan whereby options to purchase shares of our common stock are issued to key employees at an exercise price not less than the fair market value of the Company's common stock on the date of grant. The term, not to exceed ten years, and exercise period of each incentive stock option awarded under the plan are determined by the Compensation Committee of our Board of Directors. Information related to stock option activity during the two quarters ended February 28, 2009 is presented below:

	Number of Stock Options	Weighted Avg. Exercise Price Per Share
Outstanding at August 31, 2008	2,027,800	$ 12.82
Granted	-	-
Exercised	(1,000)	6.56
Forfeited	(5,000)	17.69
Outstanding at February 28, 2009	2,021,800	$ 12.81
Options vested and exercisable at February 28, 2009	2,021,800	$ 12.81

NOTE 8 – INCOME TAXES

In order to determine our quarterly provision for income taxes, we use an estimated annual effective tax rate, which is based on expected annual income and statutory tax rates in the various jurisdictions in which we operate. Certain significant or unusual items are separately recognized in the quarter during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

We recognized an income tax benefit during the two quarters ended February 28, 2009 based upon anticipated pre-tax income for the full fiscal year ending August 31, 2009. Our effective tax benefit rate for the two quarters ended February 28, 2009 of approximately 78 percent was higher than statutory combined rates primarily due to foreign withholding taxes for which we cannot utilize a foreign tax credit, the accrual of taxable interest income on the management stock loan program, and actual and deemed dividends from foreign subsidiaries for which we also cannot utilize foreign tax credits. The Company does not expect significant increases or decreases in unrecognized tax benefits during the next 12 months.

NOTE 9 – COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is based on net income and includes charges and credits to equity accounts that were not the result of transactions with shareholders. Our comprehensive income (loss) was calculated as follows for the periods presented in this report (in thousands):

	Quarter Ended		Two Quarters Ended	
	February 28, 2009	March 1, 2008	February 28, 2009	March 1, 2008
Net income (loss)	$ (633)	$ 3,047	$ (1,202)	$ 5,039
Other comprehensive income (loss) items, net of tax:				
Foreign currency translation adjustments	(184)	245	(89)	472
Comprehensive income (loss)	$ (817)	$ 3,292	$ (1,291)	$ 5,511

NOTE 10 – EARNINGS PER SHARE

Basic earnings per common share (EPS) is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is calculated by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding plus the assumed exercise of all dilutive securities using the treasury stock method or the "as converted" method, as appropriate. Due to modifications to our management stock loan program, we determined that the shares of management stock loan participants that were placed in the escrow account are participating securities as defined by EITF Issue No. 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128*, because they continue to have equivalent common stock dividend rights. Accordingly, these management stock loan shares are included in our basic EPS calculation during periods of net income and excluded from the basic EPS calculation in periods of net loss.

The following table presents the computation of our EPS for the periods indicated (in thousands, except per share amounts):

	Quarter Ended		Two Quarters Ended	
	February 28, 2009	March 1, 2008	February 28, 2009	March 1, 2008
Numerator for basic and diluted earnings per share:				
Net income (loss)	$ (633)	$ 3,047	$ (1,202)	$ 5,039
Denominator for basic and diluted earnings per share:				
Basic weighted average shares outstanding[1]	13,385	19,510	13,381	19,495
Effect of dilutive securities:				
Stock options	-	6	-	8
Unvested stock awards	-	289	-	279
Common stock warrants[2]	-	-	-	-
Diluted weighted average shares outstanding	13,385	19,805	13,381	19,782
Basic and diluted EPS:				
Basic EPS	$ (.05)	$ .16	$ (.09)	$ .26
Diluted EPS	$ (.05)	$ .15	$ (.09)	$ .25

(1) Since the Company recognized net income for the quarter and two quarters ended March 1, 2008, basic weighted average shares for those periods include 3.5 million shares of common stock held by management stock loan participants that were placed in escrow. These shares were excluded from basic weighted-average shares for the quarter and two quarters ended February 28, 2009.

(2) For the periods presented, the conversion of 6.2 million common stock warrants is not assumed because such conversion would be anti-dilutive.

At February 28, 2009 and March 1, 2008, we had approximately 2.0 million and 1.9 million stock options outstanding which were not included in the computation of diluted EPS because the Company reported a net loss as in the period ending February 28, 2009 or the options' exercise prices were greater than the average market price of the Company's common shares in the quarter ending March 1, 2008. Although these shares were not included in our calculation of diluted EPS, these stock options, and other dilutive securities, may have a dilutive effect on the Company's EPS calculation in future periods if the price of our common stock increases.

NOTE 11 – SEGMENT INFORMATION

Prior to the sale of the CSBU (Note 3), which closed during the fourth quarter of fiscal 2008, the Company had two operating segments: the Organizational Solutions Business Unit (OSBU) and the CSBU. The following is a description of these segments, their primary operating components, and their significant business activities:

Organizational Solutions Business Unit – The OSBU is primarily responsible for the development, marketing, sale, and delivery of strategic execution, productivity, leadership, sales force performance, and communication training and consulting solutions directly to organizational clients, including other companies, the government, and educational institutions. The OSBU includes the financial results of our domestic sales force, public programs, and certain international operations. The domestic sales force is responsible for the sale and delivery of our training and consulting services in the United States and Canada. Our international sales group includes the financial results of our directly owned foreign offices and royalty revenues from licensees.

Consumer Solutions Business Unit – This business unit was primarily focused on sales to individual customers and small business organizations and included the results of our domestic retail stores, consumer direct operations (primarily Internet sales and call center), wholesale operations, international product channels in certain countries, and other related distribution channels, including government product sales and domestic printing and publishing sales. The CSBU results of operations also included the financial results of our paper planner manufacturing operations. Although CSBU sales primarily consisted of products such as planners, binders, software, totes, and related accessories, virtually any component of our leadership, productivity, and strategy execution solutions may have been purchased through the CSBU channels.

The Company's chief operating decision maker is the Chief Executive Officer (CEO), and the primary measurement tool used in business unit performance analysis is earnings before interest, taxes, depreciation, and amortization (EBITDA), which may not be calculated as similarly titled amounts calculated by other companies. For segment reporting purposes, our consolidated EBITDA can be calculated as our income from operations excluding depreciation and amortization charges.

In the normal course of business, we may make structural and cost allocation revisions to our segment information to reflect new reporting responsibilities within the organization. During the first two quarters of fiscal 2009, we closed our directly owned Canadian office and assigned our Canadian sales and support personnel to various domestic sales regions. Accordingly, the results of our Canadian operations are now included in the domestic segment of the OSBU. We also made other less significant organizational changes during the two quarters ended February 28, 2009. All prior period segment information has been revised to conform to the most recent classifications and organizational changes. We account for our segment information on the same basis as the accompanying condensed consolidated financial statements.

SEGMENT INFORMATION
(in thousands)

Quarter Ended February 28, 2009	Sales to External Customers	Gross Profit	EBITDA	Depreciation	Amortization
Organizational Solutions Business Unit:					
Domestic	$ 18,373	$ 11,020	$ (2,675)	$ 300	$ 900
International	10,624	7,205	2,252	101	3
Total OSBU	28,997	18,225	(423)	401	903
Consumer Solutions Business Unit:					
Retail	-	-	-	-	-
Consumer direct	-	-	-	-	-
Wholesale	-	-	-	-	-
CSBU International	-	-	-	-	-
Other CSBU	-	-	-	-	-
Total CSBU	-	-	-	-	-
Total operating segments	28,997	18,225	(423)	401	903
Corporate and eliminations	906	458	(1,147)	505	-
Consolidated	$ 29,903	$ 18,683	$ (1,570)	$ 906	$ 903
Quarter Ended March 1, 2008					
Organizational Solutions Business Unit:					
Domestic	$ 23,429	$ 14,922	$ 1,130	$ 494	$ 899
International	13,397	9,619	4,383	162	2
Total OSBU	36,826	24,541	5,513	656	901
Consumer Solutions Business Unit:					
Retail	17,628	11,072	3,815	265	-
Consumer direct	13,574	7,700	5,180	79	-
Wholesale	2,921	1,554	1,419	-	-
CSBU International	2,902	1,514	625	8	-
Other CSBU	679	163	(5,894)	60	-
Total CSBU	37,704	22,003	5,145	412	-
Total operating segments	74,530	46,544	10,658	1,068	901
Corporate and eliminations	597	258	(1,508)	464	-
Consolidated	$ 75,127	$ 46,802	$ 9,150	$ 1,532	$ 901

Two Quarters Ended February 28, 2009	Sales to External Customers	Gross Profit	EBITDA	Depreciation	Amortization
Organizational Solutions Business Unit:					
Domestic	$ 39,099	$ 22,774	$ (4,756)	$ 591	$ 1,799
International	24,060	16,704	6,659	197	5
Total OSBU	63,159	39,478	1,903	788	1,804
Consumer Solutions Business Unit:					
Retail	-	-	-	-	-
Consumer direct	-	-	-	-	-
Wholesale	-	-	-	-	-
CSBU International	-	-	-	-	-
Other CSBU	-	-	-	-	-
Total CSBU	-	-	-	-	-
Total operating segments	63,159	39,478	1,903	788	1,804
Corporate and eliminations	1,825	902	(2,387)	1,021	-
Consolidated	$ 64,984	$ 40,380	$ (484)	$ 1,809	$ 1,804
Two Quarters Ended March 1, 2008					
Organizational Solutions Business Unit:					
Domestic	$ 47,394	$ 30,198	$ 1,725	$ 802	$ 1,798
International	26,964	19,223	8,487	316	2
Total OSBU	74,358	49,421	10,212	1,118	1,800

Consumer Solutions Business Unit:					
Retail	30,762	18,790	4,667	480	-
Consumer direct	28,386	16,709	11,481	147	-
Wholesale	7,181	4,009	3,714	-	-
CSBU International	5,574	3,071	1,285	33	-
Other CSBU	1,271	326	(12,098)	294	-
Total CSBU	73,174	42,905	9,049	954	-
Total operating segments	147,532	92,326	19,261	2,072	1,800
Corporate and eliminations	1,170	468	(2,891)	839	-
Consolidated	$ 148,702	$ 92,794	$ 16,370	$ 2,911	$ 1,800

A reconciliation of operating segment EBITDA to consolidated income before taxes is provided below (in thousands):

	Quarter Ended		Two Quarters Ended	
	February 28, 2009	March 1, 2008	February 28, 2009	March 1, 2008
Reportable segment EBITDA	$ (423)	$ 10,658	$ 1,903	$ 19,261
Corporate expenses	(1,147)	(1,508)	(2,387)	(2,891)
Consolidated EBITDA	(1,570)	9,150	(484)	16,370
Depreciation	(906)	(1,532)	(1,809)	(2,911)
Amortization	(903)	(901)	(1,804)	(1,800)
Income (loss) from operations	(3,379)	6,717	(4,097)	11,659
Earnings from an equity method investee	224	-	224	-
Interest income	20	15	74	24
Interest expense	(764)	(761)	(1,593)	(1,672)
Income (loss) before provision for income taxes	$ (3,899)	$ 5,971	$ (5,392)	$ 10,011

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

Management's discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon management's current expectations and are subject to various uncertainties and changes in circumstances. Important factors that could cause actual results to differ materially from those described in forward-looking statements are set forth below under the heading "Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995."

The Company suggests that the following discussion and analysis be read in conjunction with the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended August 31, 2008.

RESULTS OF OPERATIONS

Overview

Our financial results for the quarter and two quarters ended February 28, 2009 are difficult to compare to the corresponding periods of the prior fiscal year primarily due to the sale of substantially all of the assets of our Consumer Solutions Business Unit (CSBU) to Franklin Covey Products, LLC, during the fourth quarter of fiscal 2008. The CSBU was primarily responsible for sales of the Company's consumer products, including the popular FranklinCovey Planner, binders, and related accessories, to consumers and small businesses through retail, wholesale, Internet, and call center channels. Due to our ownership interest in and continuing involvement with Franklin Covey Products, LLC, we were unable to present the financial operations of the CSBU in a discontinued operations format for the quarter and two quarters ended March 1, 2008. Our second fiscal quarter, which includes the months of December, January, and February, has historically reflected strong product sales, primarily from seasonal holiday shopping, and generally good training and consulting service sales. However, following the sale of CSBU, we will not experience the seasonal impact of domestic holiday product sales in our financial results.

For the quarter ended on February 28, 2009, we recognized a loss from operations of $3.4 million compared to $6.7 million of income from operations in the corresponding quarter of fiscal 2008. Including the impact of a $3.3 million benefit for income taxes, we recognized a net loss of $0.6 million in the second quarter of fiscal 2009 compared to net income (after income tax expense) of $3.0 million in the quarter ending March 1, 2008.

The primary factors that influenced our operating results for the quarter ended February 28, 2009 were as follows:

- ***Sales –*** Our consolidated sales declined to $29.9 million compared to $75.1 million for the quarter ending March 1, 2008. The vast majority of the decline was attributable to the sale of our CSBU operations and the corresponding reduction in product sales. Of the $45.2 million decline, $37.7 million, or 83 percent, was attributable to product sales from the CSBU. Sales delivered through the Organizational Solutions Business Unit (OSBU), which are comparable to the prior year and consist primarily of training and consulting service sales, decreased $7.8 million due to sales declines in both our domestic and international operations. We believe that these decreases were primarily attributable to softening economic conditions in the United States and in countries in which we operate wholly owned offices. Decreased sales through OSBU channels were partially offset by a $0.3 million increase in lease revenues that were primarily

generated from various arrangements to lease office space at our Salt Lake City, Utah headquarters campus.

- ***Gross Profit*** – Our gross profit was primarily affected by the sale of CSBU and the corresponding decrease in consolidated product sales. Our consolidated gross margin, which is gross profit in terms of a percentage of sales, was 62.5 percent of sales compared to 62.3 percent in the prior year. The fluctuation in our gross margin was primarily due to the overall change in the mix of items sold and a decreased gross margin on training and consulting sales during the quarter.

- ***Operating Costs*** – Our operating expenses decreased by $18.0 million compared to the same quarter of the prior fiscal year, which was primarily due to the sale of CSBU. Decreased operating expenses consisted of a $17.4 million decrease in selling, general, and administrative expenses and a $0.6 million decrease in depreciation expense.

Further details regarding these factors and their impact on our operating results and liquidity are provided throughout the following management's discussion and analysis.

The following table sets forth sales data by category and for our operating segments (in thousands):

	Quarter Ended			Two Quarters Ended		
	February 28, 2009	March 1, 2008	Percent Change	February 28, 2009	March 1, 2008	Percent Change
Sales by Category:						
Training and consulting services	$ 25,566	$ 33,828	(24)	$ 56,047	$ 68,027	(18)
Products	3,431	40,702	(92)	7,112	79,505	(91)
Leasing	906	597	52	1,825	1,170	56
	$ 29,903	$ 75,127	(60)	$ 64,984	$ 148,702	(56)
Organizational Solutions Business Unit:						
Domestic	$ 18,373	$ 23,429	(22)	$ 39,099	$ 47,394	(18)
International	10,624	13,397	(21)	24,060	26,964	(11)
	28,997	36,826	(21)	63,159	74,358	(15)
Consumer Solutions Business Unit:						
Retail Stores	-	17,628	(100)	-	30,762	(100)
Consumer Direct	-	13,574	(100)	-	28,386	(100)
Wholesale	-	2,921	(100)	-	7,181	(100)
CSBU International	-	2,902	(100)	-	5,574	(100)
Other CSBU	-	679	(100)	-	1,271	(100)
	-	37,704	(100)	-	73,174	(100)
	28,997	74,530	(61)	63,159	147,532	(57)
Leasing	906	597	52	1,825	1,170	56
Total Sales	$ 29,903	$ 75,127	(60)	$ 64,984	$ 148,702	(56)

Quarter Ended February 28, 2009 Compared to the Quarter Ended March 1, 2008

Sales

Training and Consulting Services – We offer a variety of training courses, training related products, and consulting services focused on leadership, productivity, strategy execution, sales force performance, and effective communications that are provided both domestically and internationally through our sales force or through international licensee operations. Our consolidated training and consulting service sales decreased $8.3 million compared to the prior year, which was attributable to unfavorable performance in both the domestic and international divisions. During the first quarter of fiscal 2009 we closed our directly owned Canadian office and transferred all remaining sales and support personnel to one of our domestic regions, depending on the location of the sales associate. Sales information presented for the periods ended March 1, 2008 in the table above was adjusted to reflect the transition of Canadian sales from the

international division to the domestic division. The following is a description of the sales activity in our domestic and international divisions for the quarter ended February 28, 2009:

- **Domestic –** Our domestic training, consulting, and related sales decreased by $5.1 million compared to the prior year. The decrease in domestic sales was primarily due to: 1) a decrease in facilitator sales (training conducted by clients using their certified trainers); 2) reduced public seminar sales resulting from a reduction in the number of events that were scheduled during the quarter; 3) a decrease in the number of on-site events during the quarter resulting from a decrease in the number of days booked compared to the prior year; and 4) decreased sales force performance training revenues. These decreases were partially offset by increased sales of our Customer Loyalty and Speed of Trust programs during the quarter. During the quarter ended February 28, 2009, we acquired CoveyLink Worldwide LLC, which has developed training courses and materials based upon the book entitled *The Speed of Trust* by Stephen M.R. Covey.

  We believe that continued economic deterioration in the United States during the quarter ended February 28, 2009 was a significant contributing factor to decreased training and consulting sales during the quarter. However, our training programs and consulting services continue to be well accepted in the marketplace. We believe that our training and consulting offerings enable our clients to enhance the productivity and leadership of their employees, develop customer loyalty, and improve the effectiveness of their sales forces; and we believe that these services are especially relevant to our clients in the current economic environment.

- **International –** International sales decreased $2.8 million compared to the prior year. The decrease in international sales was primarily due to: 1) a $1.5 million intellectual property contract that was delivered in Japan in fiscal 2008 and that did not repeat in fiscal 2009; 2) decreased sales at our directly owned offices in Japan and the United Kingdom; 3) decreased licensee royalties; and 4) decreased international product sales as a majority of these sales transitioned to Franklin Covey Products, LLC. Decreased sales in Japan and the United Kingdom were primarily due to the continued weak economic conditions in those countries. The translation of foreign sales to United States dollars had a net $0.2 million favorable impact on our consolidated sales during the quarter ended February 28, 2009.

Product Sales – Consolidated product sales, which primarily consist of planners, binders, totes, software, and handheld electronic planning devices that were primarily sold through our CSBU channels, declined $37.3 million compared to the prior year primarily due to the sale of our CSBU during the fourth quarter of fiscal 2008. Remaining product sales primarily consist of products and related accessories sold in Japan by our directly owned office in that country.

Leasing Sales – Following the sale of the CSBU and its corresponding impact on consolidated sales, we determined that it was appropriate to separately disclose leasing sales and cost of sales on our condensed consolidated statements of operations. Leasing revenues are primarily derived from various sub-lease arrangements for office space on our corporate campus located in Salt Lake City, Utah. The corresponding cost of sales on these leases represents certain costs associated with the operation of the leased space and does not include any lease expense on the underlying corporate campus since we account for that lease as a financing arrangement.

Gross Profit

Gross profit consists of net sales less the cost of services provided or the cost of products sold. Our consolidated gross profit decreased to $18.7 million compared to $46.8 million in the corresponding quarter of fiscal 2008. The decrease in gross profit was primarily attributable to

decreased product sales resulting from the sale of CSBU. Our consolidated gross margin, which is gross profit stated in terms of a percentage of sales, was 62.5 percent of sales compared to 62.3 percent in fiscal 2008.

Our training and consulting services gross margin was 65.6 percent compared to 68.5 percent in the prior year. The decrease was primarily attributable to increased amortization of capitalized curriculum development costs, decreased licensee royalty revenues during the quarter, which have virtually no corresponding cost of sales, and increased royalty costs on certain programs.

Gross margin on product sales decreased to 42.6 percent compared to 57.4 percent in the prior year. The decrease was primarily due to the sale of CSBU, which eliminated virtually all of our domestic product sales. Remaining product sales consist primarily of product sales made in Japan, on which the gross margin decreased compared to the prior year primarily due to adjustments to our inventory reserves.

Operating Expenses

Selling, General and Administrative – Our selling, general, and administrative (SG&A) expenses decreased $17.4 million compared to the prior year. The decrease in SG&A expenses was primarily due to: 1) the sale of the CSBU, which reduced consolidated SG&A by approximately $16.5 million compared to the prior year; 2) reduced compensation costs resulting from lower sales and corresponding reductions to commissions and other variable compensation elements; 3) reduced share-based compensation costs; and 4) the favorable impact of our restructuring plan that was announced in August 2008. Following the sale of our CSBU in the fourth quarter of fiscal 2008, we initiated a restructuring plan that reduced the number of our domestic regional sales offices, decentralized certain sales support functions, and significantly changed the operations of our Canadian subsidiary. The restructuring plan is intended to strengthen the remaining domestic sales offices and reduce our overall operating costs. We believe that this restructuring effort will further reduce SG&A expenses in future periods. During these tough economic times, we have initiated numerous cost savings efforts designed to reduce our overall operating costs and improve profitability. While we expect these efforts to have a significant impact on our cost structure, the outcome of these efforts may not reduce our costs as quickly or as effectively as originally planned.

Depreciation – Depreciation expense decreased $0.6 million compared to the prior year. The decrease was primarily due to the sale of the CSBU and an impairment charge totaling $0.3 million for software that did not function as anticipated and was written off during the quarter ended March 1, 2008. We did not have any property and equipment impairment charges during the quarter ended February 28, 2009. Based upon expected fixed asset activity in fiscal 2009, we expect depreciation expense to total approximately $4 million for the fiscal year ended August 31, 2009.

Amortization – Amortization expense from definite-lived intangible assets for the quarter ended February 28, 2009 remained consistent with the prior year at $0.9 million. We expect intangible asset amortization expense to remain consistent with prior year amounts throughout fiscal 2009 and believe that amortization expense will total $3.7 million for the current fiscal year.

Income Taxes

Our income tax benefit for the quarter ended February 28, 2009 was $3.3 million compared to a $2.9 million provision for the same quarter of the prior year. The income tax benefit was primarily due to a pre-tax loss recognized for the quarter ended February 28, 2009. Our effective tax benefit rate for the quarter of approximately 84 percent was higher than statutory combined rates primarily due to foreign withholding taxes for which we cannot utilize a foreign tax credit, the accrual of taxable interest income on the management stock loan program, and actual and deemed dividends from foreign subsidiaries for which we also cannot utilize foreign tax credits.

Two Quarters Ended February 28, 2009 Compared to the Two Quarters Ended March 1, 2008

Sales

Training and Consulting Services – Our consolidated training and consulting service sales decreased $12.0 million compared to the prior year. Training and consulting service sales performance during the first two quarters of fiscal 2009 was primarily influenced by the following performance in our domestic and international divisions:

- **Domestic –** Our domestic training sales declined $8.3 million compared to the two quarters ended March 1, 2008. The decrease in domestic sales was primarily due to: 1) a decrease in facilitator sales (training conducted by clients using their certified trainers); 2) reduced public seminar sales resulting from a reduction in the number of events that were scheduled during the quarter; 3) a decrease in the number of on-site events during the quarter resulting from a decrease in the number of days booked compared to the prior year; and 4) decreased sales force performance training revenues. These decreases were partially offset by increased sales of our Customer Loyalty. We believe that our domestic training and consulting revenues were adversely affected by the deteriorating economic conditions in the United States during the first two quarters of fiscal 2009.

- **International –** International sales decreased $2.9 million compared to the same period of fiscal 2008. The decrease in international sales was primarily due to: 1) a $1.5 million intellectual property contract that was delivered in Japan in the second quarter of fiscal 2008 and that did not repeat in fiscal 2009; 2) decreased sales at our directly owned offices in Japan, the United Kingdom, and Australia; and 3) decreased licensee royalties. We believe that decreased sales at our wholly owned offices and licensees were primarily due to continued weak economic conditions in those countries. The translation of foreign sales to United States dollars had a $0.1 million favorable impact on our consolidated sales during the two quarters ended February 28, 2009.

Product Sales – Consolidated product sales, which were primarily sold through our CSBU channels, declined $72.4 million compared to the prior year primarily due to the sale of our CSBU during the fourth quarter of fiscal 2008. Remaining product sales primarily consist of products and related accessories sold in Japan by our directly owned office in that country.

Leasing Sales – Leasing sales increased $0.7 million primarily due to the addition of new leasing contracts that are generated from various arrangements to lease office space at our Salt Lake City, Utah headquarters campus.

Gross Profit

Our consolidated gross profit decreased to $40.4 million compared to $92.8 million for the first two quarters of fiscal 2008. The decrease in gross profit was primarily attributable to decreased product sales resulting from the sale of CSBU. Our consolidated gross margin, which is gross profit stated in terms of a percentage of sales, was 62.1 percent of sales compared to 62.4 percent in fiscal 2008.

Our training and consulting services gross margin was 64.6 percent compared to 68.6 percent in fiscal 2008. The decrease was primarily attributable to increased amortization of capitalized curriculum development costs, increased royalty costs on certain programs sold, and decreased licensee royalty revenues, which have virtually no corresponding cost of sales.

Gross margin on product sales decreased to 45.8 percent compared to 57.5 percent in the prior year. The decrease was primarily due to the sale of CSBU, which eliminated virtually all of our domestic product sales. Remaining product sales consist primarily of product sales made in Japan,

on which the gross margin decreased compared to the same period of the prior year primarily due to adjustment to the inventory reserves in Japan.

Operating Expenses

Selling, General and Administrative – Our SG&A expenses decreased $35.6 million compared to the prior year. The decrease in SG&A expenses was primarily due to: 1) the sale of the CSBU, which reduced consolidated SG&A by approximately $33.4 million compared to the prior year; 2) reduced compensation costs resulting from lower sales and corresponding reductions to commissions and other variable compensation elements; 3) reduced advertising costs primarily related to a decrease in the number of public programs held; 4) decreased travel and conference costs primarily due to the cancellation of our annual sales and delivery conference; and 4) the favorable impact of our restructuring plan that was announced in August 2008. Following the sale of our CSBU in the fourth quarter of fiscal 2008, we initiated a restructuring plan that reduced the number of our domestic regional sales offices, decentralized certain sales support functions, and significantly changed the operations of our Canadian subsidiary. We believe that this restructuring effort will reduce SG&A expenses in future periods. During the current economic conditions, we have initiated numerous other cost savings efforts designed to reduce our overall operating costs and improve profitability. While we expect these efforts to have a significant impact on our cost structure, the outcome of these efforts may not reduce our costs as quickly or as effectively as planned.

Depreciation – Depreciation expense decreased by $1.1 million compared to the prior year. The decrease was primarily due to the sale of the CSBU and an impairment charge totaling $0.3 million for software that did not function as anticipated and was written off during the quarter ended March 1, 2008. We did not have any property and equipment impairment charges during the two quarters ended February 28, 2009.

Income Taxes

Our income tax benefit for the two quarters ended February 28, 2009 was $4.2 million compared to a $5.0 million provision for the two quarters ended March 1, 2008. The income tax benefit was primarily due to a pre-tax loss recognized for the first two quarters of fiscal 2009. Our effective tax benefit rate for the two quarters of approximately 78 percent was higher than statutory combined rates primarily due to foreign withholding taxes for which we cannot utilize a foreign tax credit, the accrual of taxable interest income on the management stock loan program, and actual and deemed dividends from foreign subsidiaries for which we also cannot utilize foreign tax credits.

LIQUIDITY AND CAPITAL RESOURCES

At February 28, 2009 we had $4.0 million of cash and cash equivalents compared to $15.9 million at August 31, 2008 and our net working capital (current assets less current liabilities) totaled $4.8 million at February 28, 2009 compared to $5.3 million at August 31, 2008. During the first quarter of fiscal 2009, we used substantially all of the net cash proceeds from the sale of CSBU to purchase approximately 3.0 million shares of our common stock in a modified “Dutch Auction” tender offer. The tender offer closed, fully subscribed, prior to August 31, 2008 and we recorded a $28.2 million liability for the shares on our consolidated balance sheet with a corresponding increase to treasury stock in shareholders’ equity. We paid the tender offer obligation during the quarter ended November 29, 2008, which has reduced our available cash.

Our primary sources of liquidity are cash flows from the sale of services in the normal course of business and proceeds from our $25.0 million revolving line of credit. In connection with the sale of the CSBU assets during the fourth quarter of fiscal 2008, our line of credit agreements with our previous lenders were modified (the Modified Credit Agreement). The Modified Credit Agreement

removed one lender from the credit facility, but continues to provide a total of $25.0 million of borrowing capacity until June 30, 2009, when the borrowing capacity will be reduced to $15.0 million. In addition, the interest rate on the credit facility increased from LIBOR plus 1.10 percent to LIBOR plus 1.50 percent (2.0 percent at February 28, 2009), which was effective on the date of the modification agreement. The line of credit obligation was classified as a component of current liabilities primarily due to our intention to repay amounts outstanding before the agreement expires. The Modified Credit Agreement expires on March 14, 2010 (no change) and we may draw on the credit facilities, repay, and draw again, on a revolving basis, up to the maximum loan amount available so long as no event of default has occurred and is continuing. We may use the line of credit facility for general corporate purposes as well as for other transactions, unless prohibited by the terms of the Modified Credit Agreement. The working capital line of credit also contains customary representations and guarantees as well as provisions for repayment and liens.

In addition to customary non-financial terms and conditions, our line of credit requires us to be in compliance with specified financial covenants, including: (i) a funded debt to earnings ratio; (ii) a fixed charge coverage ratio; (iii) a limitation on annual capital expenditures; and (iv) a defined amount of minimum net worth. In the event of noncompliance with these financial covenants and other defined events of default, the lenders are entitled to certain remedies, including acceleration of the repayment of amounts outstanding on the line of credit. During the quarter ended February 28, 2009, we believe that we were in compliance with the terms and financial covenants of our credit facilities. At February 28, 2009, we had $17.7 million outstanding on the line of credit.

In addition to our $25.0 million line of credit, we have a long-term variable rate mortgage on our Canadian building, which was classified as held for sale at February 28, 2009, and a long-term lease on our corporate campus that is accounted for as a long-term financing obligation.

The following discussion is a description of the primary factors affecting our cash flows and their effects upon our liquidity and capital resources during the two quarters ended February 28, 2009.

Cash Flows From Operating Activities

Our cash provided by operating activities totaled $2.8 million for the two quarters ended February 28, 2009 compared to $14.5 million during the same period of the prior year. The decrease was primarily due to the sale of CSBU and the corresponding decrease in product sales. Our primary source of cash from operating activities was the sale of goods and services to our customers in the normal course of business. The primary uses of cash for operating activities were payments to suppliers for materials used in products sold, payments for direct costs necessary to conduct training programs, and payments for selling, general, and administrative expenses. Cash provided by or used for changes in working capital during the two quarters ended February 28, 2009 was primarily related to: 1) decreased accounts receivable resulting from improved collections of outstanding receivable balances; 2) the decreased receivable balance resulting from collections of amounts owing from an equity method investee; and 3) payments to reduce accounts payable and accrued liabilities from seasonally high balances at August 31. We believe that our continued efforts to optimize working capital balances, combined with existing and planned sales growth programs and cost-reduction initiatives, will improve our cash flows from operating activities in future periods. However, the success of these efforts, and their eventual contribution to our cash flows, is dependent upon numerous factors, many of which are not within our control.

Cash Flows From Investing Activities and Capital Expenditures

Net cash used for investing activities totaled $3.8 million for the two quarters ended February 28, 2009. Our primary uses of cash for investing activities were the purchase of property and equipment, additional spending on curriculum development, and the purchase of CoveyLink Worldwide, LLC (CoveyLink). Our purchases of property and equipment, which totaled $1.9 million, consisted primarily of computer software, computer hardware, and leasehold improvements. During the first two quarters of fiscal 2009, we spent $1.1 million for further

investment in the development of various programs and curriculum. During the quarter ended February 28, 2009, we acquired the assets of CoveyLink, which conducts seminars and training courses and provides consulting based upon the book, *The Speed of Trust* by Stephen M.R. Covey. Net cash used to acquire CoveyLink totaled $0.9 million as of February 28, 2009. Partially offsetting these uses of cash was the receipt of $0.1 million on notes receivable from the sales of our subsidiary in Brazil, which was completed at August 31, 2007 through the use of notes receivable financing.

Cash Flows From Financing Activities

Net cash used for financing activities during the two quarters ended February 28, 2009 totaled $10.7 million, which consisted primarily of the payment of our $28.3 million tender offer obligation (described above) and $0.3 million of debt principal payments that were partially offset by $17.7 million of net proceeds from our line of credit facility.

Sources of Liquidity

Going forward, we will continue to incur costs necessary for the operation and potential growth of the business. We anticipate using cash on hand, cash provided by the sale of services and products to our clients on the condition that we can continue to generate positive cash flows from operating activities, and other financing alternatives, if necessary, for these expenditures. We anticipate that our existing capital resources should be adequate to enable us to maintain our operations for at least the upcoming twelve months. However, our ability to maintain adequate capital for our operations in the future is dependent upon a number of factors, including sales trends, our ability to contain costs, levels of capital expenditures, collection of accounts receivable, and other factors. Some of the factors that influence our operations are not within our control, such as economic conditions and the introduction of new programs or products by our competitors. We will continue to monitor our liquidity position and may pursue additional financing alternatives, if required, to maintain sufficient resources for future growth and capital requirements. However, there can be no assurance such financing alternatives will be available to us on acceptable terms, or at all.

Contractual Obligations

The Company has not structured any special purpose or variable interest entities or participated in any commodity trading activities that would expose us to potential undisclosed liabilities or create adverse consequences to our liquidity. Required contractual payments primarily consist of: 1) lease payments resulting from the sale of our corporate campus (financing obligation); 2) payments to EDS for outsourcing services related to information systems, warehousing, and distribution services; 3) minimum rent payments for office and warehouse space; 4) mortgage payments on certain buildings and property; and 5) short-term purchase obligations for inventory items and other products and services used in the ordinary course of business. Except for the payment of our tender obligation, which occurred in the quarter ended November 29, 2008, there have been no significant changes to our expected required contractual obligations from those disclosed at August 31, 2008.

Our contractual obligations as disclosed in our Form 10-K for the year ended August 31, 2008 exclude unrecognized tax benefits under FIN 48 of $4.2 million for which we cannot make a reasonably reliable estimate of the period of payment.

Other Items

The Company is the creditor for a loan program that provided the capital to allow certain management personnel the opportunity to purchase shares of our common stock. For further information regarding our management common stock loan program, refer to Note 11 to our consolidated financial statements on Form 10-K for the fiscal year ended August 31, 2008. The

inability of the Company to collect all, or a portion, of these receivables could have an adverse impact upon our financial position and future cash flows compared to full collection of the loans.

USE OF ESTIMATES AND CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting polices used to prepare our consolidated financial statements are outlined in Note 1 of the consolidated financial statements presented in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended August 31, 2008. Some of those accounting policies require us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements. Management regularly evaluates its estimates and assumptions and bases those estimates and assumptions on historical experience, factors that are believed to be reasonable under the circumstances, and requirements under accounting principles generally accepted in the United States of America. Actual results may differ from these estimates under different assumptions or conditions, including changes in economic conditions and other circumstances that are not within our control, but which may have an impact on these estimates and our actual financial results.

The following items require significant judgment and often involve complex estimates:

Revenue Recognition

We derive revenues primarily from the following sources:

- **Training and Consulting Services** – We provide training and consulting services to both organizations and individuals in leadership, productivity, strategic execution, goal alignment, sales force performance, and communication effectiveness skills. These training programs and services are primarily sold through our OSBU channels.

- **Products** – We sold planners, binders, planner accessories, handheld electronic devices, and other related products that were primarily delivered through our CSBU channels prior to the fourth quarter of fiscal 2008. We continue to sell these products in certain international locations.

We recognize revenue in accordance with SAB No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition.* Accordingly, we recognize revenue when: 1) persuasive evidence of an agreement exists, 2) delivery of product has occurred or services have been rendered, 3) the price to the customer is fixed or determinable, and 4) collectibility is reasonably assured. For training and service sales, these conditions are generally met upon presentation of the training seminar or delivery of the consulting services. For product sales, these conditions are generally met upon shipment of the product to the customer or by completion of the sales transaction in a retail store.

Some of our training and consulting contracts contain multiple deliverable elements that include training along with other products and services. For transactions that contain more than one element, we recognize revenue in accordance with EITF Issue No. 00-21, *Accounting for Revenue Arrangements with Multiple Deliverables.* When fair value exists for all contracted elements, the overall contract consideration is allocated among the separate units of accounting based upon their relative fair values. Revenue for these units is recognized in accordance with our general revenue policies once it has been determined that the delivered items have standalone value to the customer. If fair value does not exist for all contracted elements, revenue for the delivered items is recognized using the residual method, which generally means that revenue recognition is postponed until the point is reached when the delivered items have standalone value and fair value exists for the undelivered items. Under the residual method, the amount of revenue considered for recognition under our general revenue policies is the total contract amount, less the aggregate fair value of the undelivered items. Fair value of the undelivered items is based upon the normal pricing practices

for our existing training programs, consulting services, and other products, which are generally the prices of the items when sold separately.

Our international strategy includes the use of licensees in countries where we do not have a wholly-owned operation. Licensee companies are unrelated entities that have been granted a license to translate our content and curriculum, adapt the content and curriculum to the local culture, and sell our training seminars and products in a specific country or region. Each licensee is required to pay us royalties based upon a percentage of the licensee's sales. We recognize royalty income each period based upon the sales information reported to the Company from the licensee. Royalty revenue is reported as a component of training and consulting service sales in our consolidated statements of operations.

Revenue is recognized on software sales in accordance with SOP 97-2, *Software Revenue Recognition* as amended by SOP 98-09. Statement 97-2, as amended, generally requires revenue earned on software arrangements involving multiple elements such as software products and support to be allocated to each element based on the relative fair value of the elements based on vendor specific objective evidence (VSOE). The majority of our software sales have multiple elements, including a license and post contract customer support (PCS). Currently we do not have VSOE for either the license or support elements of our software sales. Accordingly, revenue is deferred until the only undelivered element is PCS and the total arrangement fee is recognized over the support period.

Revenue is recognized as the net amount to be received after deducting estimated amounts for discounts and product returns.

Share-Based Compensation

We have a performance based long-term incentive plan (the LTIP) that provides for annual grants of share-based performance awards to certain managerial personnel and executive management as directed by the Compensation Committee of the Board of Directors (the Compensation Committee). The LTIP performance awards cliff vest at the completion of a three-year performance period that begins on September 1 in the fiscal year of the grant. The number of common shares that are finally awarded to LTIP participants is variable and is based entirely upon the achievement of specified financial performance objectives during the three-year performance period. Due to the variable number of common shares that may be issued under the LTIP, we reevaluate our LTIP grants on a quarterly basis and adjust the number of shares expected to be awarded based upon actual and estimated financial results of the Company compared to the performance goals set for the award. Adjustments to the number of shares awarded, and to the corresponding compensation expense, are made on a cumulative basis at the adjustment date based upon the estimated probable number of common shares to be awarded.

The analysis of our LTIP plans contains uncertainties because we are required to make assumptions and judgments about the eventual number of shares that will vest in each LTIP grant. The assumptions and judgments that are essential to the analysis include forecasted sales and operating income levels during the LTIP service periods. The evaluation of LTIP performance awards and the corresponding use of estimated amounts produced additional volatility in our consolidated financial statements as we recorded cumulative adjustments to the estimated number of common shares to be awarded under the LTIP grants as described above.

During the quarter ended November 29, 2008, the Compensation Committee approved LTIP awards for 205,700 shares of common stock (the target award) to be awarded if we achieve the specified financial results of grant, which are primarily based on cumulative operating income growth over the performance period ending August 31, 2011. The fair value of our common stock was $4.60 per share on the grant date of the fiscal 2009 LTIP award. However, due to ongoing organizational changes following the sale of the CSBU, the Company's structure evolved to the extent that the fiscal 2009 LTIP award criteria were no longer consistent with our organization and performance goals and in some cases the approved measurement criteria were no longer measurable. As a result of these changes, combined with financial performance during the first two

quarters of the measurement period, the Company determined that no shares would be awarded to participants under the terms of the fiscal 2009 LTIP award. Accordingly, no compensation expense was recognized for the fiscal 2009 LTIP award during the two quarters ended February 28, 2009.

Subsequent to February 28, 2009, the Compensation Committee formally terminated the fiscal 2009 and fiscal 2007 LTIP awards because no shares were expected to be awarded to participants under the terms of these awards. The Company does not currently anticipate another LTIP award to be granted during fiscal 2009.

We estimate the value of our stock option awards on the date of grant using the Black-Scholes option pricing model. However, we did not grant any stock options during the two quarters ended February 28, 2009 or during the fiscal year ended August 31, 2008, and we did not have any remaining unrecognized compensation expense attributable to unvested stock options at February 28, 2009.

Accounts Receivable Valuation

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents our best estimate of the amount of probable credit losses in the existing accounts receivable balance. We determine the allowance for doubtful accounts based upon historical write-off experience and current economic conditions and we review the adequacy of our allowance for doubtful accounts on a regular basis. Receivable balances over 90 days past due, which exceed a specified dollar amount, are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the probability for recovery is considered remote. We do not have any off-balance sheet credit exposure related to our customers.

Our allowance for doubtful accounts calculations contain uncertainties because the calculations require us to make assumptions and judgments regarding the collectibility of customer accounts, which may be influenced by a number of factors that are not within our control, such as the financial health of each customer. We regularly review the collectibility assumptions of our allowance for doubtful accounts calculation and compare them against historical collections. Adjustments to the assumptions may either increase or decrease our total allowance for doubtful accounts. For example, a 10 percent increase to our allowance for doubtful accounts at February 28, 2009 would increase our reported loss from operations by approximately $0.1 million.

Inventory Valuation

Following the sale of CSBU, our inventories are comprised primarily of training materials and related accessories. Inventories are stated at the lower of cost or market with cost determined using the first-in, first-out method. Inventories are reduced to their fair market value through the use of inventory loss reserves, which are recorded during the normal course of business.

Our inventory loss reserve calculations contain uncertainties because the calculations require us to make assumptions and judgments regarding a number of factors, including future inventory demand requirements and pricing strategies. During the evaluation process we consider historical sales patterns and current sales trends, but these may not be indicative of future inventory losses. While we have not made material changes to our inventory reserves methodology during the past three years, our inventory requirements may change based on projected customer demand, technological and product life cycle changes, longer or shorter than expected usage periods, and other factors that could affect the valuation of our inventories. If our estimates regarding consumer demand and other factors are inaccurate, we may be exposed to losses that may have a materially adverse impact upon our financial position and results of operations. For example, a 10 percent increase to our inventory reserves would increase our reported loss from operations by $0.2 million.

Indefinite-Lived Intangible Assets

Intangible assets that are deemed to have an indefinite life are not amortized, but rather are tested for impairment on an annual basis, or more often if events or circumstances indicate that a potential impairment exists. The Covey trade name intangible asset has been deemed to have an indefinite life. This intangible asset is assigned to our domestic division and is tested for impairment using the present value of estimated royalties on trade name related revenues, which consist primarily of training seminars, international licensee royalties, and related products. If the carrying value of the Covey trade name exceeds the fair value of its discounted estimated royalties on trade name related revenues, an impairment loss is recognized for the difference.

Our impairment evaluation calculation for the Covey trade name contains uncertainties because it requires us to make assumptions and apply judgment in order to estimate future cash flows, to estimate an appropriate royalty rate, and to select a discount rate that reflects the inherent risk of future cash flows. Our valuation methodology for the Covey trade name has remained materially unchanged during the past three years. However, if forecasts and assumptions used to support the carrying value of our indefinite-lived intangible asset change in future periods, significant impairment charges could result that would have an adverse effect upon our results of operations and financial condition. The valuation methodology is also dependent upon on our share price and corresponding market capitalization, which may differ from estimated royalties used in our annual impairment testing. Based upon the fiscal 2008 evaluation of the Covey trade name, our trade-name related revenues and licensee royalties would have to suffer significant reductions before we would be required to impair the Covey trade name. However, further declines in our share price may also trigger additional impairment testing and may result in future impairment charges.

Impairment of Long-Lived Assets

Long-lived tangible assets and definite-lived intangible assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We use an estimate of undiscounted future net cash flows of the assets over their remaining useful lives in determining whether the carrying value of the assets is recoverable. If the carrying values of the assets exceed the anticipated future cash flows of the assets, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value, which may be based upon discounted cash flows over the estimated remaining useful life of the asset. If we recognize an impairment loss, the adjusted carrying amount of the asset becomes its new cost basis, which is then depreciated or amortized over the remaining useful life of the asset. Impairment of long-lived assets is assessed at the lowest levels for which there are identifiable cash flows that are independent from other groups of assets.

Our impairment evaluation calculations contain uncertainties because they require us to make assumptions and apply judgment in order to estimate future cash flows, forecast the useful lives of the assets, and select a discount rate that reflects the risk inherent in future cash flows. Although we have not made any material changes to our long-lived assets impairment assessment methodology during the past three years, if forecasts and assumptions used to support the carrying value of our long-lived tangible and definite-lived intangible assets change in the future, significant impairment charges could result that would adversely affect our results of operations and financial condition.

Income Taxes

We regularly evaluate our United States federal and various state and foreign jurisdiction income tax exposures. We account for certain aspects of our income tax provision using the provisions of FIN 48, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under the provisions of FIN 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the

technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon final settlement. The provisions of FIN 48 also provide guidance on de-recognition, classification, interest, and penalties on income taxes, accounting for income taxes in interim periods, and require increased disclosure of various income tax items. Taxes and penalties are components of our overall income tax provision.

We record previously unrecognized tax benefits in the financial statements when it becomes more likely than not (greater than a 50 percent likelihood) that the tax position will be sustained. To assess the probability of sustaining a tax position, we consider all available evidence. In many instances, sufficient positive evidence may not be available until the expiration of the statute of limitations for audits by taxing jurisdictions, at which time the entire benefit will be recognized as a discrete item in the applicable period.

Our unrecognized tax benefits result from uncertain tax positions about which we are required to make assumptions and apply judgment to estimate the exposures associated with our various tax filing positions. The calculation of our income tax provision or benefit, as applicable, requires estimates of future taxable income or losses. During the course of the fiscal year, these estimates are compared to actual financial results and adjustments may be made to our tax provision or benefit to reflect these revised estimates. Our effective income tax rate is also affected by changes in tax law and the results of tax audits by various jurisdictions. Although we believe that our judgments and estimates discussed herein are reasonable, actual results could differ, and we could be exposed to losses or gains that could be material.

ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET ADOPTED

Business Combinations – In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141R) and SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*. These standards aim to improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. The provisions of SFAS No. 141R and SFAS No. 160 are effective for our fiscal year beginning September 1, 2009. We do not currently anticipate that these statements will have a material impact upon our financial condition or results of operations.

Derivatives Disclosures – In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. Statement No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. The provisions of SFAS No. 161 are effective for our third quarter of fiscal 2009. The Company is currently evaluating the impact of the provisions of SFAS No. 161, but due to our limited use of derivative instruments we do not currently anticipate that the provisions of SFAS No. 161 will have a material impact on our financial statements.

Useful Life of Intangible Assets – In April 2008, the FASB issued FASB Staff Position FAS 142-3, *Determination of Useful Life of Intangible Assets* (FSP 142-3). This pronouncement amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. Staff Position 142-3 requires expanded disclosure regarding the determination of intangible asset useful lives and is effective for fiscal years beginning after December 15, 2008. Earlier adoption is not permitted. We are currently evaluating the potential impact that the adoption of FSP 142-3 will have on our consolidated financial statements.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain written and oral statements made by the Company in this report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934 as amended (the Exchange Act). Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate, or imply future results, performance, or achievements, and may contain words such as "believe," "anticipate," "expect," "estimate," "project," or words or phrases of similar meaning. In our reports and filings we may make forward looking statements regarding future training and consulting sales activity, our collection of outstanding accounts, the sale of certain of our property, the granting of equity awards, expected acceptance of our offerings in the marketplace, anticipated expenses, projected cost reduction and strategic initiatives, our expectations about the effect of the sale of the CSBU on our business, our expectations about our restructuring plan, expected levels of depreciation expense, expectations regarding tangible and intangible asset valuation expenses, the seasonality of future sales, the seasonal fluctuations in cash used for and provided by operating activities, expected improvements in cash flows from operating activities, the adequacy of our existing capital resources, future compliance with the terms and conditions of our line of credit, the ability to borrow on our line of credit, expected repayment of our line of credit in future periods, estimated capital expenditures, the adequacy of our existing capital resources, and cash flow estimates used to determine the fair value of long-lived assets. These, and other forward-looking statements, are subject to certain risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. These risks and uncertainties are disclosed from time to time in reports filed by us with the SEC, including reports on Forms 8-K, 10-Q, and 10-K. Such risks and uncertainties include, but are not limited to, the matters discussed in Item 1A of the report on Form 10-K for the fiscal year ended August 31, 2008, entitled "Risk Factors." In addition, such risks and uncertainties may include unanticipated developments in any one or more of the following areas: unanticipated costs or capital expenditures; cost and availability of financing sources; difficulties encountered by EDS in operating and maintaining our information systems and controls, including without limitation, the systems related to demand and supply planning, inventory control, and order fulfillment; delays or unanticipated outcomes relating to our strategic plans; dependence on existing products or services; the rate and consumer acceptance of new product introductions; competition; the number and nature of customers and their product orders, including changes in the timing or mix of product or training orders; pricing of our products and services and those of competitors; adverse publicity; further deterioration of domestic or international economic conditions; and other factors which may adversely affect our business.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely affect our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors may emerge and it is not possible for our management to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any single factor, or combination of factors, may cause actual results to differ materially from those contained in forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

The market price of our common stock has been and may remain volatile. In addition, the stock markets in general have experienced increased volatility. Factors such as quarter-to-quarter variations in revenues and earnings or losses and our failure to meet expectations could have a significant impact on the market price of our common stock. In addition, the price of our common stock can change for reasons unrelated to our performance. Due to our low market capitalization, the price of our common stock may also be affected by conditions such as a lack of analyst coverage and fewer potential investors.

Forward-looking statements are based on management's expectations as of the date made, and the Company does not undertake any responsibility to update any of these statements in the future except as required by law. Actual future performance and results will differ and may differ

materially from that contained in or suggested by forward-looking statements as a result of the factors set forth in this Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in our filings with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk of Financial Instruments

The Company is exposed to financial instrument market risk primarily through fluctuations in foreign currency exchange rates and interest rates. To manage risks associated with foreign currency exchange and interest rates, we make limited use of derivative financial instruments. Derivatives are financial instruments that derive their value from one or more underlying financial instruments. As a matter of policy, our derivative instruments are entered into for periods consistent with the related underlying exposures and do not constitute positions that are independent of those exposures. In addition, we do not enter into derivative contracts for trading or speculative purposes, nor are we party to any leveraged derivative instrument. The notional amounts of derivatives do not represent actual amounts exchanged by the parties to the instrument, and, thus, are not a measure of exposure to us through our use of derivatives. Additionally, we enter into derivative agreements only with highly rated counterparties and we do not expect to incur any losses resulting from non-performance by other parties.

Foreign Currency Sensitivity

Due to the global nature of our operations, we are subject to risks associated with transactions that are denominated in currencies other than the United States dollar, as well as the effects of translating amounts denominated in foreign currencies to United States dollars as a normal part of the reporting process. The objective of our foreign currency risk management activities is to reduce foreign currency risk in the consolidated financial statements. In order to manage foreign currency risks, we make limited use of foreign currency forward contracts and other foreign currency related derivative instruments. Although we cannot eliminate all aspects of our foreign currency risk, we believe that our strategy, which includes the use of derivative instruments, can reduce the impacts of foreign currency related issues on our consolidated financial statements. The following is a description of our use of foreign currency derivative instruments.

During the quarter and two quarters ended February 28, 2009 we utilized foreign currency forward contracts to manage the volatility of certain intercompany financing transactions and other transactions that are denominated in foreign currencies. Because these contracts do not meet specific hedge accounting requirements, gains and losses on these contracts, which expire on a quarterly basis, are recognized currently and are used to offset a portion of the gains or losses of the related accounts. The gains and losses on these contracts were recorded as a component of SG&A expense in our consolidated statements of operations and had the following net impact on the periods indicated (in thousands):

	Quarter Ended		Two Quarters Ended	
	February 28, 2009	March 1, 2008	February 28, 2009	March 1, 2008
Losses on foreign exchange contracts	$ (61)	$ (199)	$ (321)	$ (328)
Gains on foreign exchange contracts	82	-	105	-
Net gain (loss) on foreign exchange contracts	$ 21	$ (199)	$ (216)	$ (328)

On or about February 28, 2009, all of our foreign currency forward contracts were settled and we did not enter into any additional foreign currency forward contracts subsequent to February 28, 2009. During the quarter and two quarters ended February 28, 2009, we did not utilize any derivative contracts that qualified for hedge accounting. However, the Company may utilize net

investment hedge contracts or other foreign currency derivatives in future periods as a component of our overall foreign currency risk strategy.

Interest Rate Sensitivity

The Company is exposed to fluctuations in U.S. interest rates primarily as a result of our line of credit borrowings. At February 28, 2009, our debt balances consisted primarily of a fixed-rate financing obligation associated with the sale of our corporate headquarters facility, a variable-rate line of credit arrangement, and a variable rate long-term mortgage on certain of our buildings and property. Our overall interest rate sensitivity will be influenced primarily by the amounts borrowed on the line of credit and the prevailing interest rates, which may create additional expense if interest rates increase in future periods. Accordingly, at February 28, 2009 borrowing levels, a 1 percent increase on our variable rate debt would increase our interest expense over the next year by approximately $0.2 million.

During the quarter and two quarters ended February 28, 2009 we were not party to any interest rate swap or other interest related derivative instruments that would increase our interest rate sensitivity.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, due to the material weaknesses in our internal controls over financial reporting identified in our Form 10-Q for the quarter ended November 29, 2008 at our Japan subsidiary, our disclosure controls and procedures were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q. We determined that material weaknesses existed in our Japan subsidiary that relate to: 1) the lack of controls to ensure the approval and appropriate accounting treatment of non-standard shipping terms on product sales and 2) the calculation of inventory reserves which was not designed in a manner to evaluate obsolescence at the individual product level. As a result of these material weaknesses, errors occurred in our financial reporting (see Note 2 to the condensed consolidated financial statements).

As of February 28, 2009 we have designed and implemented controls to require the approval of non-standard shipping terms on product sales and to require the approval of the inventory reserve calculation in Japan. However, we were not able to test the remediation of the material weaknesses identified in Japan by the end of our fiscal quarter ended February 28, 2009.

In light of the material weakness described in our quarterly report on Form 10-Q for the quarter ended November 29, 2008, we performed additional procedures to ensure that our condensed consolidated financial statements were prepared in accordance with generally accepted accounting principles. Accordingly, management believes that the condensed consolidated financial statements included in this report fairly presents, in all material respects, our financial position, results of operations, and cash flows for the periods presented.

Other than described above, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f)) during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1A. RISK FACTORS

We have significant intangible asset balances that may be impaired if cash flows from related activities decline or our share price continues to decline.

At February 28, 2009 we had $71.2 million of intangible assets, which were primarily generated from the fiscal 1997 merger with the Covey Leadership Center. These intangible assets are evaluated for impairment based upon cash flows (definite-lived intangible assets) and estimated royalties from revenue streams (indefinite-lived intangible assets). Although our current sales and cash flows are sufficient to support the carrying basis of these intangibles, if our sales and corresponding cash flows decline, we may be faced with significant asset impairment charges that would have an adverse impact upon our operating margin and overall results of operations. In addition, our stock price is considered to be an indicator of the reliability or risks associated with future cash flows and we may incur impairment charges on these intangible assets in future periods based upon our market capitalization.

Our profitability could decrease if we are unable to control our costs.

Our future success and profitability depend in part on our ability to achieve the appropriate cost structure and improve our efficiency in the highly competitive services industry in which we compete. In the current economic environment, which has had an adverse impact on our sales performance, our ability to control our costs and reduce our costs in light of decreasing sales has increased significance. We regularly monitor our operating costs and develop initiatives and business models that impact our operations and are designed to improve our profitability. Our recent initiatives have included redemptions of preferred stock, exiting non-core businesses, asset sales, headcount reductions, and other internal initiatives designed to reduce our operating costs. If we do not achieve targeted business model cost levels and manage our costs and processes to achieve additional efficiencies, our competitiveness and profitability could decrease.

Our future quarterly operating results are subject to factors that can cause fluctuations in our stock price.

Historically, our stock price has experienced significant volatility. We expect that our stock price may continue to experience volatility in the future due to a variety of potential factors that may include the following:

- Fluctuations in our quarterly results of operations and cash flows
- Increased overall market volatility
- Variations between our actual financial results and market expectations
- Changes in our key balances, such as cash and cash equivalents
- Currency exchange rate fluctuations
- Unexpected asset impairment charges
- Lack of analyst coverage

In addition, the stock market has recently experienced substantial price and volume fluctuations that have impacted our stock and other equity issues in the market. These factors, as well as general investor concerns regarding the credibility of corporate financial statements, may have a material adverse effect upon our stock price in the future.

For further information regarding our Risk Factors, please refer to Item 1A in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2008.

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

The Company acquired the following shares of its outstanding securities during the fiscal quarter ended February 28, 2009:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
Common Shares:				
November 30, 2008 to January 3, 2009	-	$ -	none	$ 2,413
January 4, 2009 to January 31, 2009	-	-	none	2,413
February 1, 2009 to February 28, 2009	-	-	none	2,413(1)
Total Common Shares	-	$ -	none	

(1) In January 2006, our Board of Directors approved the purchase of up to $10.0 million of our outstanding common stock. All previous authorized common stock purchase plans were canceled. Pursuant to the terms of this stock purchase plan, we have acquired 1,009,300 shares of our common stock for $7.6 million through February 28, 2009.

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

We held our Annual Meeting of Shareholders on Friday, January 16, 2009. The following represents a summary of each matter voted upon and the corresponding voting results for each item considered by shareholders at the Annual Meeting.

Further information regarding each item can be found in the Company's definitive Proxy Statement, which was filed with the Securities and Exchange Commission on December 15, 2008.

1. **Election of Directors –** Three directors were elected for three-year terms that expire at the Annual Meeting of Shareholders to be held following the end of fiscal 2011 or until their successors are elected and qualified. The number of votes for each nominee for director was as follows:

Name	Votes For	Votes Withheld
Stephen R. Covey	11,853,183	2,855,190
Robert H. Daines	14,011,751	696,622
Dennis G. Heiner	14,106,851	601,522

2. **Appointment of Independent Auditors –** The shareholders ratified the appointment of KPMG LLP as the Company's independent auditors for the fiscal year ending August 31, 2009. A total of 14,461,843 shares voted in favor of this appointment, 246,530 shares voted against, and zero shares abstained from voting.

Item 6. EXHIBITS

(A) Exhibits:

10.1	Asset Purchase Agreement by and Among Covey/Link LLC, CoveyLink Worldwide LLC, Franklin Covey Co., and Franklin Covey Client Sales, Inc. dated December 31, 2008.
10.2	Amended and Restated License of Intellectual Property by and Among Franklin Covey Co. and Covey/Link LLC, dated December 31, 2008.
31.1	Rule 13a-14(a) Certifications of the Chief Executive Officer
31.2	Rule 13a-14(a) Certifications of the Chief Financial Officer
32	Section 1350 Certifications

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: April 9, 2009

By: /s/ Robert A. Whitman
Robert A. Whitman
Chief Executive Officer

Date: April 9, 2009

By: /s/ Stephen D. Young
Stephen D. Young
Chief Financial Officer

Exhibit 10.1

ASSET PURCHASE AGREEMENT

by and among

COVEY/LINK, LLC,

COVEYLINK WORLDWIDE LLC,

FRANKLIN COVEY CO.,

and

FRANKLIN COVEY CLIENT SALES, INC.

dated

December 31, 2008

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ASSET PURCHASE AGREEMENT

This **ASSET PURCHASE AGREEMENT** ("*Agreement*") is dated December 31, 2008 (the "*Closing Date*"), by and among Franklin Covey Client Sales, Inc., a Utah corporation ("*Buyer*"), and Franklin Covey Co., a Utah corporation ("*Parent*"), and CoveyLink Worldwide LLC, a Utah limited liability company ("*Seller*"), and Covey/Link, LLC, a Utah limited liability company ("*CoveyLink*").

RECITALS

WHEREAS, Seller and CoveyLink are Affiliates.

WHEREAS, Buyer and Parent are Affiliates.

WHEREAS, the board of managers of the Seller has authorized the sale of certain assets to Buyer pursuant to the terms of this Agreement, and the members of each of Seller have approved such sale.

WHEREAS, CoveyLink owns certain intellectual property assets (as described in the License Agreement) relating to the book entitled *The SPEED of Trust* ("*The SPEED of Trust*") (collectively, the "*Licensed Intellectual Property*");

WHEREAS, Seller licenses the Licensed Intellectual Property from CoveyLink and produces and sells training programs and materials based on *The SPEED of Trust* and the Licensed Intellectual Property (the "*Business*").

WHEREAS, Seller desires to sell, and Buyer desires to buy, the assets of the Business on the terms and subject to the conditions set forth in this Agreement.

WHEREAS, Parent has licensed the Licensed Intellectual Property pursuant to a non-exclusive, worldwide license with CoveyLink effective as of January 1, 2006, and concurrently with the Closing, Parent and CoveyLink will enter into an Amended and Restated License Agreement pursuant to which CoveyLink will grant Buyer an exclusive, perpetual, worldwide license to the Licensed Intellectual Property in the form attached to this Agreement as Exhibit 2.7(b)(i) (the "*License Agreement*").

WHEREAS, Stephen M. R. Covey and Greg Link are each concurrently entering into speaker services agreements with Buyer to be effective upon the Closing in the form attached to this Agreement as Exhibit 2.7(b)(iii) (each a "*Speaking Agreement*").

WHEREAS, Stephen M. R. Covey and Greg Link (collectively, the "*Practice Leaders*") are each concurrently entering into consulting agreements with Buyer to be effective upon the Closing in the form attached to this Agreement as Exhibit 2.7(b)(ii) (each a "*Practice Leader Consulting Agreement*").

WHEREAS, the Practice Leaders will be responsible for managing the business of the Parent to *The SPEED of Trust* (the "*Practice*") following the Closing.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual representations, warranties and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

I. Definitions and Usage

1.1 Definitions.
For purposes of this Agreement, the following terms and variations thereof have the meanings specified or referred to in this Section 1.1:

"***Accounts Receivable***"—(a) all trade accounts receivable, including interest charges, and other rights to payment from customers of Seller (including Buyer) and the full benefit of all security for such accounts or rights to payment, including all trade accounts receivable representing amounts receivable in respect of goods shipped or products sold or services rendered to customers of Seller, (b) all other accounts or notes receivable of Seller and the full benefit of all security for such accounts or notes and (c) any claim, remedy or other right related to any of the foregoing.

"***Affiliate***"—has the meaning set forth in Rule 12b-2 under the Exchange Act.

"***Agreement***" —as defined in the first paragraph of this Agreement.

"***Annual Earnout Payment***"—as defined in Section 2.8(a).

"***Assets***"—as defined in Section 2.1.

"***Assignment and Assumption Agreement***"—as defined in Section 2.7(a)(ii).

"***Assumed Liabilities***"—as defined in Section 2.4.

"***Best Efforts***"—the efforts that a prudent Person acting diligently and desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as reasonably practicable.

"***Bill of Sale***"—as defined in Section 2.7(a)(i).

"***Breach***"—any breach of, or any inaccuracy in, any representation or warranty or any breach of, or failure to perform or comply with, any covenant or obligation, in or of this Agreement or any other Contract, or any event which with the passing of time or the giving of notice, or both, would constitute such a breach, inaccuracy or failure.

"***Business***"—as defined in the Recitals to this Agreement.

"***Business Day***"—any day other than (a) Saturday or Sunday or (b) any other day on which banks in Salt Lake City, Utah are permitted or required to be closed.

"***Buyer***"—as defined in the first paragraph of this Agreement.

"***Buyer Indemnified Persons***"—as defined in Section 7.2.

"***Closing***"—as defined in Section 2.6.

"***Closing Date***"—as defined in the first paragraph of this Agreement.

"***Closing Payment***"—as defined in Section 2.3(b).

"***Code***"—the U.S. Internal Revenue Code of 1986, as amended.

"***Consent***"—any approval, consent, ratification, waiver or other authorization.

"***Consulting Agreement***"—as defined in the Recitals to this Agreement.

"***Contemplated Transactions***"—all of the transactions contemplated by this Agreement, including the License Agreement, the Practice Leader Consulting Agreements, and the Speaking Agreements.

"***Contract***"—any agreement, contract, Lease, consensual obligation, promise or undertaking (whether written or oral and whether express or implied), whether or not legally binding.

"***CoveyLink***"—as defined in the first paragraph of this Agreement.

"***Damages***"—as defined in Section 7.2.

"***Down Payment***"—as defined in Section 2.3(a).

"***Employee Plans***"—every plan, fund, contract, program and arrangement (whether written or not) for the benefit of present or former employees, including those intended to provide (i) medical, surgical, health care, hospitalization, dental, vision, workers' compensation, life insurance, death, disability, legal services, severance, sickness or accident benefits (whether or not defined in Section 3(1) of ERISA), (ii) pension, profit sharing, stock bonus, retirement, supplemental retirement or deferred compensation benefits (whether or not tax qualified and whether or not defined in Section 3(2) of ERISA) or (iii) salary continuation, unemployment, supplemental unemployment, severance, termination pay, change-in-control, vacation or holiday benefits (whether or not defined in Section 3(3) of ERISA), (w) that is maintained or contributed to by Seller, (x) that Seller has committed to implement, establish, adopt or contribute to in the future, (y) for which Seller is or may be financially liable as a result of the direct sponsor's affiliation with Seller, an ERISA Affiliate, or Seller's equityholders (whether or not such affiliation exists at the date of this Agreement and notwithstanding that the Employee Plan is not maintained by Seller for the benefit of its employees or former employees) or (z) for or with respect to which Seller is or may become liable under any common law successor doctrine, express successor liability provisions of law, provisions of a collective bargaining agreement, labor or employment law or agreement with a predecessor

employer. Employee Plan does not include any arrangement that has been terminated and completely wound up prior to the date of this Agreement and for which Seller has no present or potential liability.

"***Encumbrance***"—any charge, claim, community or other marital property interest, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership.

"***Environment***"—soil, land surface or subsurface strata, surface waters (including navigable waters and ocean waters), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life and any other environmental medium or natural resource.

"***Environmental, Health and Safety Liabilities***"—any cost, damages, expense, liability, obligation or other responsibility arising from or under any Environmental Law or Occupational Safety and Health Law, including those consisting of or relating to:

(a) any environmental, health or safety matter or condition (including on-site or off-site contamination, occupational safety and health and regulation of any chemical substance or product);

(b) any fine, penalty, judgment, award, settlement, legal or administrative proceeding, damages, loss, claim, demand or response, remedial or inspection cost or expense arising under any Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under any Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any cleanup, removal, containment or other remediation or response actions ("*Cleanup*") required by any Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective or remedial measure required under any Environmental Law or Occupational Safety and Health Law.

The terms "removal," "remedial" and "response action" include the types of activities covered by the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), as amended.

"***Environmental Law***"—any Legal Requirement that relates to the Environment and that requires or relates to:

(a) advising appropriate authorities, employees or the public of intended or actual Releases of pollutants or hazardous substances or materials, violations of discharge limits or other prohibitions and the commencement of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the Release of pollutants or hazardous substances or materials into the Environment;

(c) reducing the quantities, preventing the Release or minimizing the hazardous characteristics of wastes that are generated;

(d) assuring that products are designed, formulated, packaged and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) protecting resources, species or ecological amenities;

(f) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil or other potentially harmful substances;

(g) cleaning up pollutants that have been Released, preventing the Threat of Release or paying the costs of such clean up or prevention; or

(h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"***ERISA***"—the Employee Retirement Income Security Act of 1974, as amended.

"***ERISA Affiliate***"—each trade or business (whether or not incorporated) that is part of the same controlled group under, common control with, or part of an affiliated service group that includes Seller, within the meaning of Code Section 414(b), (c), (m) or (o).

"***Estimated Working Capital***"—as defined in Section 2.3(b).

"***Estimated Working Capital Adjustment Amount***"—as defined in Section 2.3(b).

"***Exchange Act***"—the Securities Exchange Act of 1934, as amended.

"***Excluded Assets***"—as defined in Section 2.2.

"***Facilities***"—any leasehold interest of Seller, including the Tangible Personal Property used or operated by Seller at the respective locations of the real property specified in Section 3.5(a).

"***GAAP***"—generally accepted accounting principles for financial reporting in the United States, applied on a basis consistent with the basis on which the Interim Balance Sheet and the other financial statements referred to in Section 3.3 were prepared.

"***Governing Documents***"—with respect to any particular entity, (a) if a corporation, the articles or certificate of incorporation and the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles of organization and operating agreement; (e) if another type of Person, any other charter or similar document adopted or filed in connection with the creation, formation or organization of the Person; (f) all equityholders' agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any Person or relating to the rights, duties and obligations of the equityholders of any Person; and (g) any amendment or supplement to any of the foregoing.

"***Governmental Authorization***"—any Consent, license, registration or permit issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"***Governmental Body***"—any:

(a) nation, state, county, city, town, borough, village, district or other jurisdiction;

(b) federal, state, local, municipal, foreign or other government;

(c) governmental or quasi-governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental or quasi-governmental powers);

(d) multinational organization or body;

(e) body exercising, or entitled or purporting to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or

(f) official of any of the foregoing.

*"**Hired Active Employees**"*—as defined in Section 6.1(b)(i).

"***Indemnified Person***"—as defined in Section 7.3(e).

"***Indemnifying Person***"—as defined in Section 7.5.

"***Interim Balance Sheet***"—as defined in Section 3.3.

"***Inventories***"—all inventories of Seller, wherever located, including all finished goods, work in process, raw materials, spare parts and all other materials and supplies to be used or consumed by Seller in the production of finished goods, including copies of The SPEED of Trust and training and any other materials related to the Business.

"***IRS***"—the United States Internal Revenue Service and, to the extent relevant, the United States Department of the Treasury.

"***Knowledge***"—an individual will be deemed to have Knowledge of a particular fact or other matter if that individual is actually aware of that fact or matter. A Person (other than an individual) will be deemed to have Knowledge of a particular fact or other matter if any individual who is serving, or who has at any time served, as a director, officer, partner, executor or trustee of that Person (or in any similar capacity) has, or at any time had, Knowledge of that fact or other matter, and any such individual (and any individual party to this Agreement) will be deemed to have conducted a reasonable investigation regarding the accuracy of the representations and warranties made herein by that Person or individual.

"***Lease***"—any Real Property Lease or any lease or rental agreement, license, right to use or installment and conditional sale agreement to which Seller is a party and any other Seller Contract pertaining to the leasing or use of any Tangible Personal Property.

"***Legal Requirement***"—any federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, regulation, statute or treaty.

"***Liability***"—with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"***License Agreement***"—as defined in the Recitals to this Agreement.

"***Licensed Intellectual Property***"—as defined in the Recitals to this Agreement.

"***Occupational Safety and Health Law***"—any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, including the Occupational Safety and Health Act, and any program, whether governmental or private (such as those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

"***Order***"—any order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Body or arbitrator.

"***Ordinary Course of Business***"—an action taken by a Person will be deemed to have been taken in the Ordinary Course of Business only if that action:

(a) is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person;

(b) does not require authorization by the board of directors or equityholders of such Person (or by any Person or group of Persons exercising similar authority) and does not require any other separate or special authorization of any nature; and

(c) is similar in nature, scope and magnitude to actions customarily taken, without any separate or special authorization, in the ordinary course of the normal, day-to-day operations of other Persons that are in the same line of business as such Person.

"***Parent***"—as defined in the first paragraph of this Agreement.

"***Permitted Encumbrances***"—as defined in Section 3.5.

"***Person***"—an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or a Governmental Body.

"***Practice***"—as defined in the Recitals to this Agreement.

"***Practice Leaders***"—as defined in the Recitals to this Agreement.

"***Proceeding***"—any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"***Purchase Price***"—as defined in Section 2.3.

"***Real Property Lease***"—as defined in Section 3.5(a).

"***Record***"—information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

"***Related Person***"—

With respect to a particular individual:

(a) each other member of such individual's Family;

(b) any Person that is directly or indirectly controlled by any one or more members of such individual's Family;

(c) any Person in which members of such individual's Family hold (individually or in the aggregate) a Material Interest; and

(d) any Person with respect to which one or more members of such individual's Family serves as a director, officer, partner, executor or trustee (or in a similar capacity).

With respect to a specified Person other than an individual:

(a) any Person that directly or indirectly controls, is directly or indirectly controlled by or is directly or indirectly under common control with such specified Person;

(b) any Person that holds a Material Interest in such specified Person;

(c) each Person that serves as a director, officer, partner, executor or trustee of such specified Person (or in a similar capacity);

(d) any Person in which such specified Person holds a Material Interest; and

(e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity).

For purposes of this definition, (a) "control" (including "controlling," "controlled by," and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and shall be construed as such term is used in the rules promulgated under the Securities Act; (b) the "Family" of an individual includes (i) the individual, (ii) the individual's spouse, (iii) any other natural person who is related to the individual or the individual's spouse within the second degree and (iv) any other natural person who resides with such individual; and (c) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Exchange Act) of voting securities or other voting interests representing at least ten percent (10%) of the outstanding voting power of a Person or equity securities or other equity interests representing at least ten percent (10%) of the outstanding equity securities or equity interests in a Person.

"***Release***"—any release, spill, emission, leaking, pumping, pouring, dumping, emptying, injection, deposit, disposal, discharge, dispersal, leaching or migration on or into the Environment or into or out of any property.

"***Representative***"—with respect to a particular Person, any director, officer, manager, employee, agent, consultant, advisor, accountant, financial advisor, legal counsel or other representative of that Person.

"***Retained Liabilities***"—as defined in Section 2.4(b).

"***Schedule***"—a part of this Agreement which provides information required by a specific Section or Subsection of this Agreement.

"***Seller***"—as defined in the first paragraph of this Agreement.

"***Seller Contract***"—any Contract (a) under which Seller has or may acquire any rights or benefits; (b) under which Seller has or may become subject to any obligation or liability; or (c) by which Seller or any of the assets owned or used by Seller is or may become bound, including any Contract, agreement or purchase order relating to the delivery of training services or other products of Seller.

"***Speaking Agreement***"—as defined in the Recitals to this Agreement.

"***Special Accountants***"—Tanner LC, as defined in Section 2.3(c).

"***Subsidiary***"—with respect to any Person (the "*Owner*"), any corporation or other Person of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has not occurred), are held by the Owner or one or more of its Subsidiaries.

"***Tangible Personal Property***"—all machinery, equipment, tools, furniture, office equipment, computer hardware, supplies, materials, vehicles and other items of tangible personal property (other than Inventories) of every kind owned or leased by Seller (wherever located and whether or not carried on Seller's books), together with any express or implied warranty by the manufacturers or sellers or lessors of any item or component part thereof and all maintenance records and other documents relating thereto.

"***Target Working Capital***"—as defined in Section 2.3(b).

"***Tax***"—any income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental, windfall profit, customs, vehicle, airplane, boat, vessel or other title or registration, capital stock, franchise, employees' income withholding, foreign or domestic withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, value added, alternative, add-on minimum and other tax, fee, assessment, levy, tariff, charge or duty of any kind whatsoever, including any liability for taxes of a predecessor entity and the recapture of any tax items, and any interest, penalty, addition or additional amount thereon imposed, assessed or collected by or under the authority of any Governmental Body, whether disputed or not and including any obligation to indemnify or otherwise assume or succeed to the tax liability of other persons, or with respect to any information reporting requirements imposed by any Governmental Body.

"***Tax Return***"—any return (including any information return), report, statement, schedule, notice, form, declaration, claim for refund or other document or information filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

"***The SPEED of Trust***"—as defined in the Recitals to this Agreement.

"***Third Party***"—a Person that is not a party to this Agreement.

"***Third-Party Claim***"—any claim against any Indemnified Person by a Third Party, whether or not involving a Proceeding.

"***Threat of Release***"—a reasonable likelihood of a Release that may require action in order to prevent or mitigate damage to the Environment that may result from such Release.

"***WARN Act***"—as defined in Section 6.1(c)(i).

"***Working Capital Adjustment Amount***"—as defined in Section 2.3(c).

1.2 Usage.

(a) Interpretation. In this Agreement, unless a clear contrary intention appears:

(i) the singular number includes the plural number and vice versa;

(ii) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(v) reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) "hereunder," "hereof," "hereto," and words of similar import shall be deemed references to this Agreement as a whole and not to any particular Article, Section or other provision hereof;

(vii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term;

(viii) "or" is used in the inclusive sense of "and/or";

(ix) with respect to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding"; and

(x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.

(b) Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP.

(c) Legal Representation of the Parties. This Agreement was negotiated by the parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party shall not apply to any construction or interpretation hereof.

II. Sale and Transfer of Assets; Closing

2.1 Assets to be Sold.

Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall sell, convey, assign, transfer and deliver to Buyer, and Buyer shall purchase and acquire from Seller, free and clear of any Encumbrances other than Permitted Encumbrances, all of the right, title and interest in and to all of the property and assets, real, personal or mixed, tangible and intangible, of Seller relating to the Business of every kind and description, wherever located, including the following (but excluding the Excluded Assets):

(a) all Real Property Leases described on Schedule 2.1(a);

(b) all Tangible Personal Property, including those items described on Schedule 2.1(b);

(c) all Inventories of Seller;

(d) all Accounts Receivable of Seller;

(e) all Seller Contracts listed on Schedule 2.1(e), and all outstanding offers or solicitations made by or to Seller to enter into any Contract;

(f) all Governmental Authorizations of Seller and all pending applications therefor or renewals thereof, in each case to the extent transferable to Buyer, listed on Schedule 2.1(f);

(g) all data and Records related to the operations of Seller, including client and customer lists and Records, referral sources, research and development reports and Records, production reports and Records, service and warranty Records, equipment logs, operating guides and manuals, financial and accounting Records, creative materials, advertising materials, promotional materials, studies, reports, correspondence and other similar documents and Records and, subject to Legal Requirements, copies of all personnel Records and other Records described in Section 2.2(c);

(h) all of the intangible rights and property of Seller, (excluding all intellectual property, goodwill associated with trademarks, and the Licensed Intellectual Property), including the going concern value, goodwill not associated with trademarks, telephone, facsimile and e-mail addresses and listings and those items listed on Schedule 2.1(h);

(i) all insurance benefits of Seller, including rights and proceeds, arising from or relating to the Assets or the Assumed Liabilities prior to the Closing Date, unless expended in accordance with this Agreement;

(j) all claims of Seller against third parties relating to the Assets, whether choate or inchoate, known or unknown, contingent or noncontingent, including all such claims listed on Schedule 2.1(j);

(k) all rights of Seller relating to deposits and prepaid expenses, claims for refunds and rights to offset in respect thereof that are not excluded under Section 2.2(d); and

(l) the property and assets expressly designated on Schedule 2.1(l).

All of the property and assets to be transferred to Buyer hereunder are herein referred to collectively as the "Assets."

Notwithstanding the foregoing, the transfer of the Assets pursuant to this Agreement shall not include the assumption of any Liability related to the Assets unless Buyer expressly assumes that Liability pursuant to Section 2.4.

2.2 Excluded Assets

All assets of Seller and CoveyLink, other than the Assets, are not part of the sale and purchase contemplated hereunder (collectively, the "*Excluded Assets*"). For avoidance of doubt, the following Excluded Assets shall remain the property of Seller or CoveyLink, as applicable, after the Closing:

(a) all minute books;

(b) all insurance policies and rights thereunder (except to the extent specified in Section 2.1(i) and (j));

(c) all personnel Records and other Records that Seller is required by law to retain in its possession;

(d) all claims for refund of Taxes and other governmental charges of whatever nature;

(e) all rights in connection with and assets of the Employee Plans;

(f) all rights of Seller under this Agreement and the Assignment and Assumption Agreement;

(g) the domain names SpeedofTrust.com and CoveyLink.com;

(h) all intellectual property, including the goodwill associated with trademarks, and the Licensed Intellectual Property; and

(i) the property and assets expressly designated on Schedule 2.2(i).

2.3 Consideration.

(a) Purchase Price. The consideration for the Assets (the "*Purchase Price*") will be (i) $1,000,000 (the "*Down Payment*"), (ii) plus or minus any Working Capital Adjustment Amount pursuant to Section 2.3(c) below, (iii) plus any Earnout Amount, and (iv) the assumption of the Assumed Liabilities.

(b) Closing Payment. In accordance with Section 2.7(b), at the Closing, Buyer shall deliver to Seller the Closing Payment. The "*Closing Payment*" shall be equal to the Down Payment plus or minus the Estimated Working Capital Adjustment Amount. The "*Estimated Working Capital Adjustment Amount*" shall be equal to the difference between the Estimated Working Capital and the Target Working Capital. On the Closing Date, Seller shall provide to Buyer an estimate of Seller's net working capital as of the Closing Date (the "*Estimated Working Capital*"). The "*Target Working Capital*" shall be equal to $300,000. The Closing Payment shall be delivered by Buyer to Seller by wire transfer.

(c) Working Capital Adjustment. The Purchase Price shall be adjusted by the amount (the "*Working Capital Adjustment Amount*") that when added to or subtracted from Seller's net working capital as of the Closing Date will produce the Target Working Capital. As soon as reasonably practicable (and in any event within 60 days after the Closing Date (the "*Determination Period*"), Seller and Buyer shall use their Best Efforts and shall work together in good faith to finalize the determination of Seller's net working capital as of the Closing Date. Promptly following the determination of the Working Capital Adjustment Amount, Seller shall refund to Buyer (in the case of a shortfall) or Buyer shall pay to Seller (in the case of an excess) the difference between the Working Capital Adjustment Amount and the Estimated Working Capital Adjustment Amount. If Seller and Buyer are unable to finalize the Working Capital Adjustment Amount during such 60 day period, then Seller and Buyer shall submit the matter to Tanner LC (the "*Special Accountants*") for resolution. The determination of the Special Accountants shall be binding and conclusive upon the parties. Seller and Buyer shall each bear 50% of the fees and costs of the Special Accountants.

2.4 Liabilities.

(a) Assumed Liabilities. As of the Closing Date, Buyer shall assume and agree to discharge only the following Liabilities of Seller (the "*Assumed Liabilities*"):

(i) any trade account payable reflected on the Interim Balance Sheet (other than a trade account payable to any Related Person of Seller) that remains unpaid at and is not delinquent as of the Closing Date;

(ii) any trade account payable (other than a trade account payable to any Related Person of Seller) incurred by Seller in the Ordinary Course of Business between the date of the Interim Balance Sheet and the Closing Date that remains unpaid at and is not delinquent as of the Closing Date;

(iii) any Liability arising after the Closing Date under the Seller Contracts described on Schedule 2.1(e) (other than any Liability arising under the Seller Contracts described on Schedule 2.4(a)(iii) or arising out of or relating to a Breach that occurred prior to the Closing Date); and

(iv) any Liability of Seller described on Schedule 2.4(a)(iv).

(b) Retained Liabilities. The Retained Liabilities shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by Seller. "*Retained Liabilities*" shall mean every Liability of Seller other than the Assumed Liabilities, including:

(i) any Liability arising out of or relating to products of Seller to the extent manufactured or sold prior to the Closing Date other than to the extent assumed under Section 2.4(a)(iii);

(ii) any Liability under any Contract assumed by Buyer pursuant to Section 2.4(a)(iii) that arises after the Closing Date but that arises out of or relates to any Breach that occurred prior to the Closing Date;

(iii) any Liability for Taxes, including (A) any Taxes arising as a result of Seller's operation of its business or ownership of the Assets prior to the Closing Date, (B) any Taxes that will arise as a result of the sale of the Assets pursuant to this Agreement and (C) any deferred Taxes of any nature;

(iv) any Liability under any Contract not assumed by Buyer under Section 2.4, including any Liability arising out of or relating to Seller's credit facilities or any security interest related thereto;

(v) any Environmental, Health and Safety Liabilities arising out of or relating to the operation of Seller's business or Seller's leasing or operation of real property;

(vi) any Liability under the Employee Plans or relating to payroll, vacation, sick leave, workers' compensation, unemployment benefits, pension benefits, employee stock option or profit-sharing plans, health care plans or benefits or any other employee plans or benefits of any kind for Seller's employees or former employees or both;

(vii) any Liability under any employment, severance, retention or termination agreement with any employee of Seller or any of its Related Persons;

(viii) any Liability arising out of or relating to any employee grievance whether or not the affected employees are hired by Buyer;

(ix) any Liability of Seller to CoveyLink or to any Related Person of Seller or of CoveyLink, except for Liabilities owed to CoveyLink for speaking engagements that have been performed but for which payment has not yet been received;

(x) any Liability to indemnify, reimburse or advance amounts to any officer, director, employee or agent of Seller;

(xi) any Liability to distribute to any of Seller's equityholders or otherwise apply all or any part of the consideration received hereunder;

(xii) any Liability arising out of any Proceeding pending as of the Closing Date;

(xiii) any Liability arising out of any Proceeding commenced after the Closing Date and arising out of or relating to any occurrence or event happening prior to the Closing Date;

(xiv) any Liability arising out of or resulting from Seller's compliance or noncompliance with any Legal Requirement or Order of any Governmental Body;

(xv) any Liability of Seller under this Agreement or any other document executed in connection with the Contemplated Transactions; and

(xvi) any Liability of Seller based upon Seller's acts or omissions occurring after the Closing Date.

2.5 Allocation.

The Purchase Price and those Assumed Liabilities, costs and other items included in "consideration" for purposes of Code Section 1060 (the "*Section 1060 Consideration*") shall be allocated among the Assets in accordance with this Section 2.5 (the "*Allocation*"). The Allocation shall be based on the fair market values of the Assets as of the Closing Date as determined and allocated in accordance with Code Section 1060 and the United States Treasury Regulations thereunder, with the fair market values of the Accounts Receivable and Inventory included in the Assets determined in accordance with GAAP such that tangible assets in these categories are valued at book value as of the Closing Date. As soon as reasonably practicable (and in any event within one hundred twenty (120) days) after the Closing Date, Seller and Buyer shall work together in good faith to finalize the Allocation to reflect the final determinations of the fair market values of assets as of the Closing Date and any changes to the Section 1060 Consideration, and the Allocation as so finalized shall become the "*Final Allocation*", which shall be final and binding upon all the parties. If Seller and Buyer are unable to finalize the Allocation during such one hundred twenty (120) day period, then Seller and Buyer shall submit only those disputed items that have not been resolved to an independent accountant mutually chosen by Seller and Buyer for determination, *provided*, *however*, that the basis for dispute shall not include any objection to the methodology used to determine the fair market value of the Accounts Receivable and Inventory. The independent accountant's determination as to each item of dispute shall be binding on the parties, and the Allocation shall

be amended in accordance with the independent accountants' determination (as to the disputed items) and the agreement of Seller and Buyer (as to the items that are not disputed) and shall become the Final Allocation. If any adjustment is subsequently made to the Section 1060 Consideration pursuant to the terms of this Agreement, Buyer and Seller shall agree to an amended Allocation in accordance with the above procedures, and such amended allocation (the "*Amended Allocation*") shall replace the Final Allocation. Within fifteen (15) days after the Allocation has been determined in accordance with this Section 2.5, Buyer shall cause to be prepared and delivered to Seller IRS Forms 8594 and any required exhibits thereto, and any similar forms required under applicable state, local or foreign Legal Requirement governing Taxes, which shall conform to the Final Allocation, and Seller and Buyer shall each timely file: (a) the applicable Form(s) 8594 with the IRS in accordance with the requirements of Code Section 1060; and (b) such other forms with the applicable Governmental Body in accordance with the requirements of the applicable Legal Requirement. Any subsequent adjustment to the Section 1060 Consideration reflected in an Amended Allocation shall be reflected in one or more amended Forms 8594 and applicable state, local or foreign Tax forms that Buyer shall cause to be prepared and delivered to Seller within fifteen (15) days after determination of an Amended Allocation. Seller and Buyer shall, and shall cause their respective Affiliates to, each report, act, and file Tax Returns in all respects and for all purposes (including for purposes of Code Section 704(c)) consistent with the Final Allocation (or Amended Allocation, as applicable). The parties agree that they will not take, nor will they permit any of their respective Affiliates to take, for Tax purposes, any position (whether in audits, Tax Returns or otherwise) that is inconsistent with such allocations unless required to do so by applicable Legal Requirement.

2.6 Closing.

The purchase and sale provided for in this Agreement (the "*Closing*") will take place at the Salt Lake City offices of Dorsey & Whitney, at 10:00 a.m. Mountain Daylight Time on December 31, 2008, unless Buyer and Seller otherwise agree.

2.7 Closing Obligations.

In addition to any other documents to be delivered under other provisions of this Agreement, at the Closing:

(a) Seller shall deliver to Buyer:

(i) a bill of sale for all of the Assets that are Tangible Personal Property in the form of Exhibit 2.7(a)(i) (the "*Bill of Sale*") executed by Seller;

(ii) an assignment of all of the Assets that are intangible personal property (but excluding all intellectual property) in the form of Exhibit 2.7(a)(ii), including Contracts and Real Property Leases, which assignment shall also contain Buyer's undertaking and assumption of the Assumed Liabilities (the "*Assignment and Assumption Agreement*") executed by Seller;

(iii) such other deeds, bills of sale, assignments, certificates of title, documents and other instruments of transfer and conveyance as may reasonably be requested by Buyer, each in form and substance satisfactory to Buyer and its legal counsel and executed by Seller;

(iv) a certificate of a Manager of Seller certifying, as complete and accurate as of the Closing, attached copies of the Governing Documents of Seller, certifying and attaching all requisite resolutions or actions of Seller's board of managers approving the execution and delivery of this Agreement and the consummation of the Contemplated Transactions and certifying to the incumbency and signatures of the Managers of Seller executing this Agreement and any other document relating to the Contemplated Transactions.

(b) Buyer shall execute and deliver to CoveyLink and CoveyLink shall execute and deliver to Buyer (or cause to be executed and delivered to Buyer):

(i) the License Agreement in the form of Exhibit 2.7(b)(i);

(ii) Practice Leader Consulting Agreements in the form of Exhibit 2.7(b)(ii), executed by Stephen M.R. Covey and Greg Link; and

(iii) Speaking Agreements in the form of Exhibit 2.7(b)(iii), executed by Stephen M.R. Covey and Greg Link.

(c) Buyer shall deliver to Seller:

(i) The Closing Payment by wire transfer to an account specified by Seller in a writing delivered to Buyer at least three Business Days prior to the Closing Date;

(ii) the Assignment and Assumption Agreement executed by Buyer;

(iii) a certificate of the Secretary of Buyer certifying, as complete and accurate as of the Closing, attached copies of the Governing Documents of Buyer and certifying and attaching all requisite resolutions or actions of Buyer's board of directors approving the execution and delivery of this Agreement and the consummation of the Contemplated Transactions and certifying to the incumbency and signatures of the officers of Buyer executing this Agreement and any other document relating to the Contemplated Transactions.

2.8 Earnout.

(a) Earnout Payment.

(i) Buyer shall make a payment to Seller (an "*Annual Earnout Payment*") for five successive periods commencing on the first day of Parent's second quarter of a given fiscal year and ending on the last day of Parent's first quarter of the subsequent fiscal year (each an "*Earnout Period*"). The first Earnout Period shall commence on November 30, 2008, the first day of the second quarter for Parent's 2009 fiscal year. The Annual Earnout Payment shall be for an amount equal to (A) three times the Incremental EBITDA (as defined below) of the Practice for such Earnout Period, minus (B) the aggregate amount of any Annual Earnout Payments paid to Seller in all previous Earnout Periods. The Annual Earnout Payment, together with interest thereon at a rate of one and one half percent (1.5%) per month from the end of the third month following the close of

the Earnout Period, will be paid promptly, but in no case more than two weeks, following the issuance of a review by the Company's independent registered public accounts for the quarter ended on November 30 of each year.

(ii) Incremental EBITDA. For purposes of this Agreement, "*Incremental EBITDA*" shall mean the amount by which the EBITDA of the Practice for any Earnout Period exceeds the Baseline EBITDA (as defined below).

(iii) Baseline EBITDA.

(A) Within 60 days following the Closing Date, the parties, acting together in good faith, shall establish the "*Baseline EBITDA*" for the Practice for the 12 months ended on November 29, 2008. The Baseline EBITDA shall be consistent with the sample EBITDA calculation set forth on Exhibit 2.8(a)(ii), and shall include (*I*) a gross margin equal to 62% of gross revenues, (*II*) total sales field costs equal to 33% of gross revenues (which sales field costs shall include variable costs equal to 25% of gross revenues and fixed costs equal to 8% of gross revenues (such amount, the "Fixed Sales Costs")), and (*III*) actual selling, general, and administrative expenses of Seller for the 12 months ended on November 30, 2008; *provided*, *however*, that in no case shall the EBITDA of the Seller for the 12 months ended on November 30, 2008, which is used as a component of the Baseline EBITDA and is calculated in a manner consistent with the sample EBITDA calculation set forth on Exhibit 2.8(a)(ii), be less than $206,000.

(B) If the parties cannot agree to a Baseline EBITDA within the 60 day period, the determination of the Baseline EBITDA shall be submitted to the Special Accountants for determination, whose determination shall be binding and conclusive on the parties. The parties shall equally divide and pay the Special Accountants' fees, costs and expenses.

(b) Computation of EBITDA.

(i) *Manner of Computation*. In general, for purposes of this Agreement, the "*EBITDA*" of the Practice for any Earnout Period shall mean the earnings of the Practice from operations before interest, taxes, depreciation and amortization, including any revenues from FC Derivative Works (as defined in the License Agreement) that the parties agree, after negotiating in good faith on a case-by-case basis for each such FC Derivative Work, to allocate to the EBITDA of the Practice (for the avoidance of doubt, revenues from the programs entitled "Leadership: Great Leaders, Great Teams, Great Results," "Leadership: Great Leaders, Great Teams, Great Results for the Public Sector," "Leadership Foundations," and "Executive Leadership Summit" are *not* included in the EBITDA of the Practice), calculated as if the Practice were being operated as a separate and independent division of the Company. Except as provided in this Section 2.8(b), the EBITDA of the Practice shall be determined in accordance with GAAP and using assumptions consistent with the sample EBITDA calculation as set forth on Exhibit 2.8(a)(ii). For the purposes of determining the EBITDA of the Practice and the Annual Earnout Payment:

(A) EBITDA shall be computed without regard to "extraordinary items" of gain or loss as that term shall be defined in GAAP;

(B) EBITDA shall not include any gains, losses or profits realized from the sale of any assets other than in the Ordinary Course of Business;

(C) EBITDA shall include any revenues, reimbursements and expenses, of whatever kind or nature, related to speaking engagements of the Practice Leaders as provided for in the Speaking Agreements;

(D) No deduction shall be made for any sales field costs, management fees, accounting costs, general overhead expenses, commission costs payable to Buyer's consultants, employees and independent contractors, or other intercompany charges otherwise charged by Parent to the Practice; but, in lieu thereof, EBITDA shall include the following for each Earnout Period: (*I*) variable sales field costs equal to 25% of the gross revenues for such Earnout Period, (*II*) fixed sales field costs equal to the Fixed Sales Costs incorporated into the Baseline EBITDA pursuant to Section 2.8(a)(ii), increased and compounded at the rate of 3% for each subsequent Earnout Period, and (*III*) the direct selling, general, and administrative expenses of the Practice, consistent with the sample EBITDA calculation set forth on Exhibit 2.8(a)(ii), for such Earnout Period, including, upon mutual agreement between Parent and the Practice Leaders, the Practice's share of any such expenses that Parent, or any of its Affiliates, have agreed to bear that would otherwise have been borne directly by the Practice; and

(E) No deduction shall be made with respect to any portion of the Purchase Price for legal or accounting fees and expenses incurred in connection with the calculation of the Annual Earnout Payment, or for the preparation of this Agreement, or for any matter arising out of this Agreement.

(ii) *Time of Determinati* (A) The EBITDA of the Practice and the Annual Earnout Payment shall be determined promptly after the close of each Earnout Period by Buyer. Copies of its report setting forth its computation of the EBITDA of the Practice and the Annual Earnout Payment shall be submitted in writing to Seller and, unless Seller notifies Buyer within forty-five (45) days after receipt of the report that it objects to the computation of the EBITDA of the Practice and the Annual Earnout Payment set forth therein, the report and the Annual Earnout Payment shall be binding and conclusive for the purposes of this Agreement. Seller shall have access to the books and records of the Practice and to Buyer's Accountants' workpapers during regular business hours to audit and to verify the computation of EBITDA of the Practice and the Annual Earnout Payment made by Buyer.

(B) If Seller notifies Buyer in writing within forty-five (45) days after receipt of Buyer's report that it objects to Buyer's computation of EBITDA of the Practice and the Annual Earnout Payment, the Annual Earnout Payment shall be

determined by negotiation between Seller and Buyer. If Seller and Buyer are unable to reach agreement within thirty (30) Business Days after such notification, the determination of the Annual Earnout Payment for the Earnout Period in question shall be submitted to the Special Accountants for determination, whose determination shall be binding and conclusive on the parties. If the Special Accountants determine that the Annual Earnout Payment has been understated by five percent or more, then Buyer shall pay the Special Accountants' fees, costs and expenses. If the Annual Earnout Payment has not been understated or has been understated by less than five percent, then Seller shall pay the Special Accountants' fees, costs and expenses.

2.9 Tax Withholding.

Upon prior written notice to Seller, Buyer shall be entitled to deduct, withhold and payover from any amounts otherwise payable pursuant to this Agreement to Seller such amounts, if any, as it is required to deduct, withhold and payover to any Governmental Body pursuant to the Code or any other Legal Requirement. To the extent that amounts are thus withheld and paid over by Buyer, such amounts shall be treated for all purposes of this Agreement as having been paid to Seller.

III. Representations and Warranties of Seller

Seller represents and warrants to Buyer as of the Closing Date as follows:

3.1 Organization and Good Standing.

(a) Seller is a limited liability company duly organized, validly existing and in good standing under the laws of Utah, with full power and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform all its obligations under the Seller Contracts. Seller is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification.

(b) Complete and accurate copies of the Governing Documents of Seller, as currently in effect, are attached to Schedule 3.1(b).

(c) Seller has no Subsidiary and, except as disclosed on Schedule 3.1(c), does not own any shares of capital stock or other securities of any other Person.

3.2 Enforceability; Authority; No Conflict.

(a) This Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms. Upon the execution and delivery by Seller of each agreement to be executed or delivered by Seller at the Closing (collectively, the "Seller's Closing Documents"), each of Seller's Closing Documents will constitute the legal, valid and binding obligation of Seller, enforceable against Seller. Seller has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and Seller's Closing Documents to which it is a party and to perform its obligations under this Agreement

and the Seller's Closing Documents, and such action has been duly authorized by all necessary action by Seller's members and board of managers.

(b) Except as set forth on Schedule 3.2(b), neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) Breach (A) any provision of any of the Governing Documents of Seller or (B) any resolution adopted by the board of managers or the members of Seller;

(ii) Breach or give any Governmental Body or other Person the right to challenge any of the Contemplated Transactions or to exercise any remedy or obtain any relief under any Legal Requirement or any Order to which Seller or CoveyLink, or any of the Assets, may be subject;

(iii) contravene, conflict with or result in a violation or breach of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by Seller or that otherwise relates to the Assets or to the business of Seller;

(iv) cause Buyer to become subject to, or to become liable for the payment of, any Tax;

(v) Breach any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any Seller Contract;

(vi) result in the imposition or creation of any Encumbrance upon or with respect to any of the Assets; or

(vii) result in any member of the Seller having the right to exercise dissenters' appraisal rights.

(c) Except as set forth on Schedule 3.2(c), neither Seller nor CoveyLink is required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

3.3 Financial Statements.

Seller has delivered to Buyer: (a) an unaudited compiled balance sheet of Seller as at December 31st in each of the fiscal years 2006 and 2007, and the related unaudited compiled statements of income, changes in equityholders' equity and cash flows for each of the fiscal years then ended; and (b) an unaudited compiled balance sheet of Seller as at November 30, 2008 (the "*Interim Balance Sheet*"), and the related unaudited compiled statements of income for the eleven months then ended certified by Seller's Manager. Such financial statements fairly present the financial condition and the results of operations, changes in equityholders' equity and cash flows of Seller as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP. The financial statements referred to in this Section 3.3 reflect the consistent application of such accounting

principles throughout the periods involved, except as disclosed in the notes to such financial statements. The financial statements have been and will be prepared from and are in accordance with the accounting Records of Seller.

3.4 Sufficiency of Assets.

Except as set forth on Schedule 3.4, the Assets, together with the Licensed Intellectual Property, (a) constitute all of the assets, tangible and intangible, of any nature whatsoever, necessary to operate Seller's business in the manner operated by Seller immediately prior to the Closing and (b) include all of the operating assets of Seller.

3.5 Title to Assets; Encumbrances.

(a) As of the Closing, the real property demised by the Leases listed on Schedule 2.1(a) (each a "*Real Property Lease*") constitute all of the real property leased (whether or not occupied and including any Leases assigned or leased premises sublet for which the Company remains liable), used or occupied by the Seller relating exclusively to the Business.

(b) Seller has a valid and existing leasehold interest in the real property listed on Schedule 2.1(a), free and clear of any Encumbrances, other than those Encumbrances described on Schedule 3.5(b) ("*Real Estate Encumbrances*").

(c) Seller owns good and transferable title to all of the other Assets free and clear of any Encumbrances other than those Encumbrances described on Schedule 3.5(c) (the "*Non-Real Estate Encumbrances*" and, together with the Real Estate Encumbrances, "*Permitted Encumbrances*"). Seller warrants to Buyer that, at the time of Closing, all other Assets shall be free and clear of all Non-Real Estate Encumbrances other than those identified on Schedule 3.5(c) as acceptable to Buyer.

(d) Each of Seller's Representatives, members, subsidiaries and Related Persons have transferred or assigned all of their right, title and interest in and to the Assets.

3.6 Condition of Tangible Personal Property.

Each item of Tangible Personal Property is in good repair and good operating condition, ordinary wear and tear excepted, is suitable for immediate use in the Ordinary Course of Business and is free from latent and patent defects. No item of Tangible Personal Property is in need of repair or replacement other than as part of routine maintenance in the Ordinary Course of Business. Except as disclosed on Schedule 3.6, all Tangible Personal Property used in the Business is in the possession of Seller.

3.7 Accounts Receivable.

All Accounts Receivable that are reflected on the Interim Balance Sheet or on the accounting Records of Seller as of the Closing represent or will represent valid obligations arising from sales actually made or services actually performed by Seller in the Ordinary Course of Business. Such Accounts Receivable are or will be as of the Closing current and collectible net of the respective reserves shown on the Interim Balance Sheet or on the accounting Records of Seller as of the Closing (which reserves are adequate and calculated consistent with past practice and, in the case of the reserve on the accounting Records of Seller as of the Closing, will not represent a greater percentage of the Accounts Receivable reflected on the accounting Records of Seller as of the Closing than the reserve reflected on the Interim Balance Sheet represented of the Accounts Receivable reflected thereon and will not represent a material adverse change in the composition of such Accounts Receivable in terms of aging). To

Seller's Knowledge, subject to such reserves, each of such Accounts Receivable either has been or will be collected in full, without any setoff, within 90 days after the day on which it first becomes due and payable. There is no contest, claim, defense or right of setoff, other than returns in the Ordinary Course of Business of Seller, under any Contract with any account debtor of an Account Receivable relating to the amount or validity of such Account Receivable. Schedule 3.7 contains a complete and accurate list of all Accounts Receivable as of the date of the Interim Balance Sheet, which list sets forth the aging of each such Account Receivable.

3.8 Inventories.

All items included in the Inventories consist of a quality and quantity usable and, with respect to finished goods, saleable, in the Ordinary Course of Business of Seller except for obsolete items and items of below-standard quality, all of which have been written off or written down to net realizable value in the Interim Balance Sheet or on the accounting Records of Seller as of the Closing Date, as the case may be. Seller is not in possession of any inventory not owned by Seller, including goods already sold. Inventories now on hand that were purchased after the date of the Interim Balance Sheet were purchased in the Ordinary Course of Business of Seller at a cost not exceeding market prices prevailing at the time of purchase. The quantities of each item of Inventories (whether raw materials, work-in-process or finished goods) are not excessive but are reasonable in the present circumstances of Seller. Work-in-process Inventories are now valued, and will be valued on the Closing Date, according to GAAP.

3.9 No Undisclosed Liabilities.

Except as set forth on Schedule 3.9, Seller has no Liability except for Liabilities reflected or reserved against in the Interim Balance Sheet and current liabilities incurred in the Ordinary Course of Business of Seller since the date of the Interim Balance Sheet.

3.10 Taxes.

(a) Tax Returns Filed and Taxes Paid. Seller has duly and timely filed or caused to be filed, or will have duly and timely filed prior to the Closing Date, all Tax Returns with respect to Taxes that are or were required to be filed by it pursuant to applicable Legal Requirements. All Tax Returns and reports filed by Seller are true, correct and complete. Seller has paid, or made provision for the payment of, all Taxes that have or may have become due for all periods covered by the Tax Returns or otherwise, or pursuant to any assessment received by Seller, except such Taxes, if any, as are listed on Schedule 3.10(a) and are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided in the Interim Balance Sheet. Except as provided on Schedule 3.10(a), Seller currently is not the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made or is expected to be made by any Governmental Body in a jurisdiction where Seller does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. There are no Encumbrances on any of the Assets or the Business that arose in connection with any failure (or alleged failure) to pay any Tax, and Seller has no Knowledge of any basis for assertion of any claims attributable to Taxes which, if adversely determined, would result in any such Encumbrance.

(b) Delivery of Tax Returns and Information Regarding Audits and Potential Audits. Seller has delivered or made available to Buyer copies of, and Schedule 3.10(b) contains a complete and accurate list of, all Tax Returns filed since December 31, 2006. As of the date of this Agreement, no deficiency for any Taxes has been proposed, asserted or assessed against Seller that has not been resolved and paid in full, and there is no Tax Proceeding currently pending or threatened against Seller. To the extent that Seller has been or is subject to any such Tax Proceeding, Schedule 3.10(b) contains a complete and accurate list of all Tax Returns of Seller that have been or are the subject of any such Tax Proceeding and accurately describes any deficiencies or other amounts that were paid or are currently being contested. Seller has delivered, or made available to Buyer, copies of any examination, reports, statements or deficiencies or similar items with respect to any such Tax Proceedings. Schedule 3.10(b) contains a list of all Tax Returns for which the applicable statute of limitations has not run. Except as described on Schedule 3.10(b), Seller has not given or been requested to give waivers or extensions (or is or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes of Seller or for which Seller may be liable.

(c) Proper Accrual. The charges, accruals and reserves with respect to Taxes on the Interim Balance Sheet or other Records of Seller are adequate (determined in accordance with GAAP) and are at least equal to Seller's liability for Taxes.

(d) Specific Potential Tax Liabilities and Tax Situations.

(i) Withholding. All Taxes that Seller is or was required by Legal Requirements to withhold, deduct or collect have been duly withheld, deducted and collected and, to the extent required, have been paid to the proper Governmental Body or other Person.

(ii) Tax Sharing or Similar Agreements. There is no tax sharing agreement, tax allocation agreement, tax indemnity obligation or similar written or unwritten agreement, arrangement, understanding or practice with respect to Taxes (including any advance pricing agreement, closing agreement or other arrangement relating to Taxes) that will require any payment by Seller.

(iii) Entity Status. At all times since its formation, Seller has been and until immediately prior to the Closing Date will continue to be properly treated as a partnership for United States federal income Tax purposes, and for the income Tax purposes of any state where Seller conducts any amount of business.

(iv) Successor Liability. Seller has no liability for Taxes of any person (other than Seller) under any federal, state, local or foreign law, as a transferee or successor by contract or otherwise.

(v) Substantial Understatement Penalty. Seller has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662.

(e) Certain Transactions. Seller has not engaged in any "listed transaction" or "reportable transaction" within the meaning of United States Treasury Regulation Section 1.6011-4.

3.11 No Material Adverse Change.

Since the date of the Interim Balance Sheet, there has not been any material adverse change in the business, operations, prospects, assets, results of operations or condition (financial or other) of Seller, and no event has occurred or circumstance exists that may result in such a material adverse change.

3.12 Employees.

(a) Except as disclosed on Schedule 3.12(a), Seller has not experienced and, to the Knowledge of Seller, there has not been threatened, any strike, work stoppage, slowdown, lockout, picketing, leafleting, boycott, other labor dispute, union organization attempt, demand for recognition from a labor organization or petition for representation under the National Labor Relations Act or applicable state or other Legal Requirement related to employees of Seller. Except as disclosed in Schedule 3.12(a), no Proceeding is pending or, to the Knowledge of Seller, threatened respecting or involving any applicant for employment, any current employee or any former employee, or any class of the foregoing of Seller. There are no workers' compensation claims pending against the Seller, nor is the Seller aware of any facts, illnesses or injuries that will or reasonably could give rise to such claims. Except as disclosed on Schedule 3.12(a), none of Seller's employees are on leave of absence or are otherwise not actively at work for any reason.

(b) No employee of Seller is covered by any collective bargaining agreement, and no collective bargaining agreement is being negotiated. The employment relationship between the Seller and each of the individuals employed by the Seller is "employment at will." The Seller has delivered to Buyer true and correct copies of all existing employee handbooks, summary plan descriptions, policy manuals and/or written policies applicable to Seller's employees.

(c) Seller has paid in full to all employees all wages, salaries, bonuses and commissions due and payable to such employees and has fully reserved in its Records all amounts for wages, salaries, bonuses and commissions due but not yet payable to such employees. No director, officer or individual employed by the Seller is a party to any employment or other agreement that entitles him or her to compensation or other consideration upon the acquisition.

(d) Except for layoffs in the Ordinary Course of Business, and other layoffs or reductions noted in Schedule 3.12(d), there has been no lay-off of employees of Seller or work reduction program undertaken by or on behalf of Seller in the past two years, and no such program has been adopted by Seller or publicly announced. The Seller has not given notice of termination to or received notice of resignation from any employee having total annual compensation of more than $50,000.

(e) Each employee of the Seller, hired since its date of organization (February 26, 2006), and employed in the United States, has completed and the Seller has retained an Immigration and Naturalization Service Form I-9 in accordance with applicable rules and

regulation. No employee of Seller is (a) a non-immigrant employee whose status would terminate or otherwise be affected by the business transaction consummated by this Agreement, or (b) an alien who is authorized to work in the United States in non-immigration status.

3.13 Employee Benefits.

(a) Schedule 3.13(a) lists all Employee Plans by name and provides a brief description identifying (i) the type of Employee Plan, (ii) the funding arrangements for the Employee Plan, (iii) the sponsorship of the Employee Plan, (iv) the participating employers in the Employee Plan and (v) any one or more of the following characteristics that may apply to such Employee Plan: (A) defined contribution plan as defined in Section 3(34) of ERISA or Section 414(i) of the Code, (B) defined benefit plan as defined in Section 3(35) of ERISA or Section 414(j) of the Code, (C) plan that is or is intended to be tax qualified under Section 401(a) or 403(a) of the Code, (D) plan that is or is intended to be an employee stock ownership plan as defined in Section 4975(e)(7) of the Code (and whether or not such plan has entered into an exempt loan), (E) nonqualified deferred compensation arrangement, (F) employee welfare benefit plan as defined in Section 3(1) of ERISA, (G) multiemployer plan as defined in Section 3(37) of ERISA or Section 414(f) of the Code, (H) multiple employer plan maintained by more than one employer as defined in Section 413(c) of the Code, (I) plan providing benefits after separation from service or termination of employment, (J) plan that owns any Seller or other employer securities as an investment, (K) plan that provides benefits (or provides increased benefits or vesting) as a result of a change in control of Seller, (L) plan that is maintained pursuant to collective bargaining and (M) plan that is funded, in whole or in part, through a voluntary employees' beneficiary association exempt from Tax under Section 501(c)(9) of the Code.

(b) Except as listed on Schedule 3.13(b), neither Seller nor any ERISA Affiliate has ever maintained or contributed to any pension plan that is subject to Title IV of ERISA or Section 412 of the Code. Except as listed on Schedule 3.13(b), neither Seller nor any ERISA Affiliate sponsors an Employee Plan that promises or provides health, life or other welfare benefits to retirees or former employees of Seller and/or its ERISA Affiliates, or which provide severance benefits to Employees, except as otherwise required by Section 4980B of the Code or comparable state statute which provides for continuing health care coverage. None of the Assets is subject to any lien under Section 412(n) of the Code or Section 4068 of ERISA. Seller has no unsatisfied liabilities, or is reasonably expected to incur any liabilities, that could become a liability of Buyer with respect to any Employee Plan, and, with respect to each such Employee Plan, full payment has been made of all amounts that Seller is required, under the terms of each such Employee Plan, to have paid as contributions to that Employee Plan. Each Employee Plan to which Seller contributes on behalf of its employees that is intended to be a tax qualified Employee Plan under Section 401(a) of the Code is in fact so qualified and the Employee Plan provider has received a determination letter from the IRS as to the tax qualified status of the prototype documents upon which the Employee Plan is based. Each Employee Plan is in material compliance with ERISA, the Code and the terms of such Employee Plan as to both form and operation.

(c) Schedule 3.13(c) lists each employee of Seller who is (i) absent from active employment due to short or long term disability, (ii) absent from active employment on a leave

pursuant to the Family and Medical Leave Act or a comparable Legal Requirement, (iii) absent from active employment or any other leave or approved absence (together with the reason for each leave or absence) or (iv) absent from active employment due to military service (under conditions that give the employee rights to re-employment).

(d) Except as disclosed in Schedule 3.13(d), full payment has been made of all amounts that are required under the terms of each Employee Plan to be paid as contributions with respect to all periods prior to and including the last day of the most recent fiscal year of such Employee Plan ended on or before the date of this Agreement and all periods thereafter prior to the Closing Date, and no accumulated funding deficiency or liquidity shortfall (as those terms are defined in Section 302 of ERISA and Section 412 of the Code) has been incurred with respect to any such Employee Plan, whether or not waived. The value of the assets of each Employee Plan exceeds the amount of all benefit liabilities (determined on a plan termination basis using the actuarial assumptions established by the PBGC as of the Closing Date) of such Employee Plan. Seller is not required to provide security to an Employee Plan under Section 401(a)(29) of the Code. The funded status of each Employee Plan that is a Defined Benefit Plan is disclosed on Schedule 3.13(d) in a manner consistent with the Statement of Financial Accounting Standards No. 87. Seller has paid in full all required insurance premiums, subject only to normal retrospective adjustments in the ordinary course, with regard to the Employee Plans for all policy years or other applicable policy periods ending on or before the Closing Date.

3.14 Compliance with Legal Requirements; Governmental Authorizations.

(a) Except as set forth on Schedule 3.14(a):

(i) Seller is, and at all times since January 1, 2006, has been, in full compliance with each Legal Requirement that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets;

(ii) no event has occurred or circumstance exists that (with or without notice or lapse of time) (A) may constitute or result in a violation by Seller of, or a failure on the part of Seller to comply with, any Legal Requirement or (B) may give rise to any obligation on the part of Seller to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; and

(iii) Seller has not received, at any time since January 1, 2006, any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible or potential violation of, or failure to comply with, any Legal Requirement or (B) any actual, alleged, possible or potential obligation on the part of Seller to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(b) Schedule 2.1(f) contains a complete and accurate list of each Governmental Authorization that is held by Seller or that otherwise relates to Seller's business or the Assets. Each Governmental Authorization listed or required to be listed on Schedule 2.1(f) is valid and in full force and effect. Except as set forth on Schedule 2.1(f):

(i) Seller is, and at all times since January 1, 2006, has been, in full compliance with all of the terms and requirements of each Governmental Authorization identified or required to be identified on Schedule 2.1(f);

(ii) no event has occurred or circumstance exists that may (with or without notice or lapse of time) (A) constitute or result directly or indirectly in a violation of or a failure to comply with any term or requirement of any Governmental Authorization listed or required to be listed on Schedule 2.1(f) or (B) result directly or indirectly in the revocation, withdrawal, suspension, cancellation or termination of, or any modification to, any Governmental Authorization listed or required to be listed on Schedule 2.1(f);

(iii) Seller has not received, at any time since January 1, 2006, any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible or potential violation of or failure to comply with any term or requirement of any Governmental Authorization or (B) any actual, proposed, possible or potential revocation, withdrawal, suspension, cancellation, termination of or modification to any Governmental Authorization; and

(iv) all applications required to have been filed for the renewal of the Governmental Authorizations listed or required to be listed on Schedule 2.1(f) have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies.

The Governmental Authorizations listed on Schedule 2.1(f) collectively constitute all of the Governmental Authorizations necessary to permit Seller to lawfully conduct and operate its business in the manner in which it currently conducts and operates such business and to permit Seller to own and use its assets in the manner in which it currently owns and uses such assets.

3.15 Legal Proceedings; Orders.

(a) Except as set forth on Schedule 3.15(a), there is no pending or, to Seller's Knowledge, threatened Proceeding:

(i) by or against Seller or that otherwise relates to or may affect the business of, or any of the assets owned or used by, Seller; or

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions.

To the Knowledge of Seller, no event has occurred or circumstance exists that is reasonably likely to give rise to or serve as a basis for the commencement of any such Proceeding. Seller has delivered to Buyer copies of all pleadings, correspondence and other documents relating to each Proceeding listed on Schedule 3.15(a). There are no Proceedings listed or required to be listed on Schedule 3.15(a) that could have a material adverse effect on the business, operations, assets, condition or prospects of Seller or upon the Assets.

(b) Except as set forth on Schedule 3.15(b):

(i) there is no Order to which Seller, its business or any of the Assets is subject; and

(ii) to the Knowledge of Seller, no officer, director, agent or employee of Seller is subject to any Order that prohibits such officer, director, agent or employee from engaging in or continuing any conduct, activity or practice relating to the business of Seller.

(c) Except as set forth on Schedule 3.15(c):

(i) Seller is, and, at all times since January 1, 2008, has been in compliance with all of the terms and requirements of each Order to which it or any of the Assets is or has been subject;

(ii) no event has occurred or circumstance exists that is reasonably likely to constitute or result in (with or without notice or lapse of time) a violation of or failure to comply with any term or requirement of any Order to which Seller or any of the Assets is subject; and

(iii) Seller has not received, at any time since January 1, 2008, any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding any actual, alleged, possible or potential violation of, or failure to comply with, any term or requirement of any Order to which Seller or any of the Assets is or has been subject.

3.16 Absence of Certain Changes and Events.

Except as set forth on Schedule 3.16, since the date of the Interim Balance Sheet, Seller has conducted its business only in the Ordinary Course of Business and there has not been any:

(a) amendment to the Governing Documents of Seller;

(b) payment (except in the Ordinary Course of Business) or increase by Seller of any bonuses, salaries or other compensation to any equityholder, director, officer or employee or entry into any employment, severance or similar Contract with any director, officer or employee;

(c) adoption of, amendment to or increase in the payments to or benefits under, any Employee Plan;

(d) damage to or destruction or loss of any Asset, whether or not covered by insurance;

(e) entry into, termination of or receipt of notice of termination of (i) any license, distributorship, dealer, sales representative, joint venture, credit or similar Contract to which Seller is a party, or (ii) any Contract or transaction involving a total remaining commitment by Seller of at least $10,000;

(f) sale (other than sales of Inventories in the Ordinary Course of Business), lease or other disposition of any Asset or property of Seller or the creation of any Encumbrance on any Asset;

(g) cancellation or waiver of any claims or rights with a value to Seller in excess of $10,000;

(h) indication by any customer or supplier of an intention to discontinue or change the terms of its relationship with Seller;

(i) change in the Tax or financial accounting methods, principles, practices, elections, or periods from those utilized in the preparation of the most recently filed Tax Returns or the Interim Balance Sheet, except as required by GAAP or a Legal Requirement; or

(j) Contract by Seller to do any of the foregoing.

3.17 Contracts; No Defaults.

(a) Schedule 2.1(e) contains an accurate and complete list, and Seller has delivered to Buyer accurate and complete copies, of:

(i) each Seller Contract that involves performance of services or delivery of goods or materials by Seller of an amount or value in excess of $10,000;

(ii) each Seller Contract that involves performance of services or delivery of goods or materials to Seller of an amount or value in excess of $10,000;

(iii) each Seller Contract that was not entered into in the Ordinary Course of Business and that involves expenditures or receipts of Seller in excess of $10,000;

(iv) each Seller Contract affecting the ownership of, leasing of, title to, use of or any leasehold or other interest in any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than $10,000 and with a term of less than one year);

(v) each Seller Contract with any labor union or other employee representative of a group of employees relating to wages, hours and other conditions of employment;

(vi) each Seller Contract (however named) involving a sharing of profits, losses, costs or liabilities by Seller with any other Person;

(vii) each Seller Contract containing covenants that in any way purport to restrict Seller’s business activity or limit the freedom of Seller to engage in any line of business or to compete with any Person;

(viii) each Seller Contract providing for payments to or by any Person based on sales, purchases or profits, other than direct payments for goods;

(ix) each power of attorney of Seller that is currently effective and outstanding;

(x) each Seller Contract entered into other than in the Ordinary Course of Business that contains or provides for an express undertaking by Seller to be responsible for consequential damages;

(xi) each Seller Contract for capital expenditures in excess of $10,000;

(xii) each Seller Contract not denominated in U.S. dollars;

(xiii) each written warranty, guaranty and/or other similar undertaking with respect to contractual performance extended by Seller other than in the Ordinary Course of Business; and

(xiv) each amendment, supplement and modification (whether oral or written) in respect of any of the foregoing.

Schedule 2.1(e) sets forth reasonably complete details concerning such Contracts, including the parties to the Contracts, the amount of the remaining commitment of Seller under the Contracts and the location of Seller's office where details relating to the Contracts are located.

(b) Except as set forth on Schedule 3.17(b):

(i) each Contract identified or required to be identified on Schedule 2.1(e) and which is to be assigned to or assumed by Buyer under this Agreement is in full force and effect and is valid and enforceable in accordance with its terms;

(ii) each Contract identified or required to be identified on Schedule 2.1(e) and which is being assigned to or assumed by Buyer is assignable by Seller to Buyer without the consent of any other Person; and

(iii) to the Knowledge of Seller, no Contract identified or required to be identified on Schedule 2.1(e) and which is to be assigned to or assumed by Buyer under this Agreement will upon completion or performance thereof have a material adverse affect on the business, assets or condition of Seller or the business to be conducted by Buyer with the Assets.

(c) Except as set forth on Schedule 3.17(c):

(i) Seller is, and at all times since January 1, 2008, has been, in compliance with all applicable terms and requirements of each Seller Contract which is being assumed by Buyer;

(ii) each other Person that has or had any obligation or liability under any Seller Contract which is being assigned to Buyer is, and at all times since January 1, 2008,

has been, in full compliance with all applicable terms and requirements of such Contract;

(iii) no event has occurred or circumstance exists that (with or without notice or lapse of time) may contravene, conflict with or result in a Breach of, or give Seller or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any Seller Contract that is being assigned to or assumed by Buyer;

(iv) no event has occurred or circumstance exists under or by virtue of any Contract that (with or without notice or lapse of time) would cause the creation of any Encumbrance affecting any of the Assets; and

(v) Seller has not given to or received from any other Person, at any time since January 1, 2008, any notice or other communication (whether oral or written) regarding any actual, alleged, possible or potential violation or Breach of, or default under, any Contract which is being assigned to or assumed by Buyer.

(d) There are no renegotiations of, attempts to renegotiate or outstanding rights to renegotiate any material amounts paid or payable to Seller under current or completed Contracts with any Person having the contractual or statutory right to demand or require such renegotiation and no such Person has made written demand for such renegotiation.

(e) Each Contract relating to the sale, design, manufacture or provision of products or services by Seller has been entered into in the Ordinary Course of Business of Seller and has been entered into without the commission of any act alone or in concert with any other Person, or any consideration having been paid or promised, that is or would be in violation of any Legal Requirement.

3.18 Insurance.

(a) Seller has delivered to Buyer:

(i) accurate and complete copies of all policies of insurance (and correspondence relating to coverage thereunder) to which Seller is a party or under which Seller is or has been covered at any time since January 1, 2007, a list of which is included on Schedule 3.18(a);

(ii) accurate and complete copies of all pending applications by Seller for policies of insurance; and

(iii) any statement by the auditor of Seller's financial statements or any consultant or risk management advisor with regard to the adequacy of Seller's coverage or of the reserves for claims.

(b) Schedule 3.18(b) describes:

(i) any self-insurance arrangement by or affecting Seller, including any reserves established thereunder;

(ii) any Contract or arrangement, other than a policy of insurance, for the transfer or sharing of any risk to which Seller is a party or which involves the business of Seller; and

(iii) all obligations of Seller to provide insurance coverage to Third Parties (for example, under leases or service agreements) and identifies the policy under which such coverage is provided.

(c) Schedule 3.18(c) sets forth, by year, for the current policy year and each of the two preceding policy years:

(i) a summary of the loss experience under each policy of insurance;

(ii) a statement describing each claim under a policy of insurance for an amount in excess of $10,000, which sets forth:

(A) the name of the claimant;

(B) a description of the policy by insurer, type of insurance and period of coverage; and

(C) the amount and a brief description of the claim; and

(iii) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Schedule 3.18(d):

(i) all policies of insurance to which Seller is a party or that provide coverage to Seller:

(A) are valid, outstanding and enforceable;

(B) are issued by an insurer that is financially sound and reputable;

(C) taken together, provide adequate insurance coverage for the Assets and the operations of Seller for all risks to which Seller is normally exposed; and

(D) are sufficient for compliance with all Legal Requirements and Seller Contracts;

(ii) Seller has not received (A) any refusal of coverage or any notice that a defense will be afforded with reservation of rights or (B) any notice of cancellation or any other indication that any policy of insurance is no longer in full force or effect or that the issuer of any policy of insurance is not willing or able to perform its obligations thereunder;

(iii) Seller has paid all premiums due, and has otherwise performed all of its obligations, under each policy of insurance to which it is a party or that provides coverage to Seller; and

(iv) Seller has given notice to the insurer of all claims that may be insured thereby.

3.19 Environmental Matters.

To Seller's Knowledge, Seller is and has at all times been in material compliance with all Environmental Laws. There are no claims, Encumbrances or other restrictions of any nature resulting from any Environmental, Health and Safety Liabilities or arising under or pursuant to any Environmental Law with respect to or affecting any Facility or any other property or asset (whether real, personal or mixed) in which Seller has or had an interest that are pending or, to the Knowledge of Seller, threatened against Seller. To the Knowledge of Seller, there are no past or present actions, activities, circumstances, conditions, events or incidents that could reasonably form the basis of any Environmental, Health and Safety Liability of Seller. Seller has delivered to Buyer all reports, authorizations, disclosures and other documents of which they are aware relating in any way to the status of any property demised by the Leases or otherwise relating to Seller with respect to any Environmental Law.

3.20 Brokers or Finders.

Neither Seller nor any of its Representatives have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payments in connection with the sale of Seller's business or the Assets or the Contemplated Transactions.

3.21 Solvency.

(a) Seller is not now insolvent and will not be rendered insolvent by any of the Contemplated Transactions. As used in this section, "insolvent" means that the sum of the debts and other probable Liabilities of Seller exceeds the present fair saleable value of Seller's assets.

(b) Immediately after giving effect to the consummation of the Contemplated Transactions: (i) Seller will be able to pay its Liabilities as they become due in the usual course of its business; (ii) Seller will not have unreasonably small capital with which to conduct its present or proposed business; (iii) Seller will have assets (calculated at fair market value) that exceed its Liabilities; and (iv) taking into account all pending and threatened litigation, final judgments against Seller in actions for money damages are not reasonably anticipated to be rendered at a time when, or in amounts such that, Seller will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum probable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered) as well as all other obligations of Seller. The cash available to Seller, after taking into account all other anticipated uses of the cash, will be sufficient to pay all such debts and judgments promptly in accordance with their terms.

3.22 Disclosure.

(a) No disclosure, representation or warranty or other statement made by Seller in this Agreement, any Schedule, the certificates delivered pursuant to Section 2.7(a) or otherwise in

connection with the Contemplated Transactions contains any untrue statement or omits to state a material fact necessary to make any of them, in light of the circumstances in which it was made, not misleading.

(b) Seller does not have Knowledge of any fact that has specific application to Seller (other than general economic or industry conditions) and that may materially adversely affect the assets, business, prospects, financial condition or results of operations of Seller that has not been set forth in this Agreement or one of the Schedules.

IV. Representations and Warranties of CoveyLink

CoveyLink represents and warrants to Seller as of the Closing Date as follows:

4.1 Organization and Good Standing.

(a) CoveyLink is a limited liability company duly organized, validly existing and in good standing under the laws of Utah, with full power and authority to conduct its business as it is now being conducted and to own or use the properties and assets that it purports to own or use. CoveyLink is duly qualified to do business as a foreign corporation and is in good standing under the laws of each state or other jurisdiction in which either the ownership or use of the properties owned or used by it, or the nature of the activities conducted by it, requires such qualification.

(b) Complete and accurate copies of the Governing Documents of CoveyLink, as currently in effect, are attached to Schedule 4.1(b).

(c) CoveyLink has no Subsidiary and, except as disclosed on Schedule 3.1(c), does not own any shares of capital stock or other securities of any other Person.

4.2 Enforceability; Authority; No Conflict.

(a) This Agreement constitutes the legal, valid and binding obligation of CoveyLink, enforceable against CoveyLink in accordance with its terms. Upon the execution and delivery by CoveyLink of each agreement to be executed or delivered by CoveyLink at the Closing (collectively, the "CoveyLink's Closing Documents"), each of CoveyLink's Closing Documents will constitute the legal, valid and binding obligation of CoveyLink, enforceable against CoveyLink. CoveyLink has the absolute and unrestricted right, power and authority to execute and deliver this Agreement and CoveyLink's Closing Documents to which it is a party and to perform its obligations under this Agreement and CoveyLink's Closing Documents, and such action has been duly authorized by all necessary action by CoveyLink's members and board of managers.

(b) Except as set forth on Schedule 4.2(b), neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) Breach (A) any provision of any of the Governing Documents of CoveyLink or (B) any resolution adopted by the board of managers or the members of CoveyLink;

(ii) Breach or give any Governmental Body or other Person the right to challenge any of the Contemplated Transactions or to exercise any remedy or obtain any relief under any Legal Requirement or any Order to which CoveyLink, or any of the Assets, may be subject;

(iii) contravene, conflict with or result in a violation or breach of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by CoveyLink or that otherwise relates to the Assets or to the business of CoveyLink;

(iv) cause Buyer to become subject to, or to become liable for the payment of, any Tax;

(v) Breach any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any CoveyLink Contract; or

(vi) result in the imposition or creation of any Encumbrance upon or with respect to any of the Assets.

Except as set forth on Schedule 4.2(b), CoveyLink is not required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions

V. epresentations and Warranties of Buyer and Parent

Buyer and Parent jointly and severally represent and warrant to Seller and CoveyLink as of the Closing Date as follows:

5.1 Organization and Good Standing.

Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah, with full corporate power and authority to conduct its business as it is now conducted. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah, with full corporate power and authority to conduct its business as it is now conducted.

5.2 Authority; No Conflict.

(a) This Agreement constitutes the legal, valid and binding obligation of both Buyer and Parent, enforceable against Buyer and Parent in accordance with its terms. Upon the execution and delivery by Buyer or Parent, as applicable, of the Assignment and Assumption Agreement, the Consulting Agreements, the Speaking Agreements and each other agreement to be executed or delivered by Buyer or Parent at Closing (collectively, the "*FranklinCovey Closing Documents*"), each of the FranklinCovey Closing Documents will constitute the legal, valid and binding obligation of Buyer and Parent, as applicable, enforceable against Buyer or Parent, as applicable, in accordance with its respective terms. Buyer and Parent each have the absolute and unrestricted right, power and authority to execute and deliver this Agreement and the

FranklinCovey Closing Documents and to perform their obligations under this Agreement and the FranklinCovey Closing Documents, and such actions have been duly authorized by all necessary corporate action by each of Buyer and Parent.

(b) Neither the execution and delivery of this Agreement by Buyer or Parent, nor the consummation or performance of any of the Contemplated Transactions by Buyer or Parent, will give any Person the right to prevent, delay or otherwise interfere with any of the Contemplated Transactions pursuant to:

(i) any provision of Buyer's or Parent's Governing Documents;

(ii) any resolution adopted by the board of directors or the equityholders of Buyer and Parent;

(iii) any Legal Requirement or Order to which Buyer or Parent may be subject; or

(iv) any Contract to which either Buyer or Parent is a party or by which either Buyer or Parent may be bound.

Neither Buyer nor Parent is or will be required to obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

5.3 Certain Proceedings.

There is no pending Proceeding that has been commenced against Buyer or Parent and that challenges, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Contemplated Transactions. To Buyer's or Parent's Knowledge, no such Proceeding has been threatened.

5.4 Brokers or Finders.

Neither Buyer, Parent nor any of its Representatives have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with the Contemplated Transactions.

VI. Additional Covenants

6.1 Employees and Employee Benefits.

(a) Information on Active Employees. For the purpose of this Agreement, the term "Active Employees" shall mean all employees employed on the Closing Date by Seller for its business who are employed exclusively in Seller's business as currently conducted, including employees on temporary leave of absence, including family medical leave, military leave, temporary disability or sick leave, but excluding employees on long-term disability leave.

(b) Employment of Active Employees by Buyer.

(i) Buyer has provided Seller with a list of Seller's employees to whom Buyer has made an offer of employment that has been accepted to be effective on the Closing

Date (the "*Hired Active Employees*"). Effective immediately before the Closing, Seller agrees that the employment of all of its Hired Active Employees is terminated.

(ii) Neither Seller nor its Related Persons shall solicit the continued employment of any Hired Active Employee after the Closing.

(iii) Buyer shall offer employment to the Hired Active Employees to work in the Practice.

(c) Salaries and Benefits.

(i) Seller shall be responsible for (A) the payment of all wages and other remuneration due to Active Employees with respect to their services as employees of Seller through the close of business on the Closing Date, including pro rata bonus payments and all vacation pay earned prior to the Closing Date; (B) the payment of any termination or severance payments and the provision of health plan continuation coverage in accordance with the requirements of COBRA and Sections 601 through 608 of ERISA; and (C) any and all payments to employees required under the Worker Adjustment and Retraining Notification Act (the "*WARN Act*") or any similar state or local Legal Requirement. Any liability incurred as a result of the forgoing shall be solely the Seller's obligation and the Seller agrees to fully indemnify the Buyer on any such claims, complaints or disputes.

(ii) Seller shall be liable for any claims made or incurred by Active Employees and their beneficiaries through the Closing Date under the Employee Plans. For purposes of the immediately preceding sentence, a charge will be deemed incurred, in the case of hospital, medical or dental benefits, when the services that are the subject of the charge are performed and, in the case of other benefits (such as disability or life insurance), when an event has occurred or when a condition has been diagnosed that entitles the employee to the benefit.

(d) Seller's Retirement and Savings Plans.

All Hired Active Employees who are participants in Seller's retirement plans shall retain their accrued benefits under Seller's retirement plans as of the Closing Date, and Seller (or Seller's retirement plans) shall retain sole liability for the payment of such benefits as and when such Hired Active Employees become eligible therefor under such plans. All Hired Active Employees shall become fully vested in their accrued benefits under Seller's retirement plans as of the Closing Date, and Seller will so amend such plans if necessary to achieve this result. Seller shall cause the assets of each Employee Plan to equal or exceed the benefit liabilities of such Employee Plan on a plan-termination basis as of the Closing Date.

(e) General Employee Provisions.

(i) Seller and Buyer shall give any notices required by Legal Requirements and take whatever other actions with respect to the plans, programs and policies described in this Section 6.1 as may be necessary to carry out the arrangements described in this Section 6.1.

(ii) Seller and Buyer shall provide each other with such plan documents and summary plan descriptions, employee data or other information as may be reasonably required to carry out the arrangements described in this Section 6.1.

(iii) If any of the arrangements described in this Section 6.1 are determined by the IRS or other Governmental Body to be prohibited by law, Seller and Buyer shall modify such arrangements to as closely as possible reflect their expressed intent and retain the allocation of economic benefits and burdens to the parties contemplated herein in a manner that is not prohibited by law.

(iv) Seller shall provide Buyer with completed I-9 forms and attachments with respect to all Hired Active Employees, except for such employees as Seller certifies in writing to Buyer are exempt from such requirement.

(v) Buyer shall not have any responsibility, liability or obligation, whether to Active Employees, former employees, their beneficiaries or to any other Person, with respect to any employee benefit plans, practices, programs or arrangements (including the establishment, operation or termination thereof and the notification and provision of COBRA coverage extension) maintained by Seller.

6.2 Payment of Other Retained Liabilities.

Seller shall pay, or make adequate provision for the payment, in full all of the Retained Liabilities and other Liabilities of Seller under this Agreement. If any such Liabilities are not so paid or provided for, or if Buyer reasonably determines that failure to make any payments will impair Buyer's use or enjoyment of the Assets or conduct of the business previously conducted by Seller with the Assets, Buyer may, at any time after the Closing Date, elect to make all such payments directly (but shall have no obligation to do so) and set off and deduct the full amount of all such payments from any Annual Earnout Payment payable to Buyer pursuant to Section 2.8.

6.3 Restrictions on Seller Dissolution and Distributions.

Seller shall not dissolve, or make any distribution of the proceeds received pursuant to this Agreement, until the later of (a) 30 days after the completion of all Purchase Price adjustment procedures contemplated by Section 2.8; (b) Seller's payment, or adequate provision for the payment, of all of its obligations pursuant to Section 6.2; or (c) the lapse of more than five years after the Closing Date.

6.4 Removing Excluded Assets.

On or before the Closing Date, Seller and CoveyLink shall remove all Excluded Assets from all Facilities and other real property to be occupied by Buyer. Such removal shall be done in such manner as to avoid any damage to the Facilities and other properties to be occupied by Buyer and any disruption of the business operations to be conducted by Buyer after the Closing. Any damage to the Assets or to the Facilities resulting from such removal shall be paid by Seller and CoveyLink at the Closing. Should Seller and CoveyLink fail to remove the Excluded Assets as required by this Section, Buyer shall have the right, but not the obligation, (a) to remove the Excluded Assets at Seller's sole cost and expense; (b) to store the Excluded Assets and to charge Seller all storage costs associated therewith; (c) to treat the Excluded Assets as unclaimed and to proceed to dispose of the same under the laws governing unclaimed property; or (d) to exercise any other right or remedy conferred by this Agreement or otherwise available at law or in equity. Seller and

CoveyLink shall promptly reimburse Buyer for all costs and expenses incurred by Buyer in connection with any Excluded Assets not removed by Seller or CoveyLink on or before the Closing Date.

6.5 Reports and Returns.

Seller and CoveyLink shall have sole responsibility for all filings with a Governmental Body relating to any bulk sale notification, application for tax clearance certificate or other similar filing in connection with the transfer of the Assets to Buyer, whether such filings are due prior to, on or after the Closing Date, in compliance with applicable Legal Requirements. After the Closing, Seller and CoveyLink shall duly and timely prepare and file all Tax Returns or other reports required by Legal Requirements relating to the Business as conducted using the Assets up to and including the Closing Date.

6.6 Assistance in Proceedings.

Seller and CoveyLink will cooperate with Buyer and its counsel in the contest or defense of, and make available its personnel and provide any testimony and access to its books and Records in connection with, any Proceeding involving or relating to (a) any Contemplated Transaction or (b) any action, activity, circumstance, condition, conduct, event, fact, failure to act, incident, occurrence, plan, practice, situation, status or transaction on or before the Closing Date involving Seller, CoveyLink or the Business.

6.7 Modification of International Licensee Agreements.

Buyer will use commercially reasonable efforts to renegotiate, within six months following the Closing and on terms reasonably acceptable to Seller, Buyer's license and distribution agreements (collectively, the "*International Licenses*") with its international licensees and distributors (collectively, the "*International Licensees*") to allow the Practice Leaders to promote the growth of the Practice in the geographical territories that are the subject of such International Licenses. If Buyer is unable to renegotiate any International Licenses on terms reasonably acceptable to Seller within six months following the Closing, Buyer will (a) promptly return, at no cost to Seller, all of the Assets related to the Business conducted in the geographical territory that is the subject of such International Licenses, and (b) immediately forfeit any exclusive rights Buyer may have, pursuant to the License Agreement or otherwise, to use, develop, commercialize, sell or distribute training programs or other products related to *The SPEED of Trust* in the geographical territory that is the subject of such International Licenses that are not renegotiated.

6.8 Noncompetition, Nonsolicitation and Nondisparagement.

(a) Noncompetition. For a period of 5 years after the Closing Date, except as provided in Section 6.7, Seller and CoveyLink shall not, anywhere in the world, directly or indirectly invest in, own, manage, operate, finance, control, advise, render services to or guarantee the obligations of any Person engaged in or planning to become engaged in a competing Business ("*Competing Business*"), *provided*, *however*, that, subject to the obligations of Stephen M. R. Covey and Greg Link under the Consulting Agreements, CoveyLink may continue to consult with Human Performance Institute on matters unrelated to The SPEED of Trust and Seller and CoveyLink may purchase or otherwise acquire up to (but not more than) one percent of any class of the securities of any Person (but may not otherwise participate in the activities of such Person) if such securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Exchange Act. Notwithstanding the foregoing provisions, the obligations of Seller and CoveyLink under this Section 5.8 shall

terminate upon the occurrence of a Buyer Material Breach that is not cured within the number of days specified below, after Seller or CoveyLink provides written notice to Buyer of the alleged Buyer Material Breach. A "Buyer Material Breach" means a breach of any of Buyer's payment obligations in this Agreement (and such breach is not cured within thirty (30) days); provided, however, that Buyer's failure to make any payment that is the subject of a good-faith, bona fide dispute shall not be a Buyer Material Breach.

(b) Nonsolicitation. For a period of 5 years after the Closing Date, Seller and CoveyLink shall not, directly or indirectly:

(i) solicit the business of any Person who is a customer of Buyer;

(ii) cause, induce or attempt to cause or induce any customer, supplier, licensee, licensor, franchisee, employee, consultant or other business relation of Buyer to cease doing business with Buyer, to deal with any competitor of Buyer or in any way interfere with its relationship with Buyer;

(iii) cause, induce or attempt to cause or induce any customer, supplier, licensee, licensor, franchisee, employee, consultant or other business relation of Seller or CoveyLink on the Closing Date or within the year preceding the Closing Date to cease doing business with Buyer, to deal with any competitor of Buyer or in any way interfere with its relationship with Buyer; or

(iv) hire, retain or attempt to hire or retain any employee or independent contractor of Buyer or in any way interfere with the relationship between Buyer and any of its employees or independent contractors.

(c) Nondisparagement. After the Closing Date, Seller and CoveyLink will not disparage Buyer or any of Buyer's shareholders, directors, officers, employees or agents.

(d) Modification of Covenant. If a final judgment of a court or tribunal of competent jurisdiction determines that any term or provision contained in Section 5.8(a) through (c) is invalid or unenforceable, then the parties agree that the court or tribunal will have the power to reduce the scope, duration or geographic area of the term or provision, to delete specific words or phrases or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. This Section 6.8 will be enforceable as so modified after the expiration of the time within which the judgment may be appealed. This Section 6.8 is reasonable and necessary to protect and preserve Buyer's legitimate business interests and the value of the Assets and to prevent any unfair advantage conferred on Seller.

(e) Remedies. If Seller or CoveyLink breaches the covenants set forth in this Section 6.8, Buyer will be entitled to the following remedies:

(i) Damages from Seller or CoveyLink, as applicable; and

(ii) In addition to its right to damages and any other rights it may have, to obtain injunctive or other equitable relief to restrain any breach or threatened breach or

otherwise to specifically enforce the provisions of this Section 6.8, it being agreed that money damages alone would be inadequate to compensate the Buyer and would be an inadequate remedy for such breach.

6.9 Customer and Other Business Relationships.

After the Closing, Seller will cooperate with Buyer in its efforts to continue and maintain for the benefit of Buyer those business relationships of Seller existing prior to the Closing and relating to the business to be operated by Buyer after the Closing, including relationships with lessors, employees, regulatory authorities, licensors, customers, suppliers and others, and Seller will satisfy the Retained Liabilities in a manner that is not detrimental to any of such relationships. Seller will refer to Buyer all inquiries relating to such business. Neither Seller nor any of its officers, employees, agents or equityholders shall take any action that would tend to diminish the value of the Assets after the Closing or that would interfere with the business of Buyer to be engaged in after the Closing, including disparaging the name or business of Buyer.

6.10 Retention of and Access to Records.

After the Closing Date, Buyer shall retain for a period consistent with Buyer's record-retention policies and practices those Records of Seller delivered to Buyer. Buyer also shall provide Seller and CoveyLink and their Representatives reasonable access thereto, during normal business hours and on at least three days' prior written notice, to enable them to prepare financial statements or Tax Returns, or use in connection with any Tax Proceedings. After the Closing Date, Seller and CoveyLink shall provide Buyer and its Representatives reasonable access to Records that are Excluded Assets, during normal business hours and on at least three days' prior written notice, for any reasonable business purpose specified by Buyer in such notice.

6.11 Further Assurances.

The parties shall cooperate reasonably with each other and with their respective Representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the Contemplated Transactions.

VII. Indemnification; Remedies

7.1 Survival.

All representations, warranties, covenants and obligations in this Agreement, including all of the Schedules, the certificates delivered pursuant to Section 2.7 and any other certificate or document delivered pursuant to this Agreement shall survive the Closing and the consummation of the Contemplated Transactions. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations shall not be affected by any investigation (including any environmental investigation or assessment) conducted with respect to, or any Knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation. The waiver of any condition based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations.

7.2 Indemnification and Reimbursement by Seller and CoveyLink.

Seller and CoveyLink, jointly and severally, will indemnify and hold harmless Buyer, and its Representatives, shareholders, subsidiaries and Related Persons (collectively, the "*Buyer Indemnified Persons*"), and will reimburse the Buyer Indemnified Persons for any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys' fees and expenses) or diminution of value, whether or not involving a Third-Party Claim (collectively, "*Damages*"), arising from or in connection with:

(a) any Breach of any representation or warranty made by Seller or CoveyLink in (i) this Agreement, including the Schedules, (ii) the certificates delivered pursuant to Section 2.7 (iii) any transfer instrument, (iv) the License Agreement, (v) the Consulting Agreements, (vi) the Speaking Agreements, or (vii) any other agreement, certificate, document, writing or instrument delivered by either Seller or CoveyLink pursuant to this Agreement;

(b) any Breach of any covenant or obligation of Seller or CoveyLink in this Agreement or in any other certificate, document, writing or instrument delivered by Seller or CoveyLink pursuant to this Agreement;

(c) any Liability arising out of the ownership or operation of the Assets prior to the Closing Date other than the Assumed Liabilities;

(d) any brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any Person with Seller or CoveyLink (or any Person acting on their behalf) in connection with any of the Contemplated Transactions;

(e) any product or component thereof manufactured by or shipped, or any services provided by, Seller, in whole or in part, prior to the Closing;

(f) any liability under the WARN Act or any similar state or local Legal Requirement that may result from an "Employment Loss", as defined by 29 U.S.C. sect. 2101(a)(6), caused by any action of Seller prior to the Closing or by Buyer's decision not to hire previous employees of Seller;

(g) any Employee Plan established or maintained by Seller; or

(h) any Retained Liabilities.

7.3 Indemnification and Reimbursement by Buyer.

Buyer will indemnify and hold harmless Seller, and will reimburse Seller, for any Damages arising from or in connection with:

(a) any Breach of any representation or warranty made by Buyer in this Agreement or in any certificate, document, writing or instrument delivered by Buyer pursuant to this Agreement;

(b) any Breach of any covenant or obligation of Buyer in this Agreement or in any other certificate, document, writing or instrument delivered by Buyer pursuant to this Agreement;

(c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by such Person with Buyer (or any Person acting on Buyer's behalf) in connection with any of the Contemplated Transactions;

(d) any obligations of Buyer with respect to bargaining with the collective bargaining representatives of Hired Active Employees subsequent to the Closing; or

(e) any Assumed Liabilities.

7.4 Time Limitations.

(a) Seller and CoveyLink will have liability (for indemnification or otherwise) with respect to any Breach of a representation or warranty (other than those in Section 3.10, as to which a claim may be made at any time prior to the applicable statute of limitations), only if on or before the fifth anniversary of the Closing Date the applicable Buyer Indemnified Person notifies Seller or CoveyLink of a claim specifying the factual basis of the claim in reasonable detail to the extent then known by such Buyer Indemnified Person.

(b) Buyer will have liability (for indemnification or otherwise) with respect to any Breach of a representation or warranty, only if on or before the fifth anniversary of the Closing Date Seller notifies Buyer of a claim specifying the factual basis of the claim in reasonable detail to the extent then known by such Seller.

7.5 Setoff.

(a) Right of Setoff. Acting in good faith, and subject to the requirements of this Section 7.5, Buyer may set off any amount to which any Buyer Indemnified Party may be entitled under this Article VII against amounts otherwise payable by Buyer hereunder or under the License Agreement. Neither the exercise of nor the failure to exercise such right of setoff will constitute an election of remedies or limit Buyer in any manner in the enforcement or pursuit of any other remedies that may be available to it. Any set off against an Annual Earnout Payment hereunder or other reduction to the Purchase Price on account of Seller's or CoveyLink's indemnification obligations under this Agreement shall be treated, for Tax purposes, to the extent permitted by law, as an adjustment to the Purchase Price.

(b) Notice of Claims. Promptly after the Buyer makes a good faith determination that any Buyer Indemnified Party is entitled to any amount under this Article VII, Buyer shall deliver to CoveyLink written notice (a "*Notice of Claim*"): specifying in reasonable detail the Damages and the amount that the Buyer or any Buyer Indemnified Party has paid or properly accrued or reasonably anticipates that it will have to pay or accrue relating to such Damages, the date each such amount was paid or properly accrued, or the basis for such anticipated liability, and the nature of the misrepresentations, breaches of warranties or claims to which such Damages are related. CoveyLink shall notify Buyer in writing within 10 days following delivery of the of

the Notice of Claim if CoveyLink objects to any aspect of the claim made in the Notice of Claim (an "*Objection Notice*"). If CoveyLink does not provide an Objection Notice within such 10 day period, Buyer shall be entitled to offset the amount specified in the Notice of Claim as provided in Section 7.5(a).

(c) Resolution of Conflicts. If CoveyLink provides an Objection Notice to Buyer pursuant to Section 7.5(b), the Chief Executive Officer of CoveyLink and the Chief Executive Officer of Parent shall attempt in good faith to agree upon the rights of the respective parties with respect to the claim set forth in the Notice of Claim. If no such agreement can be reached after good faith negotiation for a period of 30 days after CoveyLink delivers its Objection Notice, either Buyer or CoveyLink may demand arbitration of the matter unless the claim is at issue in pending litigation with a third party, in which event arbitration shall not be commenced until either the litigation is resolved or both CoveyLink and Buyer agree to arbitration.

(d) Arbitration.

(i) In the event that a party demands arbitration pursuant to Section 7.5(c), such dispute shall be finally settled by binding arbitration in Salt Lake City, Utah under the Commercial Arbitration Rules of the American Arbitration Association (the "*Rules*") by one arbitrator appointed in accordance with said Rules. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(ii) The arbitrator shall apply the laws of the State of Utah to the merits of the particular dispute, without reference to rules of conflict of law. The arbitration proceedings shall be governed by the Rules, without reference to any state arbitration law.

(iii) Either of the parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this arbitration provision and without any abridgment of the powers of the arbitrator. The arbitrator may, in its discretion, award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees, including, without limitation, administrative fees, arbitrator's fees, attorneys' fees, experts' fees, witnesses' fees, travel expenses, and out-of-pocket expenses (including, without limitation, such expenses as copying, telephone, facsimile, postage, and courier fees); otherwise, the costs of the arbitration, including administrative and arbitrator's fees, shall be borne by the parties to the particular arbitration in proportion their relative success, as determined by the arbitrator, in connection with the resolution of the disputed claims, and each party shall bear the cost of its own attorneys' fees and expert witness fees. The parties agree that, any provision of applicable law notwithstanding, they will not request, and the arbitrator shall have no authority to award, punitive or exemplary damages against any party.

(iv) The decision of the arbitrator as to the validity and amount of any claim in such Notice of Claim shall be binding and conclusive upon the parties. Such decision shall be written and shall be supported by written findings of fact and conclusions which shall set forth the award, judgment, decree or order awarded by the arbitrator(s).

(v) The requirements of this Section 7.5(d) will apply only to disputes raised pursuant to this Section 7.3(e).

7.6 Third-Party Claims.

(a) Promptly after receipt by a Person entitled to indemnity under Section 7.2 or 7.3 (an "*Indemnified Person*") of notice of the assertion of a Third-Party Claim against it, such Indemnified Person shall give notice to the Person obligated to indemnify under such Section (an "*Indemnifying Person*") of the assertion of such Third-Party Claim, provided that the failure to notify the Indemnifying Person will not relieve the Indemnifying Person of any liability that it may have to any Indemnified Person, except to the extent that the Indemnifying Person demonstrates that the defense of such Third-Party Claim is prejudiced by the Indemnified Person's failure to give such notice.

(b) If an Indemnified Person gives notice to the Indemnifying Person pursuant to Section 7.6(a) of the assertion of a Third-Party Claim, the Indemnifying Person shall be entitled to participate in the defense of such Third-Party Claim and, to the extent that it wishes (unless (i) the Indemnifying Person is also a Person against whom the Third-Party Claim is made and the Indemnified Person determines in good faith that joint representation would be inappropriate or (ii) the Indemnifying Person fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend such Third-Party Claim and provide indemnification with respect to such Third-Party Claim), to assume the defense of such Third-Party Claim with counsel satisfactory to the Indemnified Person. After notice from the Indemnifying Person to the Indemnified Person of its election to assume the defense of such Third-Party Claim, the Indemnifying Person shall not, so long as it diligently conducts such defense, be liable to the Indemnified Person under this Article VII for any fees of other counsel or any other expenses with respect to the defense of such Third-Party Claim, in each case subsequently incurred by the Indemnified Person in connection with the defense of such Third-Party Claim, other than reasonable costs of investigation. If the Indemnifying Person assumes the defense of a Third-Party Claim, (i) such assumption will conclusively establish for purposes of this Agreement that the claims made in that Third-Party Claim are within the scope of and subject to indemnification, and (ii) no compromise or settlement of such Third-Party Claims may be effected by the Indemnifying Person without the Indemnified Person's Consent unless (A) there is no finding or admission of any violation of Legal Requirement or any violation of the rights of any Person; (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person; and (C) the Indemnified Person shall have no liability with respect to any compromise or settlement of such Third-Party Claims effected without its Consent. If notice is given to an Indemnifying Person of the assertion of any Third-Party Claim and the Indemnifying Person does not, within 10 days after the Indemnified Person's notice is given, give notice to the Indemnified Person of its election to assume the defense of such Third-Party Claim, the Indemnifying Person will be bound by any determination made in such Third-Party Claim or any compromise or settlement effected by the Indemnified Person.

(c) Notwithstanding the foregoing, if an Indemnified Person determines in good faith that there is a reasonable probability that a Third-Party Claim may adversely affect it or its Related Persons other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Person may, by notice to the

Indemnifying Person, assume the exclusive right to defend, compromise or settle such Third-Party Claim, but the Indemnifying Person will not be bound by any determination of any Third-Party Claim so defended for the purposes of this Agreement or any compromise or settlement effected without its Consent (which may not be unreasonably withheld).

(d) Notwithstanding the provisions of Section 8.4, Seller and CoveyLink hereby consent to the nonexclusive jurisdiction of any court in which a Proceeding in respect of a Third-Party Claim is brought against any Buyer Indemnified Person for purposes of any claim that a Buyer Indemnified Person may have under this Agreement with respect to such Proceeding or the matters alleged therein and agree that process may be served on Seller and CoveyLink with respect to such a claim anywhere in the world.

(e) With respect to any Third-Party Claim subject to indemnification under this Article VII: (i) both the Indemnified Person and the Indemnifying Person, as the case may be, shall keep the other Person fully informed of the status of such Third-Party Claim and any related Proceedings at all stages thereof where such Person is not represented by its own counsel, and (ii) the parties agree (each at its own expense) to render to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any Third-Party Claim.

(f) With respect to any Third-Party Claim subject to indemnification under this Article VII, the parties agree to cooperate in such a manner as to preserve in full (to the extent possible) the confidentiality of all confidential information and the attorney-client and work-product privileges. In connection therewith, each party agrees that: (i) it will use its Best Efforts, in respect of any Third-Party Claim in which it has assumed or participated in the defense, to avoid production of confidential information (consistent with applicable law and rules of procedure), and (ii) all communications between any party hereto and counsel responsible for or participating in the defense of any Third-Party Claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.

7.7 Other Claims.

A claim for indemnification for any matter not involving a Third-Party Claim may be asserted by notice to the party from whom indemnification is sought and shall be paid promptly after such notice.

7.8 Indemnification in Case of Strict Liability or Indemnitee Negligence.

THE INDEMNIFICATION PROVISIONS IN THIS ARTICLE VII SHALL BE ENFORCEABLE REGARDLESS OF WHETHER THE LIABILITY IS BASED UPON PAST, PRESENT OR FUTURE ACTS, CLAIMS OR LEGAL REQUIREMENTS (INCLUDING ANY PAST, PRESENT OR FUTURE BULK SALES LAW, ENVIRONMENTAL LAW, FRAUDULENT TRANSFER ACT, OCCUPATIONAL SAFETY AND HEALTH LAW OR PRODUCTS LIABILITY, SECURITIES OR OTHER LEGAL REQUIREMENT) AND REGARDLESS OF WHETHER ANY PERSON (INCLUDING THE PERSON FROM WHOM INDEMNIFICATION IS SOUGHT) ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF THE PERSON SEEKING INDEMNIFICATION OR THE SOLE OR CONCURRENT STRICT LIABILITY IMPOSED UPON THE PERSON SEEKING INDEMNIFICATION.

VIII. General Provisions

8.1 Expenses.

Except as otherwise provided in this Agreement, each party to this Agreement will bear its respective fees and expenses incurred in connection with the preparation, negotiation, execution and performance of this Agreement and the Contemplated Transactions, including all fees and expense of its Representatives. If this Agreement is terminated, the obligation of each party to pay its own fees and expenses will be subject to any rights of such party arising from a Breach of this Agreement by another party.

8.2 Public Announcements.

Any public announcement, press release or similar publicity with respect to this Agreement or the Contemplated Transactions will be issued, if at all, at such time and in such manner as Seller and Buyer determine by mutual agreement; provided, however, that the Company may make any disclosure announcements that the Company determines, in its sole discretion, that it is required to make pursuant to any Legal Requirement.

8.3 Notices.

All notices, Consents, waivers and other communications required or permitted by this Agreement shall be in writing and shall be deemed given to a party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier service (costs prepaid); (b) sent by facsimile or e-mail with confirmation of transmission by the transmitting equipment; or (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses, facsimile numbers or e-mail addresses and marked to the attention of the person (by name or title) designated below (or to such other address, facsimile number, e-mail address or person as a party may designate by notice to the other parties):

Seller:

CoveyLink Worldwide LLC
175 West Canyon Crest Road, Suite 100
Alpine, UT 84004
Attention: Greg Link
Fax no.: (801) 880-7744
E-mail address: link@coveylink.com
with a copy to:

Stephen M.R. Covey
175 West Canyon Crest Road, Suite 100
Alpine, UT 84004
E-mail address: covey@coveylink.com

Hill Johnson & Schmutz, LC
4844 North 300 West, Suite 300
Provo, UT 84604
Attention: Richard L. Hill
Fax no.: (801) 375-3865
E-mail address: rhill@hjslaw.com

CoveyLink:
175 West Canyon Crest Road, Suite 100
Alpine, UT 84004
Attention: Greg Link
Fax no.: (801) 880-7744
E-mail address: link@coveylink.com

with a copy to:

Stephen M.R. Covey
175 West Canyon Crest Road, Suite 100
Alpine, UT 84004
E-mail address: covey@coveylink.com

Hill Johnson & Schmutz, LC
4844 North 300 West, Suite 300
Provo, UT 84604
Attention: Richard L. Hill
Fax no.: (801) 375-3865
E-mail address: rhill@hjslaw.com
Buyer or Parent:
Franklin Covey Co.
2200 West Parkway Blvd.
Salt Lake City, UT 84119
Attention: Robert A. Whitman
Fax no.: (801) 817-8069
E-mail address: bob.whitman@franklincovey.com
with a copy to:

Dorsey & Whitney, LLP
136 S. Main Street, Suite 1000
Salt Lake City, UT 84101
Attention: Nolan S. Taylor, Esq.
Fax no.: (801) 933-7373
E-mail address: taylor.nolan@dorsey.com

8.4 **Jurisdiction; Service of Process.**

Each of the parties submits to the exclusive jurisdiction and venue of any state or federal court sitting in Salt Lake City, Utah, in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each party also agrees

not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other party with respect to any such action or proceeding.

8.5 Enforcement of Agreement.

Seller and CoveyLink acknowledge and agree that Buyer would be irreparably damaged if any of the provisions of this Agreement are not performed in accordance with their specific terms and that any Breach of this Agreement by Seller or CoveyLink could not be adequately compensated in all cases by monetary damages alone. Accordingly, in addition to any other right or remedy to which Buyer may be entitled, at law or in equity, it shall be entitled to enforce any provision of this Agreement by a decree of specific performance and to temporary, preliminary and permanent injunctive relief to prevent Breaches or threatened Breaches of any of the provisions of this Agreement, without posting any bond or other undertaking.

8.6 Waiver; Remedies Cumulative.

The rights and remedies of the parties to this Agreement are cumulative and not alternative. Neither any failure nor any delay by any party in exercising any right, power or privilege under this Agreement or any of the documents referred to in this Agreement will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement can be discharged by one party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other party; (b) no waiver that may be given by a party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one party will be deemed to be a waiver of any obligation of that party or of the right of the party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

8.7 Entire Agreement and Modification.

This Agreement, together with the Contemplated Transactions, supersede all prior agreements, whether written or oral, between the parties with respect to its subject matter and constitutes (along with the Schedules, exhibits and other documents delivered pursuant to this Agreement) a complete and exclusive statement of the terms of the agreement between the parties with respect to the subject matter covered thereby. This Agreement may not be amended, supplemented, or otherwise modified except by a written agreement executed by the party to be charged with the amendment.

8.8 Assignments, Successors and No Third-Party Rights.

No party may assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other parties, except that Buyer may assign any of its rights and delegate any of its obligations under this Agreement to any Subsidiary of Buyer and may collaterally assign its rights hereunder to any financial institution providing financing in connection with the Contemplated Transactions. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon and inure to the benefit of the successors and permitted assigns of the parties. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy or claim

under or with respect to this Agreement or any provision of this Agreement, except such rights as shall inure to a successor or permitted assignee pursuant to this Section 7.8.

8.9 Severability.

If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

8.10 Construction.

The headings of Articles and Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Articles" and "Sections" refer to the corresponding Articles and Sections of this Agreement.

8.11 Time of Essence.

With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

8.12 Governing Law.

This Agreement will be governed by and construed under the laws of the State of Utah without regard to conflicts-of-laws principles that would require the application of any other law.

8.13 Execution of Agreement.

This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

8.14 CoveyLink and Parent Obligations.

The liability of CoveyLink hereunder shall be joint and several with Seller. Without limiting the generality of the foregoing, Seller and CoveyLink shall be jointly and severally liable for (a) any Breach by either Seller or CoveyLink and (b) the indemnities set forth in Article VII. The liability of Parent hereunder shall be joint and several with Buyer. Without limiting the generality of the foregoing, Buyer and Parent shall be jointly and severally liable for (a) any Breach by either Buyer or Parent and (b) the indemnities set forth in Article VII.

[*Signature Page Follows*]

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

BUYER:

FRANKLIN COVEY CLIENT SALES, INC.

By: /s/ Stephen D. Young
Name: Stephen D. Young
Title: President

PARENT:

FRANKLIN COVEY CO.

By: /s/ Robert A. Whitman
Name: Robert A. Whitman
Title: President and CEO

SELLER:

COVEYLINK WORLDWIDE LLC

By:
Name:
Title:

COVEY/LINK:

COVEY/LINK, LLC

By:
Name:
Title:

Exhibit 10.2

AMENDED AND RESTATED LICENSE OF INTELLECTUAL PROPERTY

This **AMENDED AND RESTATED LICENSE OF INTELLECTUAL PROPERTY** (the "*License Agreement*") is effective as of December 31, 2008 (the "*Effective Date*") and is entered into by and among Franklin Covey Co. ("*FranklinCovey*"), a Utah corporation; Covey/Link, LLC ("*CL*"), a Utah limited liability company; Greg Link, ("*Link*"), an individual residing in Utah; and Stephen M. R. Covey ("*Covey*"), an individual residing in Utah. Each of FranklinCovey, CL, Link and Covey are referred to herein as a "party" and collectively as the "parties."

RECITALS:

WHEREAS, Covey is the author of the book *The Speed of Trust*, (as defined herein, the "*Book*") published by Simon & Schuster, Inc., and has conveyed to CL all right, title and interest therein which he did not grant to Simon & Schuster, Inc., which retained rights include without limitation all Audio Rights (as defined herein) and the right to create Workbooks (as defined herein);

WHEREAS, Covey and Link have (a) developed certain training courses based on the Book (as defined herein, the "*Courses*"), (b) registered trademarks (as defined herein and including certain unregistered trademarks, the "*CL Trademarks*"), (c) created collateral materials (as defined herein, "*CL Copyrights*") and (d) conveyed to CL all right, title and interest in the Courses, CL Trademarks and CL Copyrights;

WHEREAS, concurrently herewith, CL, its affiliate CoveyLink Worldwide LLC ("*CL Worldwide*"), FranklinCovey and Franklin Covey Client Sales, Inc. ("*FC Client Sales*") a wholly-owned subsidiary of FranklinCovey, have entered into that certain Asset Purchase Agreement (the "*Purchase Agreement*") pursuant to which FC Client Sales has purchased certain assets of CL Worldwide related to the Book, the Courses and other intellectual property of CL;

WHEREAS, also concurrently herewith, each of Covey and Link has entered into a consulting agreement with FranklinCovey and FC Client Sales (the "*Practice Leader Consulting Agreements*"), and each of Covey and Link has entered into a speaker services agreement with FC Client Sales (the "*Speaking Agreements*"); and

WHEREAS, CL and FranklinCovey previously entered into the Original Agreement (as defined below) pursuant to which CL granted certain non-exclusive licenses relating to the Book and the Courses and a desire to amend and restate the Original License to grant exclusive licenses to the Licensed Materials, subject to all the terms and conditions herein.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants, terms and conditions herein, the parties agree as follows:

1. Defined Terms.

1.1. Use of Defined Terms. Capitalized terms used in this License Agreement and not otherwise defined when used shall have the meanings set forth on Exhibit A.

2. Interpretation.

2.1. Relationship of Agreements.

(a) This License Agreement amends and restates that certain License of Intellectual Property effective January 1, 2006 (the "*Original Agreement*") by and between FranklinCovey and CL. As of the Effective Date, the Original Agreement shall be amended and restated in its entirety to include, without limitation, Covey and Link as parties and shall continue in full force and effect without interruption.

(b) In all cases where possible, this License Agreement shall be interpreted consistently with the Contemporaneous Agreements. If any term of any Contemporaneous Agreement conflicts with this License Agreement, this License Agreement shall control unless otherwise stated in the Contemporaneous Agreement.

3. License Grant.

3.1. The Licensed Materials. Subject to the terms and conditions of this License Agreement, each of CL, Covey and Link hereby grant to the FranklinCovey Entities an exclusive, perpetual, worldwide, transferable, sublicensable, royalty-bearing license to use, reproduce, display, distribute, sell, prepare derivative works of, and perform the Licensed Materials in any format or medium and through any market or distribution channel. As used in this Section 3.1, "exclusive" means that CL, Covey and Link may not, after the Effective Date, grant to any third party the right to, and shall not themselves, use, reproduce, display, distribute, sell, or prepare derivative works of the Licensed Materials except as expressly permitted by this License Agreement. The license granted pursuant to this Section 3.1 shall be subject to that certain Publishing Agreement by and between Covey and Simon & Schuster, Inc. (the "*Publishing Agreement*") and to any permitted publishing agreement entered into by Covey, Link or CL for any Sequel under Section 3.2(a).

3.2. Reservations.

(a) The Book; Sequels. Covey, Link and CL each reserves the exclusive right, in their sole discretion, to write, publish and distribute, directly or through third-party publishers, a Sequel or Sequels to the Book. Any publishing agreement for a Sequel (i) shall be on terms comparable to the Publishing Agreement, (ii) shall exclude rights to Workbooks and Audio Rights, except for a right of the Publisher to prepare and distribute a single audio version of such Sequel, (iii) shall permit the FranklinCovey Entities all of the same rights to distribute such Sequel as have been granted under this License Agreement to distribute the Book. Covey, Link and CL may negotiate any commercially reasonable royalty rate with the third-party publisher and shall have all rights to retain such royalties. At least ten (10) days prior to entering into a publishing agreement for a Sequel, Covey, Link or CL, as appropriate, shall send to FranklinCovey a copy of the publishing agreement in its final form, provided that the parties to the publishing agreement may any needed non-substantive change. During such period, FranklinCovey may provide comments to Covey, Link or CL, as appropriate, if FranklinCovey determines in good faith that any term may conflicts with this License

Agreement and Covey, Link or CL, as appropriate, shall consider such comments in good faith.

(b) The Courses. Covey, Link and CL each reserves a non-exclusive right to make derivative works of the Courses from time to time, provided that any such modification by any of them to the Courses shall be automatically deemed a part of the Courses and Licensed Materials and subject to the license granted in Section 3.1.

(c) Allowed Actions Following Term of Practice Leader Consulting Agreements. Following the term of either of the Practice Leader Consulting Agreements, Covey, Link and CL may speak, consult, coach and advise with respect to the Book and the Speed of Trust concepts, provided that each of them does so with the intent of (*I*) driving training to FranklinCovey (and not to replace training nor to become a defacto substitute for training), (*II*) enhancing brand awareness of the Speed of Trust concepts, or (*III*) increasing sales of the Book.

(d) The CL Trademarks and CL Copyrights. CL, Covey and Link each reserves a non-exclusive right to use the CL Trademarks and CL Copyrights in connection with any Sequel and as necessary for biographical or historical reference and for speaking and practice activities necessary to carry out their activities provided for or allowed in the Speaking Agreements and Practice Leader Consulting Agreements.

(e) Scope of Reservation. As used in Sections 3.2(b) and 3.2(d), "non-exclusive" means the reservation of rights permits each of Covey, Link and CL to use the Courses, CL Trademarks and CL Copyrights as described therein and does not restrict or limit the rights granted to the FranklinCovey Entities by Covey, Link and CL in Section 3.1 to use the Courses, CL Trademarks and CL Copyrights as permitted in this License Agreement.

3.3. Restrictions on Use. The FranklinCovey Entities shall use the Licensed Materials only in connection with the Practice and the business of FranklinCovey.

3.4. International Markets. Within six months following the Effective Date and on terms reasonably acceptable to CL, FranklinCovey will use commercially reasonable efforts to amend those certain license and distribution agreements (collectively, the "*International Licenses*") with the International Licensees to permit Covey and Link to conduct the Practice as permitted in the Contemporaneous Agreement in the geographical territories that are the subject of such International Licenses. The parties agree that an amended International License will be deemed reasonable if Covey, Link and CL, as appropriate, receive non-exclusive rights to conduct or promote Courses in such territory in exchange for reasonable compensation payable to the International Licensee. If FranklinCovey is unable to amend any International License as provided in this Section 3.4, FranklinCovey shall forfeit the rights granted in Section 3.1 as those rights apply to the territory of such International Licensee. Notwithstanding the foregoing, FranklinCovey shall have not be deemed to have breached this Section 3.4 if any website owned or operated by the FranklinCovey Entities is visible in a terminated territory or if a customer in a terminated territory makes incidental purchases Books or Sequels through any such websites.

3.5. Rights of Publicity. Covey and Link each hereby grants to the FranklinCovey Entities a non-exclusive, worldwide, fully paid-up right to use images of each of their persons and to use their names in connection with the Practice. At any time after Covey or Link, as applicable, ceases to be a Practice Leader, such person may object in writing to the use of his own name or image if Covey or Link, as applicable, reasonably determines that the use undermines the commercial value of the Practice, the Book, Sequels or a New Work. The affected parties shall cooperate in good faith to resolve any such disputes. If this License Agreement terminates for any reason, the license granted in this Section 3.5 shall survive termination with respect to products, materials and designs in existence on the effective date of the termination, but FranklinCovey shall have no right to place the images or use names of Stephen M. R. Covey or Greg Link on any new product, material or design.

3.6. Distribution Rights for FC Products, LLC. The parties acknowledge that FranklinCovey has entered into that certain Master License Agreement by and between FranklinCovey and Franklin Covey Products, LLC ("*FC Products, LLC*"), pursuant to which FranklinCovey may, under certain circumstances, be required to make Licensed Materials available to FC Products, LLC for distribution in certain channels. Each of Covey, Link and CL agrees to permit FC Products, LLC to distribute Licensed Materials according to the Master License Agreement so long as doing so does not reduce any Payment under this License Agreement.

4. Ownership; Derivative Works.

4.1. CL Property. As between Covey, Link and CL on the one hand and FranklinCovey on the other hand, Covey, Link and CL shall retain ownership of all CL Intellectual Property. "CL Intellectual Property" means the Intellectual Property Rights to the Licensed Materials, all CL Derivative Works and all New Works.

4.2. FranklinCovey Property. As between Covey, Link and CL on the one hand and FranklinCovey on the other hand, FranklinCovey shall retain ownership of all FranklinCovey Intellectual Property. "FranklinCovey Intellectual Property" means all Intellectual Property Rights of FranklinCovey prior to the Effective Date, all FC Derivative Works, and all Intellectual Property Rights of FranklinCovey created or licensed after the Effective Date other than Intellectual Property Rights that include the Licensed Materials and are owned by Covey, Link or CL under this License Agreement.

4.3. Creation of Derivative Works.

(a) By FranklinCovey. FranklinCovey may, at its option and at its own expense, create derivative works, directly or through third parties, based on the Licensed Materials, including without limitation derivative works that include both the Licensed Materials and FranklinCovey Intellectual Property. Subject to Section 4.3(d), such derivative works shall be deemed FC Derivative Works.

(b) By CL, Covey and Link. Each of Covey, Link and CL may, at their option and their own expense, create derivative works (a) based solely on the Licensed Materials or

(b) based in part on the Licensed Materials and in part on FranklinCovey Intellectual Property, subject to the provisions of Section 4.3(c).

(c) Procedures. If any of Covey, Link or CL desires to create a new derivative work based solely on the Licensed Materials, Covey, Link or CL, as appropriate, may do so without FranklinCovey's approval, provided that CL maintains reasonable records that describe the project and other pertinent information and makes such records available as reasonably requested by FranklinCovey. If any of Covey, Link or CL proposes to develop a new derivative work based in part of the Licensed Materials and in part of FranklinCovey Intellectual Property (a "*Proposed FC Derivative Work*"), Covey, Link or CL, as appropriate, shall deliver to FranklinCovey a written request to FranklinCovey describing in reasonable detail the proposed work, including the FranklinCovey Intellectual Property that would be used (a "*Proposal*").

(i) If the work described in the Proposal includes any FranklinCovey Intellectual Property, FranklinCovey may, in its sole discretion, approve or reject the Proposal within twenty one (21) days of its receipt of the Proposal.

(ii) If FranklinCovey accepts such a Proposal, Covey, Link or CL, as appropriate, shall have the right to create the proposed derivative work and such derivative work will be deemed part of the Licensed Materials. If FranklinCovey rejects such a Proposal, Covey, Link or CL, as appropriate, shall promptly cease work on the Proposed FC Derivative Work and shall have no right to use the FranklinCovey Intellectual Property for such Proposal. If FranklinCovey fails to respond such a Proposal within the twenty one (21) day period, FranklinCovey will be deemed to have rejected the Proposal.

(d) Ownership of Derivative Works. Any derivative work of the Licensed Materials that is based solely upon the Licensed Materials shall be deemed a CL Derivative Work and, for purposes of clarity, shall be deemed part of the Licensed Materials for all purposes. Any revision or customization of the Courses Listed in Exhibit B, whether by FranklinCovey, Covey, Link or CL, shall be deemed part of the Licensed Materials for all purposes. Any permitted derivative work created by Covey, Link or CL that is based in part on the Licensed Materials and in part on FranklinCovey Intellectual Property shall be deemed an FC Derivative Work, and Covey, Link and CL hereby convey to FranklinCovey, its successors and assigns all right, title and interest it may have in such FC Derivative Work; provided, however, that FranklinCovey's rights to the underlying Licensed Materials incorporated into such FC Derivative Works are subject to the license of Licensed Materials granted to FranklinCovey in this License Agreement. Notwithstanding anything else in this License Agreement, FC Derivative Works shall be subject to the license provided in Section 4.3(e) and the royalty provisions set forth in Section 8.2(b).

(e) Grant-back License. FranklinCovey hereby grants to Covey, Link and CL, during the term of this License Agreement, a worldwide, royalty-free, nontransferable, non-sublicenseable right to use FC Derivative Works in connection with the Practice and, subject to the provisions of Section 4.3(c), to create derivative works based on FC Derivative Works.

4.4. Perfecting Ownership.

(a) CL Intellectual Property. Upon CL's reasonable request and at CL's expense, FranklinCovey shall assist CL in any action that may be necessary to record, register or otherwise perfect CL's rights in and to the CL Intellectual Property, including without limitation CL Derivative Works.

(b) FranklinCovey Intellectual Property. Upon FranklinCovey's reasonable request and at FranklinCovey's expense, each of Covey, Link and CL shall assist FranklinCovey in any action that may be necessary to record, register or otherwise perfect FranklinCovey's rights in and to FranklinCovey Intellectual Property, including without limitation FC Derivative Works.

5. Quality Control; Trademark Notices.

5.1. Quality Standards. The parties agree that the Licensed Materials are distinctive and the goods and services associated therewith have distinctive goodwill and a reputation for high quality and standards. The parties agree to maintain the high quality standards of the Licensed Materials and the goods and services that incorporate or reference the Licensed Materials.

5.2. Right to Inspect. CL shall have the right to request samples of written documents used in and distributed at the Courses. If CL reasonably determines that FranklinCovey's use of the Licensed Materials undermines the commercial value of the Licensed Materials or the Practice, the parties shall cooperate in good faith to resolve the dispute.

5.3. Marking and Notice. Subject to and in accordance with CL's reasonable written approval, FranklinCovey shall, on all significant Course materials distributed to participants of the Course and all Workbooks, give written attribution to CL for ownership of such Licensed Materials and provide copyright notices that attribute ownership to CL and state that the Licensed Materials are used by FranklinCovey pursuant to a license from CL.

5.4. Trademark Use. If, after the Effective Date, CL, Covey or Link registers or in any way designates its ownership of a new trademark in connection with the Licensed Materials or a Sequel (a "*New Trademark*"), such New Trademark will be deemed a CL Trademark subject to all the rights, terms and conditions of this License Agreement . All trademark rights, other than trademark rights already obtained by FranklinCovey or CL prior to the execution of this License Agreement, in and to any class of goods or services developed by reason of FranklinCovey's use of the Licensed Materials, within the terms of and subject to the conditions of this License Agreement, shall be owned by and inure to the benefit of either CL or FranklinCovey as follows: FranklinCovey shall give CL written notice of its desire to pursue Federal registration of any New Trademark (the "*Notice of Intent*") and CL shall, within ten (10) business days after receiving such Notice of Intent, notify FranklinCovey in writing (the "*Response to Notice*") that it will register the New Trademark in its own name, at CL's expense, or that FranklinCovey is entitled to register the New Trademark in FranklinCovey's name, at FranklinCovey's expense. CL's failure to give FranklinCovey a Response to Notice within ten (10) business days of the date of a Notice of Intent, shall constitute CL's permission to FranklinCovey to register the subject New Trademark in FranklinCovey's name, at FranklinCovey's expense. If FranklinCovey obtains Federal registration of a New Trademark pursuant to this Section 5.4, FranklinCovey shall grant to CL a limited, worldwide, non-exclusive

and royalty-free license to use the New Trademark in connection with the Licensed Materials or any Sequel or CL Derivative Work, except as such right is restricted herein. Each party agrees to execute such documentation as shall reasonably be required to effectuate the intent of this Section 5.4.

5.5. No Inconsistent Contractors or Relationships. FranklinCovey shall not employ or contract with any person or entity, including a government employee or representative, to assist or become involved in developing a derivative work based upon the Licensed Materials if that person or entity has a contractual or legal relationship, the effect of which encumbers any proprietary rights to the Licensed Materials or which purports to transfer any proprietary rights in the Licensed Materials to another entity. FranklinCovey shall not enter into agreements to receive funding or grants which purport to transfer to a third party any proprietary rights or which would result in any other entity besides CL owning such proprietary rights.

5.6. Action by Covey and Link. Notwithstanding anything to the contrary in this License Agreement, so long as either Covey or Link remains a Practice Leader of the Practice, FranklinCovey shall be deemed to have complied in all respects with the requirements of this Section 5 and CL, Covey and Link shall be deemed to have agreed to the actions of FranklinCovey under this Section 5.

6. Distribution Rights.

6.1. Distribution Rights. Except as limited by the Publishing Agreement and permitted publishing agreements for Sequels subject to the terms of Section 3.2(a), FranklinCovey shall have an exclusive, worldwide and transferable right to distribute the Licensed Materials directly or through third parties. If Covey, Link or CL enters into any publishing agreement for the distribution of a Sequel as provided in Section 3.2(a), such agreement shall be limited by the rights of the FranklinCovey Entities to distribute the Sequel on terms substantially the same as the FranklinCovey Entities may distribute the Book.

7. Website Agreement.

7.1. Website Agreement. The parties shall cooperate to establish protocols and links to connect the CL Website to websites operated by FranklinCovey and to set general website policies ("*Website Protocols*"). The initial Website Protocols are set forth on Exhibit G, which may be amended from time to time by mutual agreement of the parties.

7.2. CL Website Sales. During the term of this License Agreement, and for one year after termination of this License Agreement, Covey, Link and CL shall not, directly or indirectly, sell products or services relating to the Licensed Materials through the CL Website or any other website operated by any of them and shall direct all such inquiries to FranklinCovey, except as provided below in this Section 7.2. Nothing in this Section 7.2 shall prevent Covey, Link or CL from (a) selling any New Book or offering services connected to any New Course not subject to an agreement with FranklinCovey so long as Covey, Link and CL, as applicable, have complied with all of the terms and conditions of Sections 11, 12 and 13 of this License Agreement, or (b) following the term of either of the Practice Leader Consulting Agreements, selling the Book or Sequels or offering speaking, consulting, coaching or advisory services with respect to the

Book and the Speed of Trust concepts, provided that such services are provided with the intent of (*I*) driving training to FranklinCovey (and not to replace training nor to become a defacto substitute for training), (*II*) enhancing brand awareness of the Speed of Trust concepts, or (*III*) increasing sales of the Book.

8. Fees and Royalties.

8.1. Royalty Formula. Each month, FranklinCovey shall pay to CL a royalty payment (the "*Royalty*") which shall be equal to the sum of 7.5% of FranklinCovey Gross Revenue accrued during a given monthly period as provided in Section 9; plus 5% of Licensee Gross Revenue accrued during a given monthly period as provided in Section 9; plus an equitable royalty percentage as mutually agreed by FranklinCovey and CL, acting in good faith, of Derivatives Gross Revenue**.**

8.2. "FranklinCovey Gross Revenue" means all revenues accrued according to its regular accounting principles and practices by the FranklinCovey Entities during the applicable month that derive from the Licensed Materials other than FC Derivative Works. However, "FranklinCovey Gross Revenues" does not include (i) accruals of payments by FranklinCovey from International Licensees, or (ii) revenues accrued by FranklinCovey relating to speeches given by Covey or Link pursuant to their Speaking Agreements. For purposes of clarity, all revenue from the 2006 Courses listed in Exhibit B as constituted on the Effective Date shall be included as part of the FranklinCovey Gross Revenue in computing the Royalty under Section 8.1 above.

(a) "Licensee Gross Revenue" means all revenues accrued according to its regular accounting principles and practices by FranklinCovey by any International Licensee during the applicable month that derive from the Licensed Materials.

(b) "Derivatives Gross Revenue" means all revenues accrued by the FranklinCovey Entities during the applicable month that derive from FC Derivative Works. However, "Derivatives Gross Revenues" does not include (i) revenues accrued by FranklinCovey from International Licensees, or (ii) revenues accrued by FranklinCovey relating to speeches given by Covey or Link pursuant to their Speaking Agreements.

9. Royalty Reporting and Payment.

9.1. Reporting. No later than thirty (30) days after the close of every FranklinCovey month during the Term, FranklinCovey shall submit a report to CL (in a format acceptable to CL, in its reasonable discretion) identifying (a) FranklinCovey Gross Revenue accrued during the period, (b) Licensee Gross Revenue accrued during the period, (c) Derivatives Gross Revenue accrued during the period and the applicable royalty rate agreed upon by CL and FranklinCovey, acting in good faith, and (d) the Royalty owed to CL during the period. The Royalty payment for each month ("*Payments*") shall accompany each such report. All Payments will be made in immediately available U.S. dollars.

9.2. Payment. FranklinCovey will make all Payments free and clear of any tax, deduction, tax offset or withholding of any kind. All taxes and penalties (other than those associated with the income of CL, Covey or Link) levied on any Payments will be fully borne by

FranklinCovey. If FranklinCovey or any other person is required by law to make any deduction or withholding on account of any tax, assessment, duty or levy charged against any Payments, FranklinCovey will pay any such tax, assessment, duty or levy before the date on which a penalty for nonpayment or late payment attaches. Payment of such tax, levy, duty or assessment is to be made (if the liability to pay is imposed on FranklinCovey) for FranklinCovey's own account or (if the liability to pay is imposed on CL) on behalf of and in the name of CL. Payments by FranklinCovey in respect of which the relevant deduction, withholding or payment (including any penalties) is required will be increased to the extent necessary to ensure that, after the making of the deduction, withholding or payment of such tax, levy, duty or assessment, CL receives on the due date and retains (free from any liability in respect of the deduction, withholding or payment) a net sum equal to what CL would have accrued and retained had no such deduction, withholding or payment been required or made. FranklinCovey will promptly furnish to CL receipts showing the payment of any deduction, withholding or payment made, on its account or CL's account. FranklinCovey agrees to defend, indemnify and hold harmless CL from all claims, suits, liabilities and expenses (including without limitation legal fees) suffered or incurred by CL as a result of FranklinCovey's failure, for whatever reason, duly to pay any such taxes (other than those associated with the income of CL, Covey or Link).

9.3. Interest. Interest shall accrue on all undisputed Payments not paid by FranklinCovey when due under this License from the due date until the date of payment, at the lesser of the rate of one and one-half percent (1.5%) per month or the maximum legal rate allowed under applicable law. Interest shall accrue on all undisputed Payments not paid by CL when due under this License from the due date until the date of payment, at the lesser of the rate of one and one-half percent (1.5%) per month or the maximum legal rate allowed under applicable law.

9.4. Audit. Except during the period that Covey or Link remains a Practice Leader of the Practice, and no more than once in any calendar year thereafter, CL shall have the right, upon reasonable notice to FranklinCovey and at its own expense, to audit FranklinCovey's books and records reasonably necessary to determine the accuracy of the Royalties made hereunder, provided that if CL engages an outside firm to conduct the audit such firm shall first execute a confidentiality agreement reasonably satisfactory to FranklinCovey. In the event the audit reveals an aggregate underpayment in excess of five percent (5 %) for the year, FranklinCovey shall pay the costs incurred by CL in performing the audit.

9.5. Equitable Agreement on Royalties for Derivative Gross Revenue.

(a) FranklinCovey and CL, through their respective authorized agents acting in good faith will reasonably consider the facts and circumstances of each instance where Derivative Gross Revenue is accrued and agree on the component of Derivative Gross Revenue fairly attributable to the Licensed Materials and the reasonable royalty rate attributable to such Licensed Materials component of Derivative Gross Revenue. If FranklinCovey's and CL's authorized agents are unable to agree on the foregoing by the date the report required in Section 9.1 is due, the CEO of CL and the CEO of FranklinCovey will meet to attempt to reach agreement on any disputed matters. If they are unable to agree on such matters within 30 days, either party may submit the matter to arbitration.

(b) Arbitration.

(i) In the event that a party demands arbitration pursuant to Section 9.5(a) or Section 17.2(b), such dispute shall be finally settled by binding arbitration in Salt Lake City, Utah under the Commercial Arbitration Rules of the American Arbitration Association (the "*Rules*") by one arbitrator appointed in accordance with such Rules. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

(ii) The arbitrator shall apply the laws of the State of Utah to the merits of the particular dispute, without reference to rules of conflict of law. The arbitration proceedings shall be governed by the Rules, without reference to any state arbitration law.

(iii) Either of the parties may apply to any court of competent jurisdiction for a temporary restraining order, preliminary injunction, or other interim or conservatory relief, as necessary, without breach of this arbitration provision and without any abridgment of the powers of the arbitrator. The arbitrator may, in its discretion, award to the prevailing party, if any, as determined by the arbitrator, all of its costs and fees, including, without limitation, administrative fees, arbitrator's fees, attorneys' fees, experts' fees, witnesses' fees, travel expenses, and out-of-pocket expenses (including, without limitation, such expenses as copying, telephone, facsimile, postage, and courier fees); otherwise, the costs of the arbitration, including administrative and arbitrator's fees, shall be borne by the parties to the particular arbitration in proportion their relative success, as determined by the arbitrator, in connection with the resolution of the disputed claims, and each party shall bear the cost of its own attorneys' fees and expert witness fees. The parties agree that, any provision of applicable law notwithstanding, they will not request, and the arbitrator shall have no authority to award, punitive or exemplary damages against any party.

(iv) The decision of the arbitrator as to the validity and amount of any claim shall be binding and conclusive upon the parties. Such decision shall be written and shall be supported by written findings of fact and conclusions which shall set forth the award, judgment, decree or order awarded by the arbitrator.

(v) The requirements of this Section 9.5(b) will apply only to disputes raised pursuant to this Section 9.5 and Section 17.2(b).

10. Performance by FranklinCovey.

10.1. FranklinCovey Due Diligence. FranklinCovey shall use Best Efforts to exploit for profit the Licensed Materials for the purpose of maximizing Royalty payments to CL. FranklinCovey shall, according to good business judgment and based on market conditions and in keeping with FranklinCovey's practices, advertise its services associated with the Courses and Content in the United States and in all direct offices in appropriate advertising media and in a manner ensuring proper and adequate publicity for such services. FranklinCovey shall perform its duties and obligations set forth in this License Agreement in a manner consistent with the highest industry standards and shall do nothing that would materially and adversely affect the reputation of CL. During and following the period that either Covey or Link remains a Practice Leader of the Practice, FranklinCovey shall be deemed to have complied in all respects with this Section 10

if FranklinCovey acts and performs in a manner substantially similar to its actions and performance during the period that either Covey or Link remained a Practice Leader of the Practice For purposes of this License Agreement, "Best Efforts" shall mean the efforts that a prudent person acting diligently and desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as reasonably practicable, *provided, however*, that a Person required to use Best Efforts under this License Agreement will not be thereby required to take actions that would result in a material adverse change in the benefits to such person under this License Agreement or to dispose of or make any material change to its business.

10.2. Course Materials. In connection with each Course offered by FranklinCovey, other than the Course entitled "Inspiring Trust," FranklinCovey will provide to each Course participant a participant kit consisting of, at a minimum, a Workbook and a copy of the Book, provided that this Section 10.2 shall not apply if the Course is offered through the Internet or other medium where delivery of the Workbook and Book is not commercially practical.

11. New Books; New Courses.

11.1. New Books. During the Extended Restricted Period and thereafter, each of Covey, Link and CL, or any of them together, shall have the right to create a New Book. Covey, Link and CL, as applicable, may negotiate any commercially reasonable agreement with a third-party publisher for the New Book and shall have all rights to retain all royalties thereunder. If the agreement with the third-party publisher is entered into during the Extended Restricted Period, the third party publisher shall not be a Competitor or an affiliate of a Competitor. At least ten (10) days prior to entering into a publishing agreement for a New Book, Covey, Link or CL, as appropriate, shall send to FranklinCovey a notice indicating that a New Book may be published, listing the working title to the New Book, and providing an abstract of the contents of the New Book. During such period, FranklinCovey may provide comments to Covey, Link or CL, as appropriate, if FranklinCovey reasonably believes that the proposed book may be a Sequel subject to the terms of this License Agreement.

11.2. New Courses. During the Extended Restricted Period and thereafter, each of Covey, Link and CL, or any of them together, shall have the right to create a New Course, subject to the terms and conditions of Section 12.

12. Right of First Negotiation for New Work.

12.1. Right of First Negotiation. During the Extended Restricted Period and thereafter if CL, Covey or Link, as applicable, desires to design, develop, manufacture, market, promote, advertise, distribute, lease or sell or otherwise commercialize such New Work (except for distribution of a New Book pursuant to a publishing agreement with a third-party publisher), CL, Covey or Link, as applicable, shall provide notice to FranklinCovey of such desire (a "*New License Notice*"). Upon receipt of the New License Notice, FranklinCovey and CL, Covey or Link, as applicable, shall enter into exclusive negotiations relating to a license for the New Work (a "*New License*"). The parties to such negotiation shall engage in exclusive, good-faith discussions regarding a possible New License for a period of at least sixty (60) days (the "*Initial Negotiation Period*"), which Initial Negotiation Period may be extended as provided in

Section 13 (the Initial Negotiation Period, together with any extension to the Initial Negotiation Period, is referred to herein as the "*Negotiation Period*").

12.2. Third-Party Agreement. If the parties to such negotiation fail to reach an agreement in principle for a New License within the Negotiation Period, CL, Covey or Link, as applicable, may thereafter negotiate and enter into a final, binding agreement with respect to the New Work with a third-party (a "*Third-Party Agreement*"), provided, however, that CL, Covey or Link, as applicable, shall not (a) during the Extended Restricted Period, enter into a Third-Party Agreement with a Competitor or an affiliate of a Competitor or (b) enter into a Third-Party Agreement on terms equal to or less favorable to CL, Covey or Link, as applicable, than the final written offer, if any, made by FranklinCovey.

13. Option to Extend Negotiation Period.

13.1. Option Grant. If FranklinCovey, CL, Covey or Link, as applicable, are unable to enter into an agreement in principle for a New License for a New Work during the Initial Negotiation Period, FranklinCovey shall have the option (the "*Option*") in its sole discretion to extend the Negotiation Period with respect to the applicable New Work by following the procedures set forth in Sections 13.2 and 13.3. CL, Covey or Link, as applicable, shall not, during such extended Negotiation Period, discuss, negotiate with or enter into a binding agreement with respect to the New Work with any third party.

13.2. Option Exercise; Termination of Option. FranklinCovey may exercise the Option during the Initial Negotiation Period by delivering to CL, Covey or Link, as applicable, a written notice of exercise, effective upon delivery. Once exercised, FranklinCovey may terminate any Option immediately by delivering to CL, Covey or Link, as applicable, a written notice of termination. Neither the exercise of an Option with regard to a particular New Work nor the termination of any Option shall be deemed a waiver of FranklinCovey's right to Option the contents of any additional or other New Work.

13.3. Option Payments. As consideration for the Option, FranklinCovey shall make a payment (the "*Option Payment*") to CL (on behalf of CL, Covey or Link, as applicable) equal to: (i) $5,000.00 per month, paid in advance, for each month during the first year following the Initial Negotiation Period that FranklinCovey elects to extend the Negotiation Period; (ii) $10,000.00 per month, paid in advance, for each month during the second year following the Initial Negotiation Period that FranklinCovey elects to extend the Negotiation Period; and (iii) $15,000.00 per month, paid in advance, for each month during the third year and each subsequent year that FranklinCovey elects to extend the Negotiation Period. Notwithstanding the foregoing, FranklinCovey's obligation to the make the Option Payment shall cease when (y) FranklinCovey terminates the Option pursuant to Section 13.2, or (z) FranklinCovey and CL, Covey and Link, as applicable, enter into a New License with respect to the New Work with terms mutually agreeable to FranklinCovey and CL, Covey or Link, as applicable.

14. Representations and Warranties.

14.1. CL Representations and Warranties and Covenants. CL represents and warrants that (a) it has (or with respect to Sequels will have) good and valid title to all of the Licensed

Materials and Sequels, if any, licensed herein, free and clear of all liens, encumbrances and restrictions; (b) the Licensed Materials constitute all of the intellectual property of CL, Covey and Link relating to the Book and the Courses, except the Speed of Trust simulation board game co-owned with Tango Learning; (c) the Licensed Materials and Sequels, if any, licensed under this License Agreement do not and, to the knowledge of CL, will not infringe upon or violate any copyright, trademark, right of privacy, right of publicity, trade secret or any other intellectual property right of any third party; (d) no agreement it has or will have with any other party will conflict with the terms of this License Agreement or prevent CL's performance of any of its obligations hereunder, (e) its performance hereunder will not violate any other agreement, whether oral or written, to which it is a party, and (f) it has complied and will comply with all applicable laws and regulations relating to the Licensed Materials and Sequels, if any, and its performance hereunder. CL makes no warranties of merchantability or fitness for a particular purpose of the Course or any other warranty other than that explicitly stated herein.

14.2. Covey and Link Representations, Warranties. Each of Covey and Link, severally and not jointly, represent and warrant that (a) he has transferred to CL all his rights to the Licensed Materials and will transfer to CL all rights to any Sequel and, if applicable, any New Work, (b) to his knowledge, the Licensed Materials do not violate any copyright, trademark, right of privacy, right of publicity, trade secret or any other intellectual property right of any third party and (c) he will take all such actions as may be necessary to perfect ownership of any Licensed Materials, Sequel in CL if requested by FranklinCovey.

14.3. FranklinCovey Representations, Warranties and Covenants. FranklinCovey agrees, represents and warrants that (a) it will use the Licensed Materials and Sequels, if any, licensed herein in a manner conforming to the terms and conditions of this License Agreement, and (b) the FranklinCovey Intellectual Property appropriate for the creation of FC Derivative Works does not, as of the Effective Date of this License Agreement, violate any copyright, trademark, right of privacy, right of publicity, trade secret or any other intellectual property right of any third party.

14.4. FranklinCovey Covenant. FranklinCovey will not, during the term of this License Agreement, authorize any FranklinCovey employee or contractor to design or create a work that is primarily intended to allow FranklinCovey to avoid paying royalties to CL under this License Agreement. Notwithstanding the foregoing, FranklinCovey may, without violating this Section 14.4: (a) refresh, redesign or relaunch the "Speed of Trust" Practice product and service offerings through its Speed of Trust Practice Leaders and employees from time to time; (b) acquire other companies, businesses, assets, product lines, service offerings, licensed content or works that contain "trust" or "trust-related" concepts, content, works, products, services or offerings; (c) offer products and services and create practice groups that contain "trust" and "trust-related" concepts and ideas in their respective materials and offerings; or (d) take actions substantially similar in nature to those actions permitted under clauses (a) – (c) of this Section 14.4.

15. Confidentiality.

15.1. Definition. For purposes of this License Agreement, "Confidential Information" of a party (the "*Disclosing Party*") means any non-public, commercially sensitive information in

its broadest context, including without limitation all programs, courses, manuals, electronic works, data, samples, computer records, specifications, processes, strategies, plans, know-how related to the business of such Disclosing Party. Confidential Information shall not include any information known generally to the public (other than as a result of unauthorized disclosure by the party obtaining such information from the Disclosing Party (the "*Receiving Party*")) or in the Receiving Party's possession prior to disclosure or independently developed by the Receiving Party without use of the Confidential Information.

15.2. Obligation. The parties acknowledge that the Confidential Information of the other parties derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use. The parties agree that, except for the disclosure and use of Confidential Information contemplated within the scope of this License Agreement, they (i) shall at all times keep the Confidential Information strictly confidential and shall not divulge, furnish, or make accessible the Confidential Information to any third party (except as set forth below), (ii) shall not use the Confidential Information for its benefit or the benefit of any third party, and (iii) shall use the Confidential Information solely and exclusively for the purpose of carrying out the purposes of this License Agreement.

15.3. Legal Proceedings. In the event the Receiving Party is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, the Receiving Party will notify the Disclosing Party promptly of the request or requirement so that the Disclosing Party may seek an appropriate protective order or waive compliance with the provisions of this Section 15. If, in the absence of a protective order or the receipt of a waiver from the Disclosing Party, the Receiving Party is, on the advice of counsel, compelled to disclose any Confidential Information to any tribunal, the Receiving Party may disclose the Confidential Information to the tribunal; provided, however, that the Receiving Party will use its Best Efforts to obtain, at the request of the Disclosing Party, an order or other assurance that confidential treatment will be accorded to such portion of the Confidential Information required to be disclosed as the Disclosing Party designates.

15.4. Injunctive Relief. The parties acknowledge that the Confidential Information constitutes a unique and valuable asset of the Disclosing Party, and that any disclosure or use of the Confidential Information by the Receiving Party, except as expressly permitted herein, would be wrongful and would cause irreparable harm to the Disclosing Party. Accordingly, in the event of any actual or threatened breach of such provisions, the Disclosing Party shall (in addition to any other remedies that it may have) be entitled to temporary and/or permanent injunctive relief to enforce such provisions, and such relief may be granted without the necessity of proving actual damages or posting a bond.

16. Indemnification; Limitation of Liability.

16.1. Indemnification by CL. CL, Covey and Link, jointly and severally, will indemnify and hold FranklinCovey harmless from and against any and all actions, suits, proceedings (including by third parties), losses, liabilities, damages, costs, and expenses (including attorneys' fees) that FranklinCovey may incur or suffer by reason of any breach of any

of CL's, Covey's or Link's respective agreements, warranties or representations under this License Agreement or any action by a third party against FranklinCovey by reason of any breach by CL, Covey or Link of any of their respective agreements, warranties or representations under this License Agreement.

16.2. Indemnification by FranklinCovey. FranklinCovey will indemnify and hold CL, Covey and Link harmless from and against any and all actions, suits, proceedings (including by third parties), losses, liabilities, damages, costs, and expenses (including attorneys' fees) that CL, Covey or Link may incur or suffer by reason of any breach of any of FranklinCovey's agreements, warranties or representations under this License Agreement or any action by a third party against CL, Covey or Link based upon an actual or alleged use of the Licensed Materials by FranklinCovey in violation of the terms of this License Agreement or by reason of any breach by FranklinCovey of any of its respective agreements, warranties or representations under this License Agreement.

16.3. No Consequential Damages. In no event shall either party be liable under any contract negligence, strict liability or other legal or equitable theory to the other for any incidental, consequential, special, punitive, exemplary or other indirect damages, or for lost profits, lost revenues, or loss of business arising out of the subject matter of this License Agreement, regardless of the cause of action, even if the party has been advised of the likelihood of damages.

16.4. Limitations of Liability.

(a) IF ANY PARTY IS HELD OR FOUND TO BE LIABLE TO ANY OTHER PARTY FOR ANY MATTER RELATING TO OR ARISING FROM ANY BREACH OF THIS LICENSE AGREEMENT, WHETHER BASED ON AN ACTION OR CLAIM IN CONTRACT, NEGLIGENCE, TORT OR OTHERWISE, THE AMOUNT RECOVERABLE FROM THE BREACHING PARTY WILL NOT EXCEED $200,000 FOR EACH INCIDENT OR SERIES OF RELATED INCIDENTS GIVING RISE TO SUCH LIABILITY, PROVIDED THAT THIS SECTION 16.4(a) SHALL NOT APPLY TO ANY CLAIM FOR PAYMENT OF ROYALTIES UNDER SECTION 8 OR ANY CLAIM ARISING FROM A BREACH OF A REPRESENTATION OR WARRANTY BY CL, COVEY, OR LINK RELATING TO CL'S TITLE TO, OR ABILITY TO LICENSE TO FRANKLINCOVEY, THE LICENSED MATERIALS.

(b) IF ANY OF CL, COVEY OR LINK IS HELD OR FOUND TO BE LIABLE TO ANY OTHER PARTY FOR ANY MATTER RELATING TO OR ARISING FROM ANY BREACH OF A REPRESENTATION OR WARRANTY BY ANY OF CL, COVEY OR LINK RELATING TO CL'S TITLE TO, OR ABILITY TO LICENSE TO FRANKLINCOVEY, THE LICENSED MATERIALS, THE AMOUNT RECOVERABLE FROM THE BREACHING PARTY WILL NOT EXCEED THE CAP AMOUNT FOR EACH INCIDENT OR SERIES OF RELATED INCIDENTS GIVING RISE TO SUCH LIABILITY. AS USED IN THIS PARAGRAPH 16.4(b), "THE CAP AMOUNT" SHALL MEAN THE AGGREGATE OF THE AMOUNTS (1) PAID BY THE BUYER TO THE SELLER UNDER SECTION 2.3(a) OF THE PURCHASE AGREEMENT, (2) THE EARNOUT PAID TO THE SELLER UNDER SECTION 2.8 OF THE PURCHASE

AGREEMENT, AND (3) THE DIRECT COSTS AND DAMAGES INCURRED BY FRANKLINCOVEY IN CONNECTION WITH SUCH BREACH OF REPRESENTATION OR WARRANTY BY CL, COVEY OR LINK RELATING TO CL'S TITLE TO, OR ABILITY TO LICENSE THE LICENSED MATERIALS TO FRANKLIN COVEY.

17. Term; Termination.

17.1. Effectiveness; Term. This License Agreement shall become effective upon the Effective Date and shall continue perpetually in full force and effect unless and until terminated according to the provisions of this Section 17.

17.2. FranklinCovey's Breach.

(a) CL shall have the right to terminate this License Agreement upon the occurrence of a FranklinCovey Material Breach.

(b) A "FranklinCovey Material Breach" means exclusively a failure by FranklinCovey to pay any royalties due and payable pursuant to this License Agreement (and such failure is not cured within the ninety (90) day period following delivery of written notice by CL (a "*Breach Notice*")); provided, however, that the following shall not be a FranklinCovey Material Breach: FranklinCovey's failure to (A) pay any portion of a payment that is the subject of a good faith, bona fide dispute, so long as FranklinCovey pays any undisputed portion of such payment, or (B) make a payment that in its entirety is the subject of a good faith, bona fide dispute. Franklin Covey shall provide a notice (a "*Dispute Notice*") to CL if FranklinCovey disputes a payment, or any portion of a payment, within thirty (30) days after receipt of a Breach Notice from CL relating to such payment. Such Dispute Notice shall contain a description of the reasons why such payment is disputed and a certification by the CEO of FranklinCovey that such dispute is a good faith, bona fide dispute. FranklinCovey and CL, through their respective authorized agents and acting in good faith, will work to resolve the dispute relating to the payment, or the portion of a payment, to which the Dispute Notice relates. If FranklinCovey's and CL's authorized agents are unable to resolve such dispute within thirty (30) days after CL receives a Dispute Notice, the CEO of CL and the CEO of FranklinCovey will meet to attempt to reach agreement on any disputed matters. If they are unable to agree on such matters within thirty (30) days, either party may submit the matter to arbitration as provided in Section 9.5(b).

17.3. CL's Breach. FranklinCovey shall have the right to terminate this License Agreement in the event of a CL Material Breach that is not cured within ninety (90) days after FranklinCovey provides written notice to CL of the alleged breach. A "CL Material Breach" means a breach by CL, Covey or Link of any of their respective representations, warranties, covenants or agreements in this License Agreement, a breach of Section 4 or Section 7 of the Practice Leader Consulting Agreements, or a breach of Section 9 of the Speaker Agreements.

17.4. Insolvency. If either of CL or FranklinCovey becomes insolvent, files for bankruptcy, ceases to do business or is generally unable to meet its financial obligations, the other party may terminate this License Agreement immediately by providing written notice to the other party.

17.5. Effect of Termination.

(a) The expiration or termination of this License Agreement shall not discharge or relieve either party from any obligation which accrued before expiration or termination and shall not relieve any breaching party from liability for actual damages resulting from such breach.

(b) Within sixty (60) days of the termination of this License Agreement, FranklinCovey shall deliver to CL any unpaid Payment following the applicable procedures of Section 9, less any Termination Setoffs. If within thirty (30) days after receipt of the final Payment and the accompanying report, CL, Covey and Link do not object in writing to the calculations and amounts, all Royalties under this License Agreement will be deemed satisfied and fully paid.

(c) Within sixty (60) days of the termination of this License Agreement, FranklinCovey shall return to CL all merchantable Course materials, and Workbooks and shall destroy all other Licensed Materials except for Books and Sequels. FranklinCovey shall have the right to set off against the final Payment its fully allocated costs of acquiring the Workbooks, and merchantable Course Materials ("*Termination Setoffs*"), provided that FranklinCovey shall describe its calculations in reasonable detail.

(d) Within thirty (30) days after the termination of this License Agreement, FranklinCovey shall deliver to CL a written inventory of its Books and Sequels ("*Termination Inventory*"). CL shall have the option, exercisable within ten (10) days after receipt of the written inventory to purchase all or any portion of the items in the inventory for a purchase price equal to FranklinCovey's fully allocated cost, which shall be set forth on the written inventory. FranklinCovey shall deliver to CL the items of Termination Inventory to be purchased, within five (5) days after receipt of notice from CL exercising its option to purchase. If CL purchases any Termination Inventory, no payment shall be made to FranklinCovey and the purchase price for the Termination Inventory shall be included in Termination Setoffs.

(e) During the six (6) month period following the expiration or exercise of CL's option to purchase Termination Inventory, FranklinCovey shall have the right to distribute and sell any remaining Termination Inventory in a commercially reasonable manner.

(f) Upon termination of this Agreement, except for FC Derivative Works, each party may continue to use its own intellectual property, including the portion each party contributed to all derivative works created pursuant to this Agreement.

18. Remedies. The parties agree that money damages may not be an adequate remedy for any breach of the provisions of this License Agreement and that any party may, in its discretion, apply to any court of law or equity of competent jurisdiction for specific performance and injunctive relief in order to enforce or prevent any violations this License Agreement, and any party against whom such proceeding is brought hereby waives the claim or defense that such party has an adequate remedy at law and agrees not to raise the defense that the other party has

an adequate remedy at law. The rights and remedies of the parties to this License Agreement are cumulative and not alternative.

19. Miscellaneous.

19.1. Notices. All notices under this License Agreement are completed upon mailing, if mailed by registered or certified mail, postage prepaid or by confirmed receipt facsimile transmission, with proof of receipt. The addresses of the parties, unless subsequently changed by written notice to the other, are as given hereunder.

If to FranklinCovey:
Franklin Covey Co.
2200 West Parkway Blvd.
Salt Lake City, Utah 84119
Attn: Robert A. Whitman
Fax: (801) 817-8069

With a copy to (which shall not constitute notice):

Nolan S. Taylor, Esq.
Dorsey & Whitney LLP
136 South Main Street, Suite 1000
Salt Lake City, Utah 84101
Fax: (801) 933-7373

If to CL:
Covey/Link, LLC
175 West Canyon Crest Road
Alpine, Utah 84004
Attn: Greg Link
Fax: (801) 880-7744

If to Stephen M. R. Covey:
175 West Canyon Crest Road
Alpine, Utah 84004
Fax: (801) 880-7744

If to Greg Link:
175 West Canyon Crest Road
Alpine, Utah 84004
Fax: (801) 880-7744

With a copy to (which shall not constitute notice):

Richard L. Hill
Hill, Johnson & Schmutz, L.C.
RiverView Plaza, Suite 300
4844 North 300 West
Provo, Utah 84604
Fax: (801) 375-3865

19.2. Survival. The provisions of Sections 3.5, 4.1, 4.2, 7.2, 14, 15, 16, 17, 18, and 19, and all defined terms, shall survive termination of this License Agreement.

19.3. Independent Entities. The parties are independent contractors and not partners, joint venturers, or otherwise affiliated. FranklinCovey and CL are independent entities engaged in independent businesses. Each shall bear all the costs and expenses incurred in the performance of their respective duties under this License Agreement. Neither FranklinCovey nor CL, nor any agent or employee of either, is an agent or employee of the other, nor shall anything contained herein be deemed to create a partnership or joint venture between the parties. Neither party has the right to control the other, except as expressly provided in this License Agreement and any Consulting Agreement. Neither party to this License Agreement has the right or authority to make any promise or representation or to assume or incur any liability or other obligation against or on the behalf of the other.

19.4. Complete Agreement, Amendment. This License Agreement expressly amends and restates the Original Agreement. This License Agreement and the Contemporaneous Agreements are the complete and exclusive statement of the agreement by and among CL, Covey, Link and FranklinCovey and together they supersede all proposals or prior or contemporaneous agreements and understandings, whether oral or written, and all other communications relating to the specific subject matters of this License Agreement and the Contemporaneous Agreements. This License Agreement may only be amended, or any provision herein waived, by written instrument executed by each party. No waiver of any provision hereof shall constitute a waiver of any other provision, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. The invalidity or unenforceability of any provision of this License Agreement shall not affect the validity or enforceability of any other provision of this License Agreement.

19.5. Captions. The captions of the various sections and subsections of this License Agreement are for the convenience of reference only and are not binding provisions of this License Agreement, nor shall they have any limiting effect or interpretive weight hereunder.

19.6. Assignment. FranklinCovey may assign this License to (a) any entity it controls or which controls or is under common control with FranklinCovey now or in the future, or (b) any entity that acquires all of or substantially all of its capital stock or its assets, whether through purchase, merger, consolidation or otherwise. Except as allowed by the foregoing sentence, this License is personal and specific to FranklinCovey and shall not be transferred or assigned by FranklinCovey except upon the express prior written consent of CL. CL shall not transfer or assign this License except upon the express prior written consent of FranklinCovey. Any such attempt to transfer or assign this License in violation of this Section 19.6 shall be null and void. This License will be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

19.7. Applicable Law and Forum. This License Agreement shall be governed by and construed in accordance with the applicable federal laws of the United States and with Utah law, without regard to Utah's rules regarding conflicts of law. Each of the parties consents to the jurisdiction of the courts located in the State of Utah with respect to all matters relating to this License Agreement.

19.8. Prevailing Party Recovery. Except as provided in Section 9.5(b), if a party brings an action in any court of law to enforce any of the terms of this License Agreement, the prevailing party shall be entitled to recover its attorney's fees, costs and expenses incurred in connection with such action in addition to any other or further relief awarded by the court.

19.9. Signatures, Counterparts. This License Agreement may be executed in one or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same instrument. A facsimile signature will be considered an original signature.

[*signature page follows*]

IN WITNESS WHEREOF, the parties have signed and entered into the Agreement as of the Effective Date.

FRANKLIN COVEY CO.	**COVEY/LINK, LLC**
/s/ Robert A. Whitman	/s/ Stephen M.R. Covey
Robert A. Whitman	Stephen M. R. Covey
President	Its Manager
STEPHEN M. R. COVEY	**GREG LINK**
/s/ Stephen M.R. Covey	/s/ Greg Link
Stephen M.R. Covey	Greg Link

[*Signature Page to Amended and Restated License Agreement*]

EXHIBIT A

DEFINED TERMS

"2006 Courses" means the Courses based on the Book and listed on Exhibit B.

"2006 Licensed Materials" means the Book and all rights thereto, including its Audio Rights and the right to create Workbooks, the 2006 Courses, the 2006 Workbooks and any derivative work based on the foregoing, including, without limitation, the 2006 Courses as constituted on the Effective Date.

"2006 Workbooks" means any Workbook based on the Book and in existence as of the Effective Date.

"Audio Rights" means all rights to create, use and perform an audio version of a book in any media, including without limitation through a website.

"Best Efforts" has the meaning set forth in Section 10.1.

"CL" has the meaning set forth in the first paragraph of this License Agreement.

"CL Copyrights" means the copyrighted materials relating to the Licensed Materials and listed on Exhibit D.

"CL Derivative Work" means derivative works that are based solely on the Licensed Materials, whether created by CL, Covey, Link or FranklinCovey.

"CL Intellectual Property" has the meaning set forth in Section 4.1.

"CL Material Breach" has the meaning set forth in Section 17.3.

"CL Trademarks" means registered and unregistered trademarks relating to the Licensed Materials and listed on Exhibit C and any New Trademark.

"CL Websites" means the websites registered to CL and located at the domain names www.speedoftrust.com and www.coveylink.com along with all related web pages under the control of CL.

"CL Website Content" means the content, records and data available on the CL Websites.

"CL Worldwide" has the meaning set forth in the Recitals.

"Competitor" means those entities listed on Exhibit E and any successor to such entities.

"Contemporaneous Agreements" means the Purchase Agreement, the Speaking Agreements, and the Practice Leader Consulting Agreements.

“Courses” means all Workbooks, CL Website Content and other assessments, profiles, slides, posters, audios, videos and other materials created by Covey, Link or CL and based on the Book or a Sequel.

“Covey” has the meaning in set forth in the first paragraph.

“Derivatives Gross Revenue” has the meaning set forth in Section 8.1.

“Disclosing Party” has the meaning set forth in Section 15.1.

“Dispute Notice” has the meaning set forth in Section 17.2(b).

“Effective Date” has the meaning set forth in the first paragraph of this License Agreement.

“Extended Restricted Period” has the meaning set forth in the Practice Leader Consulting Agreements.

“FC Client Sales” has the meaning set forth in the Recitals.

“FC Derivative Work” means derivative works based in part on the Licensed Materials and in part on FranklinCovey Intellectual Property, whether created by CL, Covey, Link or FranklinCovey directly or through third parties.

“FC Products, LLC” has the meaning set forth in Section 3.6.

“FranklinCovey” has the meaning set forth in the first paragraph of this License Agreement.

“FranklinCovey Entities” means FranklinCovey and its wholly owned subsidiaries.

“FranklinCovey Gross Revenue” has the meaning set forth in Section 8.1.

“FranklinCovey Intellectual Property” has the meaning set forth in Section 4.2.

“FranklinCovey Material Breach” has the meaning set forth in Section 17.2(b).

“International Licensee” means all independent entities outside the United States, excluding direct offices, which have a current right to offer training services under licenses from FranklinCovey or its affiliates, as set forth on Exhibit F.

“International Licensee Gross Revenues” has the meaning set forth in Section 8.1.

“Initial Negotiation Period” has the meaning set forth in Section 12.1.

“Licensed Materials” means the 2006 Licensed Materials, the CL Trademarks, the CL Copyrights, the CL Website Content, any Sequel and any derivative works based on the Sequel, including for purposes of clarity, Courses and Workbooks, CL Derivative Works and FC Derivative Works.

“Link” has the meaning set forth in the first paragraph.

“Negotiation Period” has the meaning set forth in Section 12.1.

“New Book” means any book written by Covey or Link after the Effective Date that is not a Sequel.

“New Course” means any new course, training program, product, service, seminar, webinar or similar offering that is not a derivative work of the Courses, the Book or any Sequel.

“New License” has the meaning set forth in Section 12.1.

“New License Notice” has the meaning set forth in Section 12.1.

“New Trademark” has the meaning set forth in Section 5.4.

“New Work” means any New Book and/or any New Course.

“Notice of Intent” has the meaning set forth in Section 5.4.

“Option” has the meaning set forth in Section 13.1.

“Option Payment” has the meaning set forth in Section 13.3.

“Original Agreement” has the meaning set forth in Section 2.1.

“Payments” has the meaning set forth in Section 9.1.

“Practice” has the meaning set forth in the Practice Leader Consulting Agreements.

“Practice Leader Consulting Agreements” has the meaning set forth in the Recitals.

“Proposal” has the meaning set forth in Section 4.3.

“Proposed FC Derivative Work” has the meaning set forth in Section 4.3.

“Publishing Agreement” has the meaning set forth in Section 3.1.

“Purchase Agreement” has the meaning set forth in the Recitals.

“Receiving Party” has the meaning set forth in Section 15.1.

“Response to Notice” has the meaning set forth in Section 5.4.

“Royalty” has the meaning set forth in Section 8.1.

“Rules” has the meaning set forth in Section 9.5(b)(i).

“Sequel” means an e-book or a book in printed form that substantially incorporates the concepts of the Book and that uses a derivation of the words “Speed of Trust” in its title or subtitle.

“Speaking Agreements” has the meaning set forth in the Recitals.

“Termination Inventory” has the meaning set forth in Section 17.5.

“Termination Setoffs” has the meaning set forth in Section 17.5.

“Third Party Agreement” has the meaning set forth in Section 12.2.

“Website Protocols” has the meaning set forth in Section 7.1 and are set forth on Exhibit G, as amended from time to time by mutual agreement of the parties.

“Workbook” means any bound or unbound set of materials that is organized around the Book or a Sequel and is intended as a teaching tool in a Course or other training-oriented setting.

EXHIBIT B

2006 COURSES

Course titles:

“The Speed of Trust”
“Leading at the Speed of Trust”
“Leading at the Speed of Trust – Individual Contributor Kit”
“Working at the Speed of Trust”
“Selling at The Speed of Trust”
“Inspiring Trust”

EXHIBIT C

CL TRADEMARKS

CL Trademarks are all trademarks covered by US and foreign trademark laws associated with the 2006 Courses, including the following federal trademark applications and registrations and foreign trademark registrations:

US Trademark Registrations:

2,984,853	class 41	Reg. Aug 16, 2005	THE SPEED OF TRUST
3,087,015	class 16	Reg. May 2, 2006	THE SPEED OF TRUST
3,209,914	class 41	Reg. Feb 20, 2007	Ripple logo

US Trademark Applications:

77/447,459	class 9	Filed Apr. 14, 2008	THE SPEED OF TRUST
77/567,575	class 35	Filed Sep. 11, 2008	THE SPEED OF TRUST

Foreign Trademark Registrations:

Japan – 4,986,064	class 16	Reg. Sep 8, 2006	THE SPEED OF TRUST
Europe – 004650181	classes 16, 35, 41	Reg. Sep 20, 2005	THE SPEED OF TRUST

EXHIBIT D

CL COPYRIGHTS

CL Copyrights are all works covered by the US and foreign copyright laws associated with the 2006 Courses, including course materials, marketing materials and sales materials.

EXHIBIT E

COMPETITORS

Vital Smarts

The Ken Blanchard Companies

The Center for Creative Leadership

True North

Gallup

Inside-Out

Character Counts

Tom Peters

Achieve Global

DDI

Center for Creative Link

AMA

Colleges, Universities executive training programs

EXHIBIT F

INTERNATIONAL LICENSEES

LFCA, SA
DOOR Nederland B.V.
Martha Kirkland
Chromart, S.R.L.
Franklin Covey Brazil, Ltda.
FCPL Ltd.
Leadership Technologies Latin America, Inc.
CLC Columbia
Covey Leadership Center
Egyptian Leadership Training Center
CEGOS (France)
Leadership Institut GmbH
DMS Hellas Group S.A.
Leadership Knowledge Consulting Private Limited
P.T. Dunamis Intermaster
Momentum Training Ltd.
CEGOS (Italy)
Korea Leadership Center
Starmanship & Associate
360 Acumen Group F2, LLC
Leadership Resources (Malaysia) Sdn. Bhd.
Leadership Technologies Latin America, Inc.
Fola Adeola
Nordic Approach Finance APS
Leadership Technologies, Inc.
Center for Leadership and Change, Inc.
CEGOS (Portugal)
Advantage Management International Puerto Rico, Inc.
Retiro Holdings Limited
Leadership Skills Development Company d/b/a Qiyaada Consultants
Covey Leadership Center (S) Pte Ltd.
FCSA Organisation Services (Pty) Ltd.
CEGOS (Spain)
PacRim Leadership Center Co., Ltd.
BilgiLink Ltd.
Covey Leadership Centre Limited
Leadership Resources (Malaysia) sdn. Bhd.

EXHIBIT G

WEBSITE PROTOCOLS

To be agreed upon by the parties.

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Robert A. Whitman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Franklin Covey Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 9, 2009

/s/ Robert A. Whitman
Robert A. Whitman
Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Stephen D. Young, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Franklin Covey Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 9, 2009

/s/ Stephen D. Young
Stephen D. Young
Chief Financial Officer

Exhibit 32

CERTIFICATION

In connection with the quarterly report of Franklin Covey Co. (the "Company") on Form 10-Q for the quarterly period ended February 28, 2009, as filed with the Securities and Exchange Commission (the "Report"), we, Robert A. Whitman, Chairman and Chief Executive Officer of the Company, and Stephen D. Young, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of our knowledge:

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

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

/s/ Robert A. Whitman
Robert A. Whitman
Chief Executive Officer
Date: April 9, 2009

/s/ Stephen D. Young
Stephen D. Young
Chief Financial Officer
Date: April 9, 2009