SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)

Franklin Covey Co.

(Name of Issuer)

Common Stock, Par Value, $.05 Per Share

(Title of Class of Securities)

353469109

(CUSIP Number)

Daniel A. Decker
Knowledge Capital Investment Group
4200 Chase Tower West
2200 Ross Avenue
Dallas, Texas 75201
(214) 220-4900

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

June 2, 1999

(Date of Event Which Requires Filing of This Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box |_|.

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7(b) for other parties to whom copies are to be sent.

(Continued on following pages)

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(1) The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Knowledge Capital Investment Group
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) |_| (b) |_|
3	SEC USE ONLY

4	SOURCE OF FUNDS*	
	WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e)	|_|
6	CITIZENSHIP OR PLACE OF ORGANIZATION	
	Texas	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7 SOLE VOTING POWER	
	5,357,143*	
	8 SHARED VOTING POWER	
	None	
	9 SOLE DISPOSITIVE POWER	
	5,357,143*	
	10 SHARED DISPOSITIVE POWER	
	None	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	
	5,357,143*	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*	|_|
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)	
	20.8%	
14	TYPE OF REPORTING PERSON*	
	PN	

* Represents shares of Common Stock issuable upon conversion of Series A Convertible Preferred Stock.

*SEE INSTRUCTIONS BEFORE FILLING OUT!

Item 1. Security and Issuer.

This Statement on Schedule 13D (this "Statement") relates to the common stock, par value $0.05 per share (the "Common Stock"), of Franklin Covey Co., a Utah corporation (the "Company"). The principal executive offices of the Company are located at 2200 West Parkway Boulevard, Salt Lake City, Utah 84119.

Item 2. Identity and Background.

This Statement is being filed by Knowledge Capital Investment Group (the "Reporting Person"). The address and principal office of the Reporting Person is 4200 Chase Tower West, 2200 Ross Avenue, Dallas, Texas 75201.

The Reporting Person is a newly formed general partnership. Inspiration Investments Partners II, L.P. ("Inspiration II") and Inspiration Investments III, L.P. ("Inspiration III") are the sole partners of the Reporting Person. Inspiration II and Inspiration III are, and their principal businesses are to act as, the sole partners of the Reporting Person, with Inspiration III acting as the manager. The address and principal office of each of Inspiration II and Inspiration III is the same as the address of the Reporting Person.

Inspiration II and Inspiration III are limited partnerships formed for the purposes of the investment in the Company by the Reporting Person. The entities were formed in connection with investment programs sponsored by The Hampstead Group L.L.C., a private investment firm ("Hampstead"). Hampstead invests capital of Hampstead-related entities and certain institutional investors, which act solely as passive limited partner investors in Hampstead-sponsored investments. The address and principal office of Hampstead is the same as the Reporting Person.

Additional information about the organizational structure of the Reporting Person is attached hereto as Schedule I and is incorporated herein by this reference.

Neither the Reporting Person nor, to its knowledge, any of the other persons referred to in this Item 1 and Schedule I has, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction.

Robert A. Whitman, a principal of Hampstead, is a member of the Board of Directors of the Company (the "Board") and the Reporting Person has the right and intends to designate Donald J. McNamara, who is also a principal of Hampstead, and Brian A. Krisak, an employee of Hampstead, for election to the Board.

Item 3. Source and Amount of Funds or Other Consideration.

On June 2, 1999, the Company issued 750,000 shares of Series A Preferred Stock (the "Series A Preferred") of the Company to the Reporting Person for an aggregate purchase price of $75 million. The Series A Preferred is convertible into Common Stock of the Company at any time at a conversion price of $14.00 per share of Common Stock. The source of funds for the Reporting Person's purchase of Series A Preferred pursuant to the Stock Purchase Agreement was the Reporting Person's working capital, which was derived from capital contributions from its partners.

Item 4. Purpose of Transaction.

The responses to Items 3, 5 and 6 are incorporated herein by this reference.

The Reporting Person acquired the Series A Preferred for investment purposes.

In connection with the Reporting Person's investment, the Company agreed, subject to certain limitations, to use its best efforts to cause up to three designees of the Reporting Person to be elected to the Board, one of whom will be the Chairman of the Board. One of the Reporting Person's designees is Robert A. Whitman, a Hampstead principal and a Director of the Company prior to the Reporting Person's investment, who was named Chairman of the Board of the Company on June 2, 1999 in connection with the investment. The Reporting Person also presently intends to designate for election to the Board Donald J. McNamara, who is also a principal of Hampstead, and Brian A. Krisak, an employee of Hampstead.

The terms of the Series A Preferred and Stockholders Agreement between the Reporting Person and the Company contain various terms and covenants applicable to the relationship of the Reporting Person and the Company, including that (i) approval by an 80% Board vote is required for incurrence of indebtedness, and major divestitures and acquisitions by the Company unless certain financial tests are met, (ii) the affirmative vote of holders of a majority of Series A Preferred or an 80% Board vote is required to approve the payment of any dividends on common or other junior stock in excess of 10% of the Company's net income for the latest 12 months, and (iii) the holders of Series A Preferred would be entitled to elect two directors to the Board if the Company defaults Series A Preferred dividends for six quarters (any such directors so elected will, however, reduce the number of directors the Reporting Person is entitled to designate for election as described above). Series A Preferred dividends accrue at an annual rate of 10% and are payable at the Board's option in Series A Preferred until July 1, 2002.

The Stockholders Agreement further provides that (i) the Reporting Person's designees serving on the Board will not be entitled to receive Board fees at any time when the Reporting Person is paid monitoring fees (see Item 6 below) and (ii) subject to certain exceptions, (a) the Reporting Person may not acquire more than 25% of the total voting power of the Company unless the acquisition is approved by the members of the Board who are not designees of the Reporting Person, and (b) until June 2, 2002, the Company has a right of first offer on non-registered sales by the Reporting Person to a third party of Series A Preferred or Common Stock into which it is converted (other than to qualified institutional investors or affiliates of the Reporting Person). The foregoing description of the Series A Preferred terms and Stockholders Agreement is qualified in its

entirety by reference to the Series A Preferred terms and Stockholders Agreement, the full text of which is incorporated herein by reference to Exhibits 1 and 2, respectively, attached hereto.

Item 5. Interest in Securities of the Issuer.

(a) This Statement relates to 5,357,143 shares of Common Stock, representing 20.8% of the issued and outstanding shares of Common Stock, which the Reporting Person has the right to acquire at any time upon conversion of 750,000 shares of Series A Preferred.

(b) The Reporting Person has the sole power to vote and dispose of 750,000 shares of Series A Preferred and the Common Stock into which it is convertible.

(c) Not applicable.

(d) Not applicable.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

The responses to Items 3, 4 and 5 are incorporated hereunder by reference, including in particular the descriptions of the Series A Preferred terms and the Stockholders Agreement (copies of which are filed as Exhibits 1 and 2 hereto, respectively, and incorporated herein by this reference). In addition, in connection with the investment herein described, the Company and the Reporting Person entered into a registration rights agreement and a monitoring agreement (a copy of which is filed as Exhibits 3 and 4 hereto, respectively, and incorporated herein by this reference).

Under the monitoring agreement, Hampstead Interests, L.P. ("HI"), an affiliate of the Reporting Person, has agreed to provide certain services to the Company in order to assist the Company with the development of its strategic plan, including acquisitions, divestitures, new development and financial matters, for a fee of $100,000 per quarter.

The Reporting Person understands that the Company intends to offer to its existing stockholders the opportunity to purchase up to $75 million of convertible preferred stock having the same terms as the Series A Preferred purchased by the Reporting Person. The Reporting Person is not entitled to participate in this rights offering.

Item 7. Material to be Filed as Exhibits.

(1) Stock Purchase Agreement, dated as of May 11, 1999.
(2) Articles of Amendment to Articles of Incorporation of Franklin Covey Co. containing Certificate of Designation of Series A Preferred Stock, dated as of June 2, 1999.
(3) Stockholders Agreement, dated as of June 2, 1999.
(4) Registration Rights Agreement, dated as of June 2, 1999.
(5) Monitoring Agreement, dated as of June 2, 1999.

SCHEDULE I

Inspiration I and Inspiration II are the sole partners in the Reporting Person. The general partners of Inspiration II and Inspiration III are Inspiration Investments GenPar II, L.P. ("GenPar II") and Inspiration Investments GenPar III, L.P. ("GenPar III"), respectively. GenPar II was formed to acquire and hold equity interests in Inspiration II. GenPar III was formed to acquire and hold equity interests in Inspiration III. The address and principal office of each of GenPar II and GenPar III is the same as the address of the Reporting Person.

HH GenPar Partners ("HH GP") is, and its principal business is to act as, the managing general partner of various partnerships, including GenPar II and GenPar III. Hampstead Associates, Inc. ("Associates") is, and its principal business is to act as, the managing general partner HH GP. The other partners of HH GP are RAW GenPar, Inc., a Texas corporation ("RAW GP"), and InMed, Inc. (d/b/a InCap, Inc.), a Texas corporation ("InMed"). The principal business of each of RAW GP and InMed is to invest in HH GP. The principal place of business of each of HH GP, Associates, RAW GP and InMed is the same as that of the Reporting Person.

Mr. McNamara is the sole shareholder, sole director, Chairman of the Board and Co-Chief Executive Officer of Associates. Mr. Whitman is the President and Chief Executive Officer of Associates. Mr. Decker is Executive Vice President and Assistant Secretary of Associates. Richard M. FitzPatrick is the Vice President, Secretary and Treasurer of Associates.

Mr. Whitman is the sole shareholder, sole director, President and Treasurer of RAW GP. Sonya Crowder is the Secretary of RAW GP, and Mr. FitzPatrick is the Assistant Secretary of RAW GP.

Mr. Decker is the sole shareholder, sole director, President and Chairman of the Board of InMed. Christi McCalla is the Secretary of InMed, and Mr. FitzPatrick is the Assistant Secretary and Treasurer of InMed.

Each of Messrs. McNamara, Whitman and Decker (collectively, the "Hampstead Principals") is a principal of Hampstead and their business address is the same as that of the Reporting Person.

Entities owned by the Hampstead Principals invested an aggregate 3% in the initial capital required for the investment by the Reporting Person in the Company described in the accompanying Statement. While the Hampstead Principals may be deemed indirectly to control the Reporting Person, none of the Hampstead Principals individually controls the Reporting Person. Each of the Hampstead Principals disclaims beneficial ownership of any common stock of the Reporting Person.

SIGNATURES

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Date: June 14, 1999

KNOWLEDGE CAPITAL INVESTMENT GROUP

By: Inspiration Investments Partners III, L.P.
Its Manager

By: Inspiration Investments GenPar III, L.P.
Its General Partner

By: Hampstead Associates, Inc.
Its Managing General Partner

By: /s/ Daniel A. Decker

Name: Daniel A. Decker
Title: Executive Vice President

EXHIBIT INDEX

No.	Description
(1)	Stock Purchase Agreement, dated as of May 11, 1999.
(2)	Articles of Amendment to Articles of Incorporation of Franklin Covey Co. containing Certificate of Designation of Series A Preferred Stock, dated as of June 2, 1999.
(3)	Stockholders Agreement, dated as of June 2, 1999.
(4)	Registration Rights Agreement, dated as of June 2, 1999.
(5)	Monitoring Agreement, dated as of June 2, 1999.

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of May 11, 1999, between Knowledge Capital Investment Group, a Texas general partnership (the "Purchaser"), and Franklin Covey Co., a Utah corporation (the "Company").

I. SHARE PURCHASE

1.1. Share Purchase. (a) The Company has authorized the issuance and sale to Purchaser hereunder of 750,000 newly issued shares of Series A Convertible Preferred Stock, having the designations, voting powers, preferences and relative, participating, optional and other special rights, qualifications, limitations and restrictions thereof as are set forth in the Certificate of Designations attached hereto as Exhibit A (the "Series A Preferred" and such shares, the "Shares").

(b) On the terms and subject to the conditions hereinafter set forth, at the Closing, the Company will issue and sell to Purchaser, and Purchaser will purchase from the Company, the Shares for an aggregate price of $75 million (the "Purchase Price").

1.2. Purchase Price. The Purchase Price will be payable on the terms and subject to the conditions hereof in cash by bank wire transfer of immediately available funds to an account of the Company designated by the Company by written notice to Purchaser at least three business days prior to the Closing Date.

1.3. Closing. The closing of the purchase and sale of the Shares (the "Closing") will take place at the offices of Jones, Day, Reavis & Pogue, 599 Lexington Avenue, New York, New York at 10:00 a.m. local time on May 28, 1999 or such other date to which the parties may agree; provided, that all conditions set forth in Article V are satisfied or waived at Closing. (The date on which the Closing occurs is the "Closing Date".)

1.4. Closing Deliveries. (a) At or prior to the Closing, Purchaser will deliver to the Company:

(i) the Purchase Price, in accordance with Section 1.2;

(ii) a certificate executed by an authorized signatory of an officer of a partner of Purchaser ("Purchaser's Manager") certifying that the conditions set forth in Section 5.1(a) have been satisfied;

(iii) a Stockholders Agreement in the form attached hereto as Exhibit B (the "Stockholders Agreement"), duly executed by Purchaser;

(iv) a Registration Rights Agreement in the form attached hereto as Exhibit C (the "Registration Rights Agreement"), duly executed by the Company;

(v) a Monitoring Agreement in the form attached hereto as Exhibit D (the "Monitoring Agreement"); and

(vi) the legal opinion of JDR&P, addressed to the Company and dated as of the Closing Date, generally as to the matters covered by Sections 3.1 and 3.2.

(b) At or prior to the Closing, the Company will deliver to Purchaser:

(i) such number of validly issued stock certificates evidencing the Shares as Purchaser requests at least two business days before the Closing;

(ii) a certificate executed by each of the Chief Executive Officer and Chief Financial Officer of the Company certifying that the conditions set forth in Section 5.2(a) have been satisfied;

(iii) the Stockholders Agreement duly executed by the Company;

(iv) the Registration Rights Agreement duly executed by the Company;

(v) the Monitoring Agreement duly executed by the Company; and

(vi) the legal opinion of Parr Waddoups Brown Gee & Loveless, P.C., counsel to the Company, addressed to Purchaser and dated as of the Closing Date, in form and substance reasonably satisfactory to Purchaser.

(c) At or prior to the Closing, the Company and Purchaser will deliver to each other such other documents and instruments required to be delivered by them pursuant to Article V.

II. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company acknowledges that Purchaser was induced to enter into, and entered into, this Agreement relying upon the representations, warranties and covenants of the Company set forth in this Agreement. Accordingly, the Company represents and warrants to Purchaser that, except as expressly set forth in the Company's filings with the Securities and Exchange Commission (the "SEC") made during the period between January 1, 1999 and the Measurement Date (the "Company Filed SEC Documents"):

2.1. Organization. (a) The Company and each of its Subsidiaries (which for the purposes of this Agreement will include any and all corporations, partnerships or other legal entities in which the Company or one or more of its other Subsidiaries has the power to (i) elect a majority of the board of directors or similar governing body or (ii) otherwise direct the management and operations thereof, including without limitation limited partnerships in which the Company or other Subsidiaries are general partners): (A) is a corporation or other legal entity duly organized or formed, validly existing and in good standing or otherwise authorized to transact business under the laws of the jurisdiction of its organization, (B) has the requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and (C) is duly qualified or licensed and in good standing or otherwise authorized to transact business in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or license necessary, except in each case to the extent that (1) any Subsidiary's failure to be so organized, existing, in good standing or otherwise authorized or qualified or (2) the Company's or any Subsidiary's failure to be so licensed could not have a Material Adverse Effect. For purposes of this Agreement,

the term "Material Adverse Effect" means the existence or occurrence of any event or circumstance which, alone or together with like events and circumstances, could have a material adverse effect on (x) the business, condition (financial or otherwise), results of operations or prospects of the Company and its Subsidiaries, taken as a whole, (y) the ability of the Company or any Subsidiary freely and without liability or material delay to perform its obligations under this Agreement and the other documents contemplated hereby (collectively, the "Related Agreements") or any Material Contract, or (z) the validity or enforceability of any of the documents referred to in the immediately proceeding clause (y) or the rights or remedies of Purchaser hereunder or thereunder.

(b) Schedule 2.1(b) sets forth a true and correct list of all of the Subsidiaries, their jurisdictions of organization or formation, the percentage or other interests owned (directly or indirectly) by the Company and the owners of all other capital stock or equity interests therein.

(c) True and complete copies of the Articles of Incorporation and Bylaws of the Company currently in effect, including all amendments and modifications thereto have been made available to Purchaser.

2.2. Capitalization. (a) The authorized capital stock of the Company consists of 40,000,000 shares of common stock, par value $0.05 per share ("Common Stock"), and 4,000,000 shares of preferred stock, no par value (the "Preferred Stock"). As of May 10, 1999 (the "Measurement Date"), (i) 20,350,385 shares of Common Stock were issued and outstanding, (ii) no series of Preferred Stock has been designated and no shares of Preferred Stock were issued and outstanding, (iii) 6,705,510 shares of Common Stock were held by the Company in treasury, all of which have been listed for trading on the New York Stock Exchange, (iv) 4,947,377 shares of Common Stock were reserved for issuance under the Amended and Restated 1992 Stock Incentive Plan, as amended (the "Stock Incentive Plan"), and (v) no shares of Common Stock were reserved for issuance under the Amended and Restated 1992 Employee Stock Purchase Plan. Except as set forth in the preceding sentences of this Section 2.2, there are no shares of capital stock of the Company authorized, issued or outstanding.

(b) Except for the obligations of the Company arising under (i) options granted under the Stock Incentive Plan and described in the Company Filed SEC Documents (the "Existing Stock

Options") (which will be specifically listed on a Schedule to be delivered as promptly as practicable after the date hereof, which Schedule will list the aggregate number of shares of capital stock subject thereto and the range of strike prices therefor), and (ii) this Agreement, there are no outstanding subscriptions, options, warrants, rights, convertible securities or any other agreements, arrangements or commitments of any character relating to the issued or unissued capital stock or other securities of the Company or any Subsidiary obligating the Company or any Subsidiary to (A) issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock of the Company or any Subsidiary, (B) grant, extend or enter into any subscription, option, warrant, right, convertible security or other similar agreement or commitment, or (C) make payment of money or incurrence of indebtedness based upon market prices of the Company's securities or changes in the Company's capitalization.

2.3. Validity of Shares. Each of the Shares and the Common Stock issuable upon conversion of the Shares have been duly authorized for issuance and, when issued to Purchaser for the consideration set forth herein and as otherwise provided herein, will be duly and validly issued, fully paid, non-assessable and free of preemptive rights, with no personal liability attaching to the ownership thereof, and the terms thereof will be as set forth in Exhibit A. At the Closing and upon conversion of the Shares pursuant to their terms, from time to time, as the case may be, Purchaser will acquire good and valid title to the relevant Shares and Common Stock issuable upon their conversion, in each case free and clear of any and all liens, claims, charges, encumbrances, restrictions on voting or alienation or otherwise, or adverse interests (collectively, "Encumbrances").

2.4. Authority; Binding Effect; Etc. (a) The Company has the requisite corporate power and authority to execute and deliver this Agreement and the Related Documents (collectively, the "Transaction Documents"), to perform its obligations and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by the Company of the Transaction Documents, the performance by the Company of its obligations thereunder and the consummation by the Company of the transactions contemplated thereby have been duly and validly authorized by the Board of Directors of the Company (the "Board"), and no other corporate authorizations, approvals or proceedings are required in connection with such execution,

delivery, performance or consummation under the Company's Articles of Incorporation, Bylaws, any agreement or instrument to which the Company is a party or any law, rule, regulation or requirement to which the Company is subject. The Transaction Documents have been or will be duly and validly executed and delivered by the Company, and each of the Transaction Documents constitutes or will constitute valid and binding agreement of the Company, enforceable against the Company in accordance with its respective terms.

(b) The Board has taken all actions necessary to approve each of the Transaction Documents and the transactions contemplated thereby and, accordingly, neither the transactions contemplated thereby nor any subsequent transactions involving Purchaser not contemplated thereby are subject to Section 61-6-10 of the Utah Code (the "UC") and no vote of stockholders of the Company is required under any law, rule, regulation or requirement of the SEC, any national securities exchange or any other governmental agency or instrumentality in connection with the authorization, execution, delivery or performance of this Agreement by the Company.

2.5. SEC Filings. (a) Except as otherwise described on Schedule 2.5(a), the Company and each of its Subsidiaries have filed all required forms, reports and documents with the SEC since January 1, 1996, including without limitation all exhibits thereto (collectively, the "SEC Documents"), each of which complied in all material respects with all applicable requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the dates so filed. None of the SEC Documents (as of their respective filing dates) contained or as of the Closing will contain any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(b) Except as described on Schedule 2.5(b), the audited and unaudited consolidated financial statements, together with notes thereto, of the Company and its Subsidiaries included (or incorporated by reference) in the SEC Documents present fairly, in all material aspects, the financial position of the Company and its consolidated Subsidiaries as of the date thereof and the results of their operations for the periods then ended. Except as described on Schedule 2.5(b), all audited

financial statements referred to above have been prepared in accordance with generally accepted accounting principles applied on a consistent basis ("GAAP") for year-end financial information and with the instructions to Form 10-K and Regulation S-X, and all unaudited financial statements referred to above have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, except as described on Schedule 2.5(b), while such unaudited financial statements do not include all the information and footnotes required by GAAP for complete financial statements, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Neither the Company nor any of its Subsidiaries has any liabilities or obligations, fixed or contingent, not reflected in such financial statements, except for (i) liabilities and obligations which in the aggregate are not material and have been incurred in the ordinary course of business since August 31, 1998 and (ii) liabilities and obligations specifically listed and described in reasonable detail on Schedule 2.5(b).

(c) No representation or warranty made by the Company in this Agreement or to be made in the other documents contemplated hereby, no statement contained in any written financial or operating data furnished or to be furnished by or on behalf of the Company to Purchaser in connection with the transactions contemplated hereby and thereby (including without limitation the unaudited interim financial statements, consolidated or otherwise, of the Company delivered to Purchaser, but excluding any financial forecasts or projections) contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary to make the statements herein or therein, in light of the circumstances under which they were or will be made, not misleading, or necessary in order fully to provide the information required or purported to be provided therein.

2.6. Absence of Certain Changes, Etc. (a) Except as disclosed on Schedule 2.6(a) or in Company Filed SEC Documents, since August 31, 1998, neither the Company nor any of its Subsidiaries has entered into any binding oral or written contract, agreement, arrangement or understanding that is material to its business (other than the Transaction Documents and the transactions contemplated thereby) (each, a "Material Contract") or any material transaction, or conducted its business and operations other than in the ordinary course of business

consistent with past practice, and no Material Adverse Effect has occurred or been suffered since such date.

(b) Except (i) as disclosed in Company Filed SEC Documents, (ii) for compensation and benefits paid or payable to officers, directors and employees described (to the extent required) in the SEC Documents (or, if subsequent thereto, not materially different than the compensation and benefits so described), or (iii) as listed and described on Schedule 2.6(b), since August 31, 1998, the Company and its Subsidiaries have not entered into any transaction, or made any payment to or for the benefit of, directly or indirectly, any officer, director or shareholder of the Company or any Subsidiary, or any Affiliate, Associate or relative of any of the foregoing, or made or entered into any transaction or agreement that would be required to be described on Schedule 2.6(b) pursuant to Rules 401, 402 or 404 of the SEC's Regulation S-K if such Rules applied to disclosures by the Company on Schedule 2.6(b). Schedule 2.6(b) also sets forth a list of all outstanding accounts payable or receivable between the Company and any of its directors or officers (other than routine requests for expense reimbursements).

2.7. No Violation; Consents. (a) Except as set forth on Schedule 2.7(a), neither the negotiation, execution or delivery by the Company of the Transaction Documents, the performance by the Company of its obligations thereunder, nor the consummation by the Company of the transactions contemplated thereby (i) has constituted or will constitute a breach or violation under the Articles of Incorporation or Bylaws of the Company, the governing documents of any of its Subsidiaries or a violation of law or rules of any national securities exchange, or (ii) has constituted or will constitute a breach, violation or default (or be an event which, with notice or lapse of time or both, would constitute a default) under, result in the termination of, accelerate the performance required by, or result in the creation of any Encumbrances upon any of the properties or assets of the Company or any of its Subsidiaries under, any Material Contract or any other note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument to which the Company or any of its Subsidiaries is a party or by which they or any of their respective properties or assets are bound or otherwise, or (iii) has constituted or will constitute a violation of any order, writ, injunction, decree, statute, rule or regulation of any court or governmental authority applicable to the Company or any of its Subsidiaries or any of their respective properties or assets, except in the case of clauses

(ii) and (iii) above, such breaches, violations, defaults, terminations, accelerations or creation of Encumbrances which, singly or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth in Schedule 2.7(b), no authorization, consent or approval of, or filing with, any court or any public body or authority and no consent or approval of any third party or parties is necessary for the execution, performance and consummation by the Company of the transactions contemplated by this Agreement or the other documents contemplated hereby, including without limitation the listing on the New York Stock Exchange of the Common Stock issuable upon conversion of the Shares.

2.8. Y2K Compliance. Without limiting the generality or effect of Section 2.5, there has been no change in circumstances related to the so-called Y2K issues discussed in the Company's Annual Report on Form 10-K for the year ended August 31, 1998 filed with the SEC on November 25, 1998 (the "10-K") that could reasonably be expected to have a Material Adverse Effect on the Company.

2.9. Brokers. Except as described on Schedule 2.9, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company or any of its Subsidiaries.

III. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser acknowledges that the Company was induced to enter into, and entered into, this Agreement relying upon the representations, warranties and covenants of Purchaser set forth in this Agreement. Accordingly, Purchaser represents and warrants to the Company, with respect to itself, as follows:

3.1. Organization. Purchaser is a general partnership organized under its partnership agreement and authorized to transact business under the laws of its jurisdiction of organization, (ii) has all requisite authority to own, lease and operate its properties and to carry on its business as now being conducted, and (iii) is duly qualified or licensed and otherwise authorized to transact business in each jurisdiction in which the

property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or license necessary, except to the extent that the failure by such entity to be so organized, existing, in good standing or otherwise authorized, qualified or licensed could not reasonably be expected to have a material adverse effect on the ability of Purchaser to perform its obligations hereunder.

3.2. Authority; Binding Effect; Etc. Purchaser has the requisite general partnership power and authority to execute and deliver the Transaction Documents, to perform its obligations thereunder and to consummate the transactions contemplated thereby. The execution and delivery of the Transaction Documents by Purchaser, the performance by it of its obligations thereunder and the consummation by it of the transactions contemplated thereby have been duly and validly authorized. This Agreement has been duly and validly executed and delivered by it and constitutes the valid and binding agreement of it, enforceable against it in accordance with its terms.

3.3. No Violation. Neither the negotiation, execution or delivery of the Transaction Documents by Purchaser nor the performance by Purchaser of its obligations thereunder nor the consummation by such entity of the transactions contemplated thereby has or will (a) constitute a breach or violation under such entity's constituent documents, (b) constitute a breach, violation or default (or be an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or result in the creation of any Encumbrance upon any of Purchaser's properties or assets under, any material note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument to which Purchaser is a party or by which entity of any of its properties or assets are bound, or (c) constitute a violation of any order, writ, injunction, decree, statute, rule or regulation of any court or governmental authority applicable to it or any of its properties or assets, in each case except for such breaches, violations, defaults, terminations or Encumbrances that could not reasonably be expected to have a material adverse effect on the ability of Purchaser to perform its obligations hereunder.

3.4. Consents and Approvals. No authorization, consent or approval of, or filing with, any court or any public body or authority and no consent or approval of any third party or parties is necessary by such entity for the consummation by it of the transactions contemplated by this agreement except for

such authorizations, consents, approvals and filings (i) made or obtained prior to the Closing Date, or those not required to be made or obtained until on or after the Closing Date, or (ii) set forth in Schedule 3.4.

3.5. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission from the Company or any of its Subsidiaries in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of such entity.

3.6. Investment Intent. Purchaser is purchasing the Shares and Common Stock issuable upon conversion of the Shares for its own account and for investment purposes, and does not intend to redistribute the Shares or the Common Stock issuable upon conversion of the Shares (except as contemplated herein or in a transaction or transactions exempt from registration under the federal and state securities laws or pursuant to an effective registration statement under such laws).

3.7. Investor Sophistication. Purchaser has such knowledge and experience in financial business matters that it is capable of evaluating the merits and risks of an investment in the Shares and the Common Stock issuable upon conversion of the Shares.

3.8. Certain Agreements. As of the date hereof, neither Purchaser nor any of its Affiliates is a party to any legally enforceable agreement (written or oral) or any understanding with any officer or director of the Company relating to the voting of any voting security of the Company issued or to be issued by the Company.

IV. ADDITIONAL AGREEMENTS

4.1. Conduct of Business Prior to the Closing. The Company covenants and agrees that between the date hereof and the Closing Date, neither the Company nor any Subsidiary will conduct its business other than in the ordinary course and consistent with the Company's and such Subsidiary's past practice. Without limiting the generality or effect of the foregoing and except as herein expressly provided to the contrary, between the date hereof and the Closing Date the Company will, and will cause each Subsidiary to:

(a)(i) use its reasonable best efforts to preserve intact its business organizations, (ii) use its reasonable best efforts to keep available the services of the employees of the Company and each Subsidiary (other than by increasing compensation of employees), (iii) continue in full force and effect without material modification all existing material policies or binders of insurance currently maintained in respect of the Company and each Subsidiary and their respective assets, (iv) use its reasonable best efforts to preserve its current relationships with persons with which it has significant business relationships, and (v) pay its indebtedness punctually when and as the same shall become due and payable and perform and observe, in all material respects, its duties and obligations under all Material Contracts;

(b) not (i) engage in any practice, take any action, fail to take any action or enter into any transaction which could cause any representation or warranty of the Company to be untrue or result in a breach of any covenant made by the Company in this Agreement, (ii) sell, assign, lease (as lessor) or otherwise transfer or dispose of substantially all of its properties or assets, whether by sale of stock or assets, merger or otherwise, (iii) consolidate with or merge into or with any person or entity or enter into or undertake any plan of consolidation or merger with any person or entity, (iv) except for the issuance of the Shares or Common Stock issuable upon conversion, exchange or exercise of Existing Stock Options and the grant of options to relating to up to 100,000 shares of Common Stock in the aggregate in the ordinary course of business in connection with hiring new employees, issue (whether by way of dividend or otherwise), sell or grant to any person or persons, commit or otherwise obligate to issue, sell or grant to any person, firm or corporation, (A) any shares of its capital stock of any class, (B) any securities convertible into or exchangeable for or carrying any rights to acquire from the Company or its Subsidiaries any shares of its capital stock of any class, or (C) any options, warrants or any other rights to acquire from the Company or its Subsidiaries any shares of capital stock of any class, (v) declare or pay any dividends of any kind on any shares of its capital stock of any class, (vi) make any payments of any kind on account of the purchase or other acquisition or redemption or other retirement of any shares of its capital stock of any class or any options or warrants to purchase any such shares,

(vii) make any other distributions of any kind in respect of any shares of its capital stock of any class or in respect of any such options or warrants, or (viii) commence, join or otherwise participate in any action, suit or proceeding seeking to enjoin, invalidate, be awarded damages as a result of, rescind or otherwise avoid any of the Transaction Documents or any of the actions contemplated thereby except, and solely to the extent, based upon a breach thereof by Purchaser; and

(c) not take any action that would require a vote or consent of the Series A Preferred or a Special Board Vote (as defined in Exhibit A) under the terms of the Series A Preferred set forth in Exhibit A.

4.2. Access to Information. No investigation pursuant to this Agreement or otherwise will affect any representation, warranty or covenant in this Agreement of any party hereto or any condition to the obligations of the parties hereto.

4.3. Confidentiality. All information obtained by Purchaser pursuant to this Agreement will be kept confidential in accordance with the separate confidentiality agreement between an affiliate of Purchaser and the Company governing information received by Purchaser (the "Confidentiality Agreement"). At the Closing, the Confidentiality Agreement will be deemed to have terminated without further action by the parties thereto.

4.4. Other Authorizations; Notices and Consents. (a) Each party hereto will use its reasonable best efforts to obtain (or in the case of the Company to cause the Subsidiaries to obtain) all authorizations, consents, orders, licenses, permits and approvals of all governmental authorities and officials and third parties that may be or become necessary (i) for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and the other documents contemplated hereby and (ii) to permit the continued operations of the business of the Company and its Subsidiaries, and in each case the parties hereto will cooperate fully with each other in promptly seeking to obtain all such authorizations, consents, orders and approvals.

(b) The Company will and will cause the Subsidiaries to use all reasonable best efforts to give such notices to third parties and use all best efforts to obtain such third party consents, licenses or permits as Purchaser may reasonably deem

necessary or desirable in connection with the transactions contemplated by this Agreement.

(c) The Purchaser will cooperate and use reasonable best efforts to assist the Company in giving such notices and obtaining such consents; provided, however, that Purchaser will not have an obligation to give any guarantee or other consideration of any nature in connection with any such notice or consent or to consent to any change in the terms of any agreement or arrangement which Purchaser may reasonably deem adverse to its interests or those of the Company.

4.5. No Solicitation or Negotiation. The Company agrees that between the date of this Agreement and the earlier of (a) the Closing and (b) the termination of this Agreement, the Company will not, and will not authorize or permit any Subsidiary, or any Affiliate, officer, director or employee of, or any financial adviser, accountant or other representative retained by, the Company or any Subsidiary (collectively, the "Representatives"), to, directly or indirectly, solicit or encourage any inquiries or proposals for (or which may reasonably be expected to lead to), or engage in discussions or negotiations with or provide any information to any person or entity (other than a Representative of the Company or Purchaser) in connection with, (i) the acquisition of any stock, assets or business of the Company or any Subsidiary, (ii) any merger or consolidation involving the Company or any Subsidiary, or (iii) any recapitalization or restructuring of the Company or any Subsidiary, in each case, regardless of whether a third party is involved, provided, however, that the foregoing will not prohibit the Company from providing information to any person or entity to the extent that the Board determines in good faith, after consultation with outside counsel as to legal matters, that its fiduciary duties require it to do so, provided that prior to providing such information (i) the Company notifies and reasonably consults with Purchaser in connection therewith and (ii) such person or entity has entered into a customary confidentiality agreement reasonably acceptable to the Board. The Company immediately will cease and cause to be terminated all existing discussions, conversations, negotiations and other communications with any persons conducted heretofore with respect to any of the foregoing, except as required hereby or expressly permitted pursuant to the immediately preceding sentence. The Company will notify Purchaser, in writing, promptly (but in any event no later than one business day) after any such proposal or offer or any inquiry or other contact with any person with

respect thereto, is made and will, in any such notice to Purchaser, (A) indicate in reasonable detail the identity of the person, firm, corporation or other entity making such proposal, offer, inquiry or contact and the terms and conditions of such proposal, offer, inquiry or other contact and (B) include all written materials received with respect thereto. The Company agrees not to, and to cause each Subsidiary not to, without the prior written consent of Purchaser, release any person, firm, corporation or other entity from, or waive any provision of, and confidentiality or standstill agreement to which the Company or any Subsidiary is a party.

4.6. Board Matters; Third-Party Takeover Bid. (a) From the date hereof to the Closing, the Company will notify Purchaser at least five business days (or, if shorter, when a general notice is given pursuant to the Bylaws) in advance of every meeting of the Board (or any committee thereof) and will permit a representative of Purchaser to attend, as an observer, such meeting (including, at the option of Purchaser, by telephone); provided, however, that (i) if, in the opinion of the Chairman of the Board of the Company, the Board is required to deliberate as to a matter involving an actual and material conflict of interest between Purchaser, on the one hand, and the Company on the other hand, the Chairman may exclude such observer from that portion of any meeting relating to such matter but only if no action is taken with respect to any other matter during such observer's absence, and (ii) Purchaser will not be deemed to have such a conflict of interest in respect of a proposal by another person or entity to acquire control of the Company, whether by merger, consolidation or otherwise (a "Third-Party Takeover Bid") unless and until Purchaser informs the Company that it or any of its Affiliates has determined to make a proposal to acquire control of the Company, whether by tender or exchange offer, by merger, consolidation or otherwise (a "Purchaser Takeover Bid").

(b) In the event that, prior to the Closing Date, the Board determines in good faith, based upon the advice of outside counsel as to legal matters, that its fiduciary duties require it to consider a Third-Party Takeover Bid, then the Company will immediately notify Purchaser thereof and afford Purchaser a reasonable opportunity (not less than five business days) to consider whether to make a Purchaser Takeover Bid in response thereto. If Purchaser (or an Affiliate thereof) submits a Purchaser Takeover Bid that provides substantially equivalent or higher value to the stockholders of the Company (other than

Purchaser and its Affiliates) than a Third-Party Takeover Bid which the Board otherwise proposes to authorize the Company to accept, the Company will, unless prohibited by Law, accept Purchaser's Takeover Bid without any subsequent rounds of bidding and Purchaser's Takeover Bid will not be terminable by the Company in the event of a subsequent Third Party Takeover Bid.

(c) Notwithstanding any other term or provision hereof, nothing in this Section 4.6 will affect the parties' respective obligations in respect of the purchase and sale of the Shares provided for herein whether or not a Third-Party Takeover Bid shall have been made.

4.7. Public Announcements. Purchaser and the Company will agree as to the form and content of any press releases or public statements with respect to this Agreement and the transactions contemplated hereby before issuing, or permitting any agent or Affiliate to issue any such release or statement; provided, however, that nothing contained herein will prevent either party from making any such public disclosure or announcement as it shall determine in good faith to be required to comply with law; provided, further however, that such party will use reasonable efforts to assure that, if reasonable in the circumstances, the other party will have the opportunity to review any disclosure or announcement prior to release.

4.8. Use of Proceeds. The Company will use the proceeds of the transactions contemplated hereby (i) to pay the Company's expenses reasonably incurred in connection with the negotiation of the Transaction Documents, and the consummation of the transactions contemplated hereby and thereby, (ii) to pay the expenses of Purchaser as contemplated by Section 8.1, and (iii) as the Board shall otherwise direct.

4.9. Further Action. Each of the parties hereto will use all reasonable efforts to take, or cause to be taken, all appropriate action, do or cause to be done all things reasonably necessary, proper or advisable under applicable law, and execute and deliver such document and other papers, as may be required to carry out the provisions of this Agreement and the other documents contemplated hereby and consummate and make effective the transactions contemplated hereby and thereby.

4.10. Third-Party Claims. Without limiting any other provision hereof, if an action, suit or proceeding contemplated by Section 5.2(b) hereof has been commenced or threatened against

the Company or any of its Subsidiaries, officers or directors, the Company will afford Purchaser the right to participate in the defense thereof.

4.11. Indemnification. (a) Notwithstanding any other provision hereof, the Company will indemnify and hold harmless each of Purchaser and its Affiliates and Associates and their respective partners, officers, directors, employees, attorneys, advisors and agents controlling and any person or entity controlling, controlled by or under common control with any of the foregoing within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, including without limitation The Hampstead Group, L.L.C. and its Affiliates and Associates (collectively, the "Indemnified Parties"), from and against all losses, claims, liabilities, damages, costs (including without limitation costs of preparation and attorneys' fees and charges) and expenses (including without limitation expenses incurred in connection with investigating, preparing or defending any action, claim or proceeding, whether or not in connection with pending or threatened litigation in which any Indemnified Party is a party) or actions in respect thereof arising out of any actual or threatened claim against such Indemnified Party by a person or entity related to or arising out of or in connection with this Agreement, the Stockholders Agreement or any other Transaction Document, any actions taken by any Indemnified Party pursuant hereto or thereto or in connection with the transactions contemplated hereby or thereby (whether or not the transactions contemplated hereby or thereby are consummated) and any breach of any provision thereof by the Company (collectively, "Transactional Losses"); provided, however, that the Company will not be liable to any Indemnified Party for any Transactional Losses to the extent, but only to the extent, that it is finally judicially determined by a court of competent jurisdiction (which determination is not subject to appeal) that such Transactional Losses resulted primarily from such Indemnified Party's gross negligence or intentional violation of law. The indemnification provisions of this Section 4.11 are expressly intended to cover Transactional Losses relating to an Indemnified Party's own ordinary negligence. The Company will promptly reimburse each Indemnified Party for all such Transactional Losses as they are incurred. The rights of any Indemnified Party hereunder will not be exclusive of the rights of any Indemnified Party under any other agreement or instrument to which the Company is a party. Nothing in such other agreement or instrument will be interpreted as limiting or otherwise adversely affecting an Indemnified Party's rights

hereunder and nothing in this Agreement will be interpreted as limiting or otherwise adversely affecting the Indemnified Party's rights under any such other agreement or instrument.

(b) If the foregoing indemnity is unavailable to any Indemnified Party or insufficient to hold any Indemnified Party harmless, then the Company will contribute to the amount paid or payable by such Indemnified Party as a result of such Transactional Loss in such proportion as is appropriate to reflect the relative fault of the Company, on the one hand, and such Indemnified Party, on the other, as well as any other relevant equitable considerations. The relative fault of the Company, on the one hand, and any Indemnified Party, on the other, will be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been taken by, or relates to information supplied by, the Company or such Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The amount paid or payable by a party as a result of any Transactional Losses will be deemed to include any legal or other fees or expenses incurred by such party in connection with any action, suit or proceeding. The parties hereto agree that it would not be just and equitable if contribution pursuant to this paragraph were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above. No person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(c) The provisions of this Section 4.11 will survive notwithstanding any termination hereof or the Closing of any of the transactions contemplated hereby.

(d) The indemnity, contribution and expense reimbursement obligation of the Company in this Agreement will be in addition to any liability the Company may otherwise have. The obligations of the Company to each Indemnified Party will be separate obligations, and the liability of the Company to any Indemnified Party will not be extinguished solely because any other Indemnified Party is not entitled to indemnity or contribution hereunder.

4.12. Securities Law Filings. As promptly as practicable but not later than 45 calendar days after the Closing Date, the Company and, if applicable, the officers and directors of the Company will make such filings with the SEC, or make amendments to existing filings, as Purchaser may reasonably request.

V. CONDITIONS TO CLOSING

5.1. Conditions to Obligations of the Company. The obligations of the Company to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or prior to the Closing, or each of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of Purchaser contained in this Agreement shall have been true and correct when made and shall be true and correct in all material respects (other than those qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the Closing, with the same force and effect as if made as of the Closing, other than such representations and warranties as are made as of another date (which shall be true and correct as of the other date), and the covenants and agreements contained in this Agreement to be complied with by Purchaser as of or before the Closing Date shall have been complied with in all material respects.

(b) Injunctions. No injunction or order shall have been entered and continue to be in effect in any action, suit or proceeding commenced by or before any governmental authority against the Company enjoining, restraining or materially and adversely altering the transactions contemplated hereby (any such injunction or order, an "Injunction").

(c) Closing. The Closing shall have occurred on or before July 31, 1999 (the "Outside Date").

(d) Deliveries. All items set forth in Section 1.4(a) hereof shall have been delivered to the Company.

5.2. Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) Representations, Warranties and Covenants. The representations and warranties of the Company contained in this Agreement shall have been true and correct when made and shall be true and correct in all material respects (other than those qualified by materiality or Material Adverse Effect, which shall be true and correct in all respects) as of the Closing with the same force and effect as if made as of the Closing, other than such representations and warranties as are made as of another date (which shall be true and correct as of the other date), and the covenants and agreements contained in this Agreement to be complied with by the Company as of or before the Closing Date shall have been complied with in all material respects.

(b) Litigation. No action, suit or proceeding shall have been commenced or threatened by or before any court or other governmental authority against Purchaser, the Company or any of their respective Affiliates seeking to restrain or materially and adversely alter the transactions contemplated hereby or by the other Transaction Documents, which in the good faith judgment of Purchaser has or is likely to render it impossible or unlawful to consummate the transactions contemplated thereby or could have a Material Adverse Effect or otherwise render inadvisable, in the good faith judgment of Purchaser, the consummation of the transactions contemplated hereby or thereby; provided, however, that the provisions of this Section 5.2(b) will not apply if Purchaser has directly or indirectly initiated any such action.

(c) Injunction. No Injunction shall be in effect.

(d) Resolutions of the Company. Purchaser shall have received a true and complete copy, certified by the Secretary or an Assistant Secretary of the Company, of the resolutions duly and validly adopted by the Board dated at least one day prior to Closing evidencing its authorization of the execution and delivery of the Transaction Documents, as amended, the consummation of the transactions contemplated hereby and thereby, the reconstitution of the Board as contemplated hereby and the Board's approval of the acquisition of the Shares and Common Stock upon conversion the Shares by Purchaser pursuant to Section 61-6-10 of UC.

(e) Consents and Approvals. Purchaser and the Company shall have received, each in form and substance satisfactory to Purchaser in its reasonable good faith determination, all authorizations, consents, orders, permits, licenses and approvals

of all governmental authorities and officials and all third party consents required for consummation of the transactions contemplated hereby.

(f) No Material Adverse Effect. Since August 31, 1998, no event or events (other than those described on Schedule 2.6 or specifically disclosed in Company Filed SEC Documents) shall have occurred with respect to the Company or any Subsidiary, or be reasonably likely to occur with respect to any thereof, which could have a Material Adverse Effect.

(g) No Market Change. There shall not have occurred (i) any general suspension of, or limitation on prices for, trading in securities on the New York Stock Exchange or the NASDAQ, (ii) a decline of 10% or more in either the Dow Jones Average of Industrial Stocks, the Standard & Poor's 500 Index or the NASDAQ NAS/NMS Composite Index from the date of this Agreement, (iii) the declaration of a banking moratorium or any limitation or suspension of payments in respect of the extension of credit by banks or other lending institutions in the United States, (iv) any commencement of war, armed hostilities or other international or national calamity directly involving the United States or having a significant adverse effect on the functionality of financial markets in the United States, or (v) in the case of any of the foregoing, existing at the date of this Agreement, a material acceleration or worsening thereof;

(h) Closing. The Closing shall have occurred on or before the Outside Date.

(i) Deliveries. All items set forth in Section 1.4(b) hereof shall have been delivered to Purchaser.

VI. INDEMNIFICATION

6.1. Indemnification of Purchaser. Subject to the terms of this Article VI, the Company covenants and agrees to indemnify and hold harmless each Indemnified Party from and against any loss, damage or expense, including without limitation reasonable attorneys' and accountants' fees and charges (each such individual occurrence is hereinafter referred to as a "Loss" and collectively, as "Losses") suffered by any Indemnified Party, directly or indirectly, as a result of any inaccuracy in or breach of any of the representations, warranties, covenants or agreements made by the Company hereunder or in any other document

contemplated hereby or any inaccuracy or misrepresentation by the Company or any Subsidiary in a document, certificate or affidavit delivered by the Company at the Closing or in any thereof. The rights of any Indemnified Party hereunder will not be exclusive of the rights of any Indemnified Party under any other agreement or instrument to which the Company is a party. Nothing in such other agreement or instrument will be interpreted as limiting or otherwise adversely affecting an Indemnified Party's rights hereunder and nothing in this Agreement will be interpreted as limiting or otherwise adversely affecting the Indemnified Party's rights under any such other agreement or instrument, provided, however, that no Indemnified Party will be entitled hereunder to recover more than its indemnified Loss.

6.2. Procedure for Claims. (a) Notice of Claims. After obtaining knowledge of any claim or demand which has given rise to a claim for indemnification under this Article VI (referred to herein as an "Indemnification Claim"), and Indemnified Party will be required to give written notice to the Company of such Indemnification Claim ("Notice of Claim"). A Notice of Claim will be given with respect to all Indemnification Claims; provided, however, that the failure to give Notice of Claim to the Company will not relieve the Company from any liability that it may have to an Indemnified Party hereunder to the extent that the Company is not prejudiced by such failure. The Notice of Claim will be required to set forth the amount (or a reasonable estimate) of the Loss or Losses suffered, or which may be suffered, by an Indemnified Party as a result of such Indemnification Claim, whether or not the Threshold has been reached, and a brief description of the facts giving rise to such Indemnification Claim. The Indemnified Party will furnish to the Company such information (in reasonable detail) it may have with respect to such Indemnification Claim (including copies of any summons, complaint or other pleading which may have been served on it and any written claim, demand, invoice, billing or other document evidencing or asserting the same).

(b) Third Party Claim. (i) If the claim or demand set forth in the Notice of Claim is a claim or demand asserted by a third party (a "Third Party Claim"), the Company will have 15 calendar days after the date of receipt by the Company of the Notice of Claim (the "Notice Date") to notify the Indemnified Parties in writing of the election by the Company to defend the Third Party Claim on behalf of the Indemnified Parties, provided, however, that the Company will be entitled to assume the defense of any such Third Party Claim only if it unconditionally and

irrevocably undertakes to indemnify all Indemnified Parties in respect thereof.

(ii) If the Company elects to defend a Third Party Claim on behalf of the Indemnified Parties, the Indemnified Parties will make available to the Company and their agents and representatives all records and other materials in their possession which are reasonably required in the defense of the Third Party Claim and the Company will pay all expenses payable in connection with the defense of the Third Party Claim as they are incurred.

(iii) In no event may the Company settle or compromise any Third Party Claim without the Indemnified Parties' consent, which may not be unreasonably withheld, provided, however, that if a settlement is presented by the Company to the Indemnified Parties for approval and the Indemnified Parties withhold their consent thereto, then any amount by which the final Losses (including reasonable attorneys' fees and charges) resulting from the resolution of the matter exceeds the rejected settlement amount, plus attorneys' fees incurred to such date, will be excluded from the amount covered by the indemnification provided for in this Agreement and shall be borne by the Indemnified Parties.

(iv) If the Company elects to defend a Third Party Claim, the Indemnified Parties will have the right to participate in the defense of the Third Party Claim, at the Indemnified Parties' expense (and without the right to indemnification for such expense under this Agreement), provided, however, that the reasonable fees and expenses of counsel retained by the Indemnified Parties will be at the expense of the Company if (A) the use of the counsel chosen by the Company to represent the Indemnified Parties would present such counsel with a conflict of interest; (B) the parties to such proceeding include both Indemnified parties and the Company and there may be legal defenses available to Indemnified Parties which are different from or additional to those available by the Company; (C) within 10 calendar days after being advised by the Company of the identity of counsel to be retained to represent Indemnified Parties, they shall have objected to the retention of such counsel for valid reasons (which shall be stated in a written notice to the Company), and the Company shall not have retained different counsel satisfactory to the Indemnified Parties; or (D) the Company shall have authorized the Indemnified Parties to retain a single separate counsel at the expense of the Company,

such authorization to be made by the directors who are not designees of Purchaser or its Affiliates.

(v) If the Company does not elect to defend a Third Party Claim, or does not defend a Third Party Claim in good faith, the Indemnified Parties will have the right, in addition to any other right or remedy it may have hereunder, at the sole and exclusive expense of the Company, to defend such Third Party Claim.

(c) Cooperation in Defense. The Indemnified Parties will cooperate with the Company in the defense of a Third Party Claim and make reasonably available the facts relating to the Third Party Claim. Subject to the foregoing, (i) no Indemnified Party will have any obligation to participate in the defense of or to defend any Third Party Claim and (ii) no Indemnified Parties' defense of or their participation in the defense of any Third Party Claim will in any way diminish or lessen their right to indemnification as provided in this Agreement.

6.3. Indemnification of the Company. Purchaser will indemnify and hold harmless the Company and its current and future officers, directors, employees and agents from and against damage or expense (including without limitation reasonable attorneys' and accountants' fees and charges) suffered by any of them as a result of any inaccuracy in or breach of any of the representations, warranties or covenants may by Purchaser hereunder. The procedures for and limits on indemnification in respect of the obligations of Purchaser under this Section 6.2 will be the same as those set forth in Section 6.2.

VII. TERMINATION AND WAIVER

7.1. Termination. This Agreement may be terminated at any time prior to the Closing:

(a) By Purchaser if, between the date hereof and the Closing; (i) an event or condition occurs that has resulted in or that could reasonably be expected to result in an Material Adverse Effect, (ii) any representation or warranty of the Company contained in this Agreement shall not have been true and correct in all material respects when made, (iii) the Company shall not have complied with any covenant or agreement to be complied with by it and contained in this

Agreement, or (iv) the Company or any Subsidiary makes a general assignment for the benefit of creditors, or any proceeding shall be instituted by or against the Company or any Subsidiary seeking to adjudicate any of them a bankrupt or insolvent, or seeking liquidation, winding up or reorganization, arrangement, adjustment, protection, relief or composition of its debts under any law relating to bankruptcy, insolvency or reorganization; provided, however, that in the case of events described in clause (ii) or (iii) of this sentence, Purchaser may not terminate this Agreement pursuant to this Section 7.1(a) unless Purchaser shall have notified the Company of its intention to do so and given the Company the opportunity to cure any breach of this Agreement (if and to the extent curable) during the period commencing with the date of such notice and ending on the earlier of (A) the Outside Date and (B) ten business days after the date of such notice;

(b) By the Company if, between the date hereof and the Closing: (i) any representation or warranty of Purchaser contained in this Agreement shall not have been true and correct in all material respects when made or (ii) Purchaser shall not have complied with any covenant or agreement to be complied with by any of them contained in this Agreement; provided, however, that the Company may not terminate this Agreement pursuant to this Section 7.1(b) unless the Company shall have notified Purchaser of its intention to do so and given Purchaser the opportunity to cure any breach of this Agreement (if and to the extent curable) during the period commencing with the date of such notice and ending on the earlier of (A) the Outside Date and (B) ten business days after the date of such notice;

(c) By any of the Company or Purchaser if the Closing shall not have occurred by the Outside Date; provided, however, that the right to terminate this Agreement under this Section 7.1(c) will not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur on or prior to such date;

(d) By either Purchaser or the Company in the event that any government authority shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement and such order,

decree, ruling or other action shall have become final and nonappealable; or

(e) By the mutual written consent of the Company and Purchaser.

7.2. Effect of Termination. In the event of termination of this Agreement as provided in Section 7.1, this Agreement will forthwith become void and there will be no liability on the part of any party hereto except that (a) Sections 4.3, 4.11, 6.1, 6.2 and 8.1 and Article VI will remain in full force and effect and (b) nothing herein will relieve any party from liability for any breach of this Agreement.

7.3. Waiver. Any party to this Agreement may (a) extend the time for the performance of any of the obligations or other acts of any other party, (b) waive any inaccuracies in the representations and warranties of any other party contained herein or in any document delivered by any other party pursuant hereto, or (c) waive compliance with any of the agreements or condition of the other party contained herein. Any such extension or waiver will be valid only if set forth in an instrument in writing signed by the party to be bound thereby. Any waiver of any term or condition shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or a waiver of any other term or conditions of this Agreement. The failure of any party to assert any of its rights hereunder shall not constitute a waiver of any of such rights. After the Closing, this Agreement may be waived or amended by the Company only with the approval of a majority of the members of the Board not designated for election by Purchaser.

VIII. GENERAL PROVISIONS

8.1. Expenses. Without limiting the generality or effect of any other provision hereof, including without limitation Section 6.1 or any agreement or instrument contemplated hereby, if (a) the Closing occurs or (b) the Closing does not occur and the Company has breached any of its representations, warranties, covenants or agreements herein, the Company will, upon request by Purchaser, promptly reimburse Purchaser for all out-of-pocket fees, costs and expenses, including without limitation legal, accounting, financing, inspection, appraisal, and computer, environmental, actuarial, insurance and other consultants' fees and charges, relating to this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby (including without limitation any filing fee associated with a filing after the Closing Date by Purchaser under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 with respect to the Shares (the "HSR Fee")) (collectively "Expenses"), regardless of whether such transactions are consummated.

8.2. Notices. All notices, requests, claims, demands and other communications hereunder must be in writing and will be given or made (and will be deemed to have been duly given or made upon receipt) by delivery in person, by courier services, by cable, by fax, by telegram, by telex or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.2):

(a) If to the Company:

Franklin Covey Co.
2200 West Parkway Boulevard
Salt Lake City, Utah 84119-2331
Attention: Val J. Christensen
Fax: (801) 817-8723

with a copy to:

Parr Waddoups Brown Gee & Loveless, P.C.
P.O. Box 11019
Salt Lake City, Utah 84147
Attention: Scott W. Loveless
Fax: (801) 817-7750

(b) If to Purchaser:

Knowledge Capital Investment Group
4200 Texas Commerce Tower
Dallas, Texas 75201
Attention: Daniel A. Decker
Fax: (214) 220-4949

with a copy to:

Jones, Day, Reavis & Pogue
599 Lexington Avenue
New York, New York 10022
Attention: Robert A. Profusek, Esq.
Fax: (212) 755-7306

8.3. Headings. The descriptive headings contained in this Agreement are for convenience of reference only and will not affect in any way the meaning or interpretation of this Agreement.

8.4. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any law or public policy, all other terms and provisions of this Agreement will nevertheless remain in full force and effect as long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provisions is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transaction contemplated hereby are consummated as originally contemplated to the greatest extent possible.

8.5. Entire Agreement. This Agreement and the other agreements and instruments referenced herein (including all Exhibits and Schedules referenced herein or therein) constitute

the entire agreement of the parties hereto with respect to the subject matter hereof and supersede all prior agreements and undertakings, both written and oral, between the Company and Purchaser with respect to the subject matter hereof and thereof.

8.6. Assignment. This Agreement may not be assigned by operation of law or otherwise (other than an assignment to a Related Person of Purchaser) without the express written consent of the non-assigning party or parties (which consent may be granted or withheld in the sole discretion of such parties). "Related Person" of Purchaser means any Affiliate of Purchaser or any investment fund, investment account or investment entity whose investment manager, investment advisor or principal thereof, is such Purchaser, an Affiliate of such Purchaser or an investment manager, investment advisor or principal of such Purchaser or Affiliate.

8.7. No Third Party Beneficiaries. This Agreement will be binding upon and inure solely to the benefit of the parties hereto and their permitted assigns and, except as provided herein with respect to Indemnified Parties (who are intended third-party beneficiaries hereof), nothing herein, express or implied, is intended to or will confer upon any other person any legal or equitable right, benefit or remedy of any mature whatsoever under or by reason of this Agreement.

8.8. Amendment. This Agreement may not be amended or modified except (a) by an instrument in writing signed by, or on behalf of, the Company and Purchaser or (b) by a waiver in accordance with Section 7.3.

8.9. Governing Law. This Agreement will be governed by, and construed in accordance with, the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof.

8.10. Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together will constitute one and the same agreement.

8.11. Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties will be entitled to specific

performance of the terms hereof, in addition to any other remedy at law or equity.

8.12. Survival. The representations, warranties, covenants and agreements in this Agreement will survive the Closing and will not be affected by any information available to or in the possession of the party seeking to enforce its rights under any Transaction Document.

8.13. Miscellaneous. As used in this Agreement, (i) references to Sections, Articles, Exhibits and Schedules are to Sections, Articles, Exhibits and Schedules of or to this Agreement, (ii) terms used herein with initial capital letters have the meanings ascribed to them herein, (iii) the terms "Affiliate" and "Associate" have the meanings ascribed to those terms in Rule 405 under the Securities Act, (iv) the word "or" is disjunctive but not exclusive, (v) no provision hereof will be interpreted in favor of or against any party by reason of which party drafted such provision or this Agreement as an entirety, and (vi) terms used herein which are defined in GAAP have the meanings ascribed to them therein.

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

FRANKLIN COVEY CO.

By: /s/ Jon Rowberry

Name: Jon Rowberry

KNOWLEDGE CAPITAL INVESTMENT GROUP

By: /s/ Robert A. Whitman

Name: Robert A. Whitman

CERTIFICATE OF DESIGNATION OF SERIES A PREFERRED STOCK

ARTICLES OF AMENDMENT TO

ARTICLES OF INCORPORATION

OF

FRANKLIN COVEY CO.

In accordance with Section 16-10a-1002 of the Utah Business Corporation Act (the "Act"), Franklin Covey Co., a Utah corporation (the "Company"), hereby certifies as follows:

1. The name of the corporation is Franklin Covey Co.

2. In accordance with the authority of the Company's Board of Directors (the "Board") pursuant to Section 16-10a-602 of the Act and the Articles of Incorporation of the Company (the "Charter"), the Board hereby amends Article IV of the Company's Revised Articles of Incorporation, as amended to designate a series of Preferred Stock as Series A Preferred Stock, and to designate the powers, preferences and relative, participating, optional and other special rights and the qualifications, limitations or restrictions thereof as follows:

C. SERIES A PREFERRED STOCK

1. Certain Defined Terms, Etc. In addition to the terms defined elsewhere herein, certain terms used in this Article IV(C) with initial capital letters have the meanings given to them in Section 14. References in this Article IV(C) to Sections are, unless otherwise stated, references to Sections of this Article IV(C). Each term used in this Article IV(C) which is defined under GAAP and each reference to net revenues, net income, EBITDA, shareholder's equity or any other amount reflected in a financial statement will be calculated on a consolidated basis in accordance with GAAP consistently applied from the Original Issuance Date, in each case as certified by the

chief executive officer and chief financial officer of the Company.

2. Designation. Subject to increase as provided in Section 3(b), 1,500,000 shares of Preferred Stock of the Company are designated as "Series A Preferred Stock" having the powers, preferences and relative participating, optional and other special rights and the qualifications, limitations or restrictions thereof as set forth in this Article IV(C) (the "Series A Preferred").

3. Dividends and Distributions. (a) The holders of shares of Series A Preferred, in preference to the holders of Common Stock, par value $0.05 per share (the "Common Stock"), and of any other class or series of preferred or other capital stock of the Company (together with the Common Stock, "Junior Stock"), will be entitled to receive dividends at an annual rate of $10.00 per share (such dividends, "Regular Dividends"), payable quarterly in arrears on the 15th day of each of March, June, September and December of each year or such other dates as are the 15th day of the month following the end of each of the Company's fiscal quarters (except that if any such date is a Saturday, Sunday or legal holiday, then such dividend will be payable on the next day that is not a legal holiday) (the "Dividend Payment Date"), commencing on the first date on which the Series A Preferred is issued (the "Initial Issuance Date") to such holders, prior and in preference to any declaration or payment of any dividend on any Junior Stock. Regular Dividends will be cumulative and accrue with respect to each outstanding share of Series A Preferred from date of issuance of such share (the "Dividend Commencement Date"), whether or not declared by the Board and whether or not there are funds of the Company legally available for payment of such dividends. No accrued or accumulated dividends on the Series A Preferred will bear interest.

(b) Any Regular Dividends accruing prior to July 1, 2002 may, at the election of the Board, be paid (i) by the issuance as of the relevant Dividend Payment Date of additional shares of fully paid, nonassessable Series A Preferred having an aggregate liquidation preference equal to the amount of such accrued dividends or (ii) in cash. In the event that Regular Dividends are declared and paid by

the issuance of additional shares of Series A Preferred as provided in the previous sentence, (A) such Regular Dividends will be deemed paid in full and will not accumulate and (B) the number of authorized shares of Series A Preferred will be deemed, without further action, to be increased by the number of such shares so issued. The Company will deliver certificates representing shares of Series A Preferred issued pursuant to this Section 3(b) promptly after the relevant Dividend Payment Date. From and after July 1, 2002, Regular Dividends will be payable in cash only and will be cumulative from and after such date.

(c) In addition to Regular Dividends, the holders of Series A Preferred will be paid additional dividends ("Additional Dividends") in an amount per share equal to the amount of any Junior Dividend paid or payable on the Common Stock multiplied by the number of shares of Common Stock into which the Series A Preferred is convertible as of the record date for the related Junior Dividend. Additional Dividends will be payable on the date the related Junior Dividends are payable on the Common Stock to the recordholders of Series A Preferred as of the record date for the related Junior Dividend.

(d) Notwithstanding any provision of the Charter or applicable law to the contrary, the Company will not in any calendar year declare or pay Excess Junior Dividends, except in accordance with Section 4(c). The Company will not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of Junior Stock unless the Company could purchase or otherwise acquire such shares at such time and in such manner in accordance with the foregoing restrictions.

(e) Each Regular Dividend will be payable to holders of record as they appear on the stock books of the Company on the last day of each fiscal quarter of the Company.

4. Voting Rights. (a) In addition to the rights provided in Sections 4(b), 4(c) and 4(d), holders of Series A Preferred will have the right to vote or consent in writing together with the Common Stock on all matters presented to the holders of Common Stock on an as-converted basis.

(b) In addition to the voting rights provided by Sections 4(a), 4(c) and 4(d), as long as any shares of Series A Preferred are outstanding, the affirmative vote or consent of the holders of a majority of the then-outstanding shares of Series A Preferred, voting as a separate class, will be required in order for the Company to:

(i) amend, alter or repeal, whether by merger, consolidation or otherwise, the terms of this Article IV(C) or any other provision of the Charter, in any way that adversely affects any of the powers, designations, preferences and relative, participating, optional and other special rights of the Series A Preferred, and the qualifications, limitations or restrictions thereof;

(ii) issue any shares of capital stock ranking prior or superior to, or on parity with, the Series A Preferred with respect to dividends or other distributions or upon liquidation, dissolution or winding up of the Company, or issue any Junior Stock other than Common Stock;

(iii) subdivide or otherwise change shares of Series A Preferred into a different number of shares whether in a merger, consolidation, combination, recapitalization, reorganization or otherwise (whether or not any provision of Section 9 is applicable to such transaction);

(iv) authorize or effect any merger, consolidation, combination, recapitalization, reorganization or other transaction (whether or not the Company is the Surviving Person (except as provided in this subparagraph (iv)) and whether or not any provision of Section 9 is applicable to such transaction)(any such transaction, a "Business Combination") or sale, assignment, transfer, conveyance or other disposal of all or substantially all of its properties or assets in one or more related transactions to another Person unless: (A) the Company is the Surviving Person or the Surviving Person is a corporation organized or existing under the laws of the United States, any state thereo or the District of Columbia, (B) the Series A Preferred remains

outstanding (if the Surviving Person is the Company) or is converted into or exchanged for and becomes shares of the Surviving Person (if other than the Company), in each case such that the Series A Preferred or shares into which it is converted or for which it is exchanged has in respect of the Surviving Person the same powers, preferences and relative participating optional or other special rights, and the qualifications, limitations or restrictions thereon, that the Series A Preferred had immediately prior to such transaction, including rights to acquire common stock of the Surviving Person on terms not less favorable to the holders of Series A Preferred under Section 9, adjusted as provided therein, and such Surviving Person has no class of shares either authorized or outstanding ranking prior to or on a parity with the Series A Preferred except the same number of shares ranking prior to or on a parity with the Series A Preferred and having the same rights and preferences as the shares of the Company authorized and outstanding immediately prior to any such transaction, and (C) the Company delivers to the holders of Series A Preferred prior to the consummation of the proposed transaction an officers' certificate and an opinion of counsel to the combined effect that such transaction complies with the terms of this Section 4(b)(iv) and that all conditions precedent to such transaction have been satisfied;

(v) issue any shares of Series A Preferred other than in accordance with this Article IV(C) or pursuant to an offering of nontransferable rights to purchase for not less than the Liquidation Price plus dividends from the last Dividend Payment Date prior to the issuance thereof to the date of such issuance up to 750,000 shares of Series A Preferred issued to holders of Common Stock completed no later than December 31, 1999 (the "Series A Rights Offering").

(c) In addition to the voting rights provided by Sections 4(a), 4(b) and 4(d), the affirmative vote or consent of the holders of a majority of the then-outstanding shares of Series A Preferred, voting as a separate class will be required for the Company to declare or pay Excess Junior Dividends unless such transaction has been specifically approved by a Special Board Vote.

(d) In addition to the voting rights provided by Sections 4(a), 4(b) and 4(c), whenever dividends of the Series A Preferred shall be in arrears in an amount equal to at least six quarterly dividends (whether or not consecutive), the number of members of the Board shall be increased by two and the holders of the Series A Preferred (voting separately as a class) will be entitled to vote for and elect such two additional directors of the Company at any meeting of stockholders of the Company at which directors are to be elected held during the period such dividends remain in arrears. Whenever the right to elect directors shall have been accrued to the holders of the Series A Preferred, the proper officers of the Company shall call a meeting for the election of such directors, such meeting to be held not less than 45 nor more than 90 days after the accrual of such right. The right of the holders of the Series A Preferred to vote for such two additional directors shall terminate when all accrued and unpaid dividends on the Series A Preferred have been paid or set apart for payment. The term of office of all directors so elected shall terminate immediately upon the termination of the right of the holders of the Series A Preferred to vote for such two additional directors. In connection with such right to vote, each holder of Series A Preferred will have one vote for each share of Series A Preferred held.

(e) On all matters as to which shares of Series A Preferred are entitled to vote or consent, each share of Series A Preferred will be entitled to the number of votes (rounded up to the nearest whole number) that the Common Stock into which it is convertible would have if such Series A Preferred had been so converted into Common Stock as of the record date established for determining holders entitled to vote, or if no such record date is established, as of the time of any vote or consent of stockholders of the Company.

(f) Notwithstanding any other provision of the Charter or Bylaws of the Company, the holders of a majority of the then-outstanding Series A Preferred may consent in writing to any matter about which a class vote is contemplated by Section 4(b), 4(c) or 4(d), which written consent when so executed by the holders of a majority of the then-outstanding Series A Preferred will be deemed, subject

to applicable Utah law, to satisfy the requirements of Section 4(b), 4(c) or 4(d), as applicable.

5. Extraordinary Actions. So long as any shares of Series A Preferred remain outstanding, the approval of a Special Board Vote will be required for the Company to effect any of the following transactions:

(i) the incurrence of Excess Debt;

(ii) a Major Divestiture with respect to which the Company does not satisfy the Financial Test; and

(iii) a Major Acquisition, the Purchase Price of which exceeds seven times the acquired entity's or business' EBITDA for the LTM.

6. Reacquired Shares. Any shares of Series A Preferred that are issued and thereafter cease to be issued and outstanding for any reason, whether because they are converted into Junior Stock as provided herein or are purchased or otherwise acquired by the Company in any manner whatsoever, will reduce the number of authorized shares of Series A Preferred, will be restored to the status of authorized but unissued shares of Preferred Stock of the Company, and may be reissued as part of a new series of Preferred Stock of the Company subject to the conditions and restrictions on issuance set forth herein or in any other certificate of designations creating a series of Preferred Stock or any other stock of the Company.

7. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Company, no distribution will be made to the holders of shares of Junior Stock unless, prior thereto, the holders of shares of Series A Preferred shall have received in cash $100.00 per share plus accrued and unpaid dividends to the date of payment (the "Liquidation Price"). Neither a consolidation or merger of the Company with another corporation or other legal entity, nor a sale or transfer of all or part of the Company's assets for cash, securities or other property will be considered a liquidation, dissolution or winding up of the Company for purposes of this Section 7.

8. Redemption. (a) Redemption Right. The shares of Series A Preferred will not be redeemable, except that (i) when there are less than 100,000 shares of Series A Preferred and the weighted average Sales Price for the Common Stock has exceeded 120% of the then-applicable Conversion Price for at least 30 consecutive Trading Days thereafter, the Company may, upon 30 calendar days prior notice to the holders of Series A Preferred, redeem all but not less than all of the then-outstanding Series A Preferred at 105% of the then-applicable Liquidation Price and (ii) beginning on July 1, 2004, at any time after the Sales Price for the Common Stock has exceeded 130% of the then-applicable Conversion Price for at least 60 consecutive Trading Days, the Company may, upon 15 business days prior notice to the holders of Series A Preferred, redeem all but not less than all of the then-outstanding Series A Preferred at 104% of the then-applicable Liquidation Price. Notwithstanding anything to the contrary herein and without limiting the generality or effect of Section 9, holders of Series A Preferred will be entitled to exercise conversion rights under Section 9 hereof at any time during the notice periods set forth in clauses (i) and (ii) of this Section 8(a).

(b) Redemption Notice. Any notice of redemption given pursuant to Section 8(a) ("Redemption Notice") will be given in writing by the Company by first class mail, postage prepaid, to each holder of record of Series A Preferred on the record date fixed for such redemption by the Board at such holder's address as it appears on the stock books of the Company, provided that no failure to give such notice nor any deficiency therein will affect the validity of the procedure for redemption of any shares of Series A Preferred except as to the holder or holders to whom the Company has failed to give such notice or whose notice was defective. The Redemption Notice will state:

(i) the redemption price;

(ii) the total number of shares of Series A Preferred being redeemed;

(iii) the date fixed for redemption by the Board, which date will occur within the applicable redemption

period specified in Section 8(a) above (the "Redemption Date");

(iv) the place or places and manner in which the holder is to surrender his or her certificate(s) to the Company; and

(v) that dividends on the shares of Series A Preferred to be redeemed will cease to accumulate on the Redemption Date unless the Company defaults on the redemption price.

Upon surrender of the certificate(s) representing shares of Series A Preferred that are the subject of redemption pursuant to Section 8(a), duly endorsed (or otherwise in proper form for transfer, as determined by the Company), in the manner and at the place designated in the Redemption Notice and on the Redemption Date, the full redemption price for such shares will be paid in cash to the Person whose name appears on such certificate(s) as the owner thereof, and each surrendered certificate will be canceled and retired.

(c) Series A Dividends. On and after the Redemption Date, unless the Company defaults in the payment in full of the applicable redemption price, dividends on the Series A Preferred to be redeemed will cease to accumulate, and all rights of the holders thereof will terminate with respect thereto on the Redemption Date, other than the right to receive the redemption price, provided, however, that if a Redemption Notice has been given as provided in Section 8(b) and the funds necessary for redemption (including an amount in cash in respect of all dividends that will accumulate to the Redemption Date) have been irrevocably deposited in trust with a bank having an aggregate shareholders' equity of at least $5.0 billion for the equal and ratable benefit of all holders of shares of Series A Preferred that are to be redeemed, then, at the close of business on the day on which such funds are deposited in trust, dividends on the Series A Preferred to be redeemed will cease to accumulate and the holders thereof will cease to be shareholders of the Company and be entitled only to receive the redemption price.

9. Conversion. (a) Conversion Rate. At any time and from time to time (including after a notice pursuant to Section 8 has been given), each share of the Series A Preferred will be convertible, at the option of the holder thereof, into the number of fully paid and nonassessable shares of Common Stock determined, subject to adjustment as described below, by dividing $100.00 plus the total accrued and unpaid dividends through the date of conversion by the Conversion Price.

(b) No Fractional Common Shares. No fractional shares of Common Stock will be issued upon conversion of Series A Preferred and, if any shares of Series A Preferred surrendered by a holder, in the aggregate, for conversion would otherwise result in a fractional share of Common Stock, then such fractional share will be redeemed at the then-effective Conversion Price per share, payable as promptly as possible when funds are legally available therefor.

(c) Mechanics of Conversion. Before any holder of shares of Series A Preferred will be entitled to convert the same into shares of Common Stock, such holder must deliver a written notice (a "Conversion Notice") to the attention of the Secretary or Treasurer of the Company at the Company's principal place of business (conclusively established for this purpose as the location of its principal executive offices as shown on its most recent periodic report on Form 10-K or Form 10-Q) of its desire to exercise its rights to convert, specifying the number of shares of Series A Preferred to be converted and the holder's calculation of the Conversion Rate. Such computation will be deemed correct for all purposes hereof absent manifest error. In the event of any disagreement between the Company and the holder as to the correct Conversion Price, the Conversion Price will be finally determined by an investment banking or brokerage firm with no material prior or current relationship with the Company or any of its subsidiaries selected by the Board in good faith, the fees and expenses of which will be paid by the Company. Such conversion will be deemed to have been made as of the close of business on the fifth business day after such notice has been so delivered or such other date as the holder exercising such conversion right and the Company agree. The Company will, promptly upon receipt of all

certificates representing Series A Preferred as have been issued to such holder that are to be converted, issue a certificate or certificates registering the appropriate number of shares of Common Stock to such holder.

(d) Adjustment for Subdivisions or Combinations of Common Stock. In the event that the Company at any time or from time to time after the Initial Issuance Date effects a subdivision, recapitalization, combination or other similar transaction of its outstanding Common Stock into a greater or lesser number of shares, then and in each such event the Conversion Price will be increased or decreased proportionately.

(e) Adjustments for Dividends and Distributions on Common Stock. In the event the Company at any time or from time to time after the Initial Issuance Date makes or issues, or fixes a record date for the determination of holders of Common Stock entitled to receive a dividend or other distribution (a "Common Stock Distribution") payable in additional shares of Common Stock or other securities or rights (other than the rights, options or warrants offered to Series A Preferred pursuant to Section 9(h)) that are convertible into or entitling the holder thereof to receive additional shares of Common Stock (such other securities or rights, "Common Stock Equivalents") without payment of any consideration by such holder of such Common Stock Equivalents for the additional shares of Common Stock, without a proportionate and corresponding dividend or other distribution to holders of Series A Preferred calculated as if all of the Series A Preferred had been converted in accordance with the terms hereof as of the record date for such dividend or other distribution, then and in each such event, the Conversion Price will be decreased as of the time of such issuance or, in the event such a record date will have been fixed, as of the close of business on such record date, by multiplying the Conversion Price by a fraction,

(i) the numerator of which will be the total number of (A) shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, plus (B) the maximum number of shares of Common Stock (not including any shares described in clause (ii)(B) immediately below) issuable upon conversion or exercise

of all outstanding Common Stock Equivalents as of immediately prior to the time of such issuance or the close of business on such record date (the sum of the shares described in clauses (A) and (B) immediately above, the "Outstanding Shares"); and

(ii) the denominator of which will be the total number of (A) Outstanding Shares, plus (B) the number of shares of Common Stock issuable in payment of such dividend or distribution or upon conversion or exercise of such Common Stock Equivalents;

provided, however, (i) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price will be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price will be adjusted pursuant to this Section 9(e) as of the time of actual payment of such dividends or distributions; (ii) if such Common Stock Equivalents provide, with the passage of time or otherwise, for any decrease or increase in the number of shares of Common Stock issuable upon conversion or exercise thereof, the Conversion Price computed upon the original issue thereof, and any subsequent adjustments based thereon, will, upon any such decrease or increase becoming effective, be recomputed to reflect such decrease or increase insofar as it affects the rights of conversion or exercise of the Common Stock Equivalents then outstanding; (iii) upon the expiration of any rights of conversion or exercise under any unexercised Common Stock Equivalents, the Conversion Price computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, will, upon such expiration, be recomputed as if the only additional shares of Common Stock issued were the shares of such stock, if any, actually issued upon the conversion or exercise of such Common Stock Equivalents; or (iv) in the event of issuance of Common Stock Equivalents which expire by their terms not more than 60 calendar days after the date of issuance thereof, no adjustments of the Conversion Price will be made until the expiration or exercise of all such Common Stock Equivalents, whereupon such adjustment will be made in the manner provided in this Section 9(e). The adjustments provided for

in this Section 9(e) will be made successively whenever any such dividend or distribution is made.

(f) Adjustments to Avoid Dilution. If and whenever after the Initial Issuance Date, the Company issues any rights or warrants ("Rights") to all holders of Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less that the Sales Price as of the record date therefor, then, in each such event, the Conversion Price will be recomputed by multiplying the Conversion Price then in effect by a fraction:

(i) The numerator of which will be the number of shares of Common Stock issued and outstanding on the date of the issuance of the Rights plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at the Sales Price; and

(ii) The denominator of which will be the total number of shares of Common Stock issued and outstanding on the date of the issuance of the Rights plus the number of additional shares of Common Stock offered for subscription or purchase.

(g) Reorganization, Merger, Consolidation or Sale of Assets. If at any time or from time to time there shall be a capital reorganization of the Common Stock (other than a subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 9) or a merger or consolidation of the Company with or into another corporation or other legal entity, or the sale of all or substantially all of the Company's properties and assets to any other Person which is effected so that holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock, then, as a part of such capital reorganization, merger, consolidation or sale, proper provision will be made so that the holders of the Series A Preferred will thereafter be entitled to receive upon conversion of the Series A Preferred the number of shares of stock, securities or assets of the Company, or of the successor corporation or other legal entity resulting from such merger or consolidation or sale, to which a holder of the Common Stock deliverable upon conversion of Series A

Preferred would have been entitled on such capital reorganization, merger, consolidation or sale. In any such case, appropriate adjustment will be made in the application of the provisions of this Section 9(g) with respect to the rights of the holders of the Series A Preferred after the reorganization, merger, consolidation or sale to the end that the provisions of this Section 9(g) (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series A Preferred) will be applicable after that event as nearly equivalent as may be practicable. This provision will apply to successive capital reorganizations, mergers, consolidations or sales. Nothing herein will diminish or otherwise offset the rights of the Series A Preferred under Section 4(b).

(h) Rights Offering. If at any time or from time to time the Company shall offer to any of the holders of Common Stock any right, option or warrant to acquire additional shares of capital stock of the Company (other than the Series A Rights Offering), then each holder of a share of then-outstanding Series A Preferred will be entitled to receive rights, options or warrants to acquire such number of additional shares of capital stock of the Company as such holder would have been entitled to receive had such holders of Series A Preferred been converted immediately prior to the record date for the offering of such rights, options or warrants, at the Conversion Rate then in effect.

(i) No Adjustment. No adjustment to the Conversion Price will be made if such adjustment would result in a change in the Conversion Price of less than 0.001%. Any adjustment of less than 0.001% which is not made will be carried forward and will be made at the time of and together with any subsequent adjustment which, on a cumulative basis, amounts to an adjustment of 0.001% or more in the Conversion Price.

(j) Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 9, the Company at its expense will promptly compute such adjustment or readjustment in accordance with the terms hereof and cause independent public accountants selected by the Company to

verify such computation and prepare and furnish to each holder of Series A Preferred a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based. The Company will, upon the written request at any time of any holder of Series A Preferred, furnish or cause to be furnished to such holder a like certificate setting forth (i) such adjustments and readjustments, (ii) the Conversion Rate at that time in effect, and (iii) the number of shares of Common Stock and the amount, if any, of other property which at that time would be received upon the conversion of Series A Preferred.

(k) Reservation of Stock Issuable Upon Conversion. The Company will at all times reserve and keep available out of its authorized but unissued shares of Common Stock solely for the purpose of effecting the conversion of the shares of the Series A Preferred such number of its shares of Common Stock as will from time to time be sufficient to effect the conversion of all then-outstanding shares of the Series A Preferred; and if at any time the number of authorized but unissued shares of Common Stock will not be sufficient to effect the conversion of all then-outstanding shares of the Series A Preferred, the Company will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as will be sufficient for such purpose.

10. Repurchase Upon Change in Control or Event-Risk Trigger. In the event of a Change in Control or Event-Risk Trigger or if the Company enters into a definitive agreement providing for a Change in Control or an Event-Risk Trigger, the Company will, within 30 calendar days after such Change in Control or Event-Risk Trigger or the execution of such an agreement, offer to purchase each then-outstanding share of Series A Preferred for an amount per share equal to the greater of (i) the amount that the holders of Series A Preferred would have received had they converted into Common Stock immediately prior to such Change in Control or Event-Risk Trigger (which amount will be the amount of cash paid or payable therein plus, if applicable, the value as determined by the Board in good faith of any non-cash consideration) and (ii) a cash payment equal to 101% of the Liquidation Price. Within 10 calendar days

after such Change in Control or Event-Risk Trigger or the execution of such an agreement, the Company will provide written notice to holders of Series A Preferred at such holder's address as it appears on the stock books of the Company. The Company will extend such offer for a period of 20 business days after commencing such offer and will purchase any shares tendered to the Company pursuant to such offer at the end of such 20 business day period. Dividends will cease to accrue with respect to shares of Series A Preferred tendered and all rights of holders of such tendered shares will terminate, except for the right to receive payment therefor, on the date such shares are purchased and paid for by the Company.

11. Fractional Shares. Series A Preferred may be issued in fractions of a share which will entitle the holder, in proportion to such holder's fractional shares, to receive dividends, participate in distributions, vote, consent and to have the benefit of all other rights of holders of Series A Preferred.

12. Rank. The Series A Preferred will rank senior as to all capital stock of the Company, including all Junior Stock, in each case as to the payment of dividends or other distributions or upon liquidation, dissolution or winding up.

13. Notice to Holders. Any notice given by the Company to holders of record of Series A Preferred will be effective if addressed to such holders at their last addresses as shown on the stock books of the Company and deposited in the U.S. mail, sent first-class, and will be conclusively presumed to have been duly given, whether or not the holder of the Series A Preferred receives such notice.

14. Certain Defined Terms. In addition to the terms defined elsewhere in this Article IV(C), the following terms will have the following meanings when used herein with initial capital letters:

(a) "Capital Lease Obligations" of any Person shall mean the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or

personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for purposes hereof, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP;

(b) "Change in Control" will be deemed to occur (i) upon any "person" or "group" (within the meaning of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), becoming the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the combined voting power of the Company's then-outstanding voting securities entitled to vote generally in the election of directors ("Voting Stock"), whether directly by a stock purchase or indirectly through a Business Combination or (ii) the sale by the Company of all or substantially all of its assets to any such "person" or "group";

(c) "Conversion Price" means $14.00 per share of Common Stock;

(d) "Conversion Rate" means the number of shares of Common Stock into which each share of Series A Preferred may be converted;

(e) "EBITDA" means, for any period, the Net Income for such period plus, to the extent deducted in computing such Net Income, without duplication, the sum of (i) income tax expense or, if imposed by any relevant jurisdiction in lieu of an income tax, franchise and/or gross receipts tax expense, (ii) Interest Expense, (iii) depreciation and amortization expense, (iv) amortization of intangibles (including but not limited to good will), (v) any special charges and any extraordinary or nonrecurring losses or charges, and (vi) other non-cash items reducing Net Income, and minus, to the extent added in computing such Net Income, without duplication, the sum of (A) interest income, (B) extraordinary or nonrecurring gains, and (C) other non-cash items increasing Net Income (excluding any items that represent the reversal

of any accrual of, or cash reserve for, anticipated cash charges in any prior period);

(f) "Event Risk Trigger" will be deemed to occur if the Company effects a transaction and, as a result thereof or within 90 days thereafter, Standard & Poors Corporation or Moodys' Investor Service (or any successor thereto) lowers the credit rating of the Series A Preferred or any indebtedness of the Company;

(g) "Excess Debt" means any Indebtedness other than Permitted Indebtedness;

(h) "Excess Junior Dividends" means the amount (valued in the good faith opinion of the Board), if any, by which the aggregate of all dividends or other distributions on or in respect of Junior Stock for the LTM, plus the gross amount expended by the Company or any direct or indirect subsidiary thereof to purchase or otherwise acquire any Junior Stock for the LTM, exceeds 10% of the Net Income for the LTM;

(i) "Financial Test" will be satisfied if, on a pro forma basis, after giving effect to the proposed transaction (with respect to clauses (i) and (ii) below, as if such transaction had occurred on the first day of the LTM), (i) the Net Worth would be at least $275.0 million at the end of the most recent fiscal quarter, (ii) the Fixed Charge Coverage Ratio for the LTM would be at least 3.5:1, and (iii) EBITDA for the LTM would be at least $65.0 million;

(j) "Fixed Charge Coverage Ratio" means, with respect to the Company and its subsidiaries for any period, on a consolidated basis, the ratio of EBITDA for such period to the Fixed Charges for such period;

(k) "Fixed Charges" means, with respect to the Company and its subsidiaries for any period, on a consolidated basis, the sum of (a) Interest Expense for such period, (b) income tax expense of such period, and (c) all dividend payments on any series or class of preferred stock paid or required to be paid in cash;

(l) "GAAP" means generally accepted accounting principles in effect from time to time in the United States of America applied on a consistent basis;

(m) "Guarantee" of or by any Person ("guaranteeing person"), means (i) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guaranteeing person, direct or indirect, (A) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay or otherwise) or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (B) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment of such Indebtedness, (C) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness, or (D) entered into for the purpose of assuring in any other manner the holders of such Indebtedness of the payment thereof or to protect such holders against loss in respect thereof (in whole or in part), or (ii) any Lien on any assets of the guaranteeing person securing any Indebtedness of any other Person, whether or not such Indebtedness is assumed by the guaranteeing person;

(n) "Indebtedness" means, with respect to any Person, without duplication, (i) all obligations of such Person for borrowed money, whether short-term or long-term, and whether secured or unsecured, or with respect to deposits or advances of any kind, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) all obligations of such Person upon which interest charges are customarily paid (other than trade payables incurred in the ordinary course of business), (iv) all obligations of such Person under conditional sale or

other title retention agreements relating to property or assets purchased by such Person, (v) all obligations of such Person issued or assumed as the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business), (vi) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (vii) all Guarantees by such Person of Indebtedness of others, (viii) all Capital Lease Obligations of such Person, (vix) all payments that such Person would have to make in the event of an early termination, on the date Indebtedness of such Person is being determined, in respect of outstanding interest rate protection agreements, foreign currency exchange agreements or other interest or exchange rate hedging arrangement, (vx) all obligations of such Person as an account party in respect of letters of credit and bankers' acceptances, (vxi) obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of such Person or any warrants, rights or options to acquire such capital stock and (vxii) renewals, extensions, refundings, deferrals, restructurings, amendments and modifications of any such Indebtedness, obligations or Guarantee. The Indebtedness of any Person shall include the Indebtedness of any partnership in which such Person is a general partner, other than to the extent that the instrument or agreement evidencing such Indebtedness expressly limits the liability of such Person in respect thereof, provided that, if the sole asset of such Person is its general partnership interest in such partnership, the amount of such Indebtedness shall be deemed equal to the value of such general partnership interest and the amount of any indebtedness in respect of any Guarantee of such partnership Indebtedness shall be limited to the same extent as such Guarantee may be limited;

(o) "Interest Expense" means, for any period, the sum of (i) gross interest expense of the Company and its subsidiaries for such period on a consolidated

basis in accordance with GAAP, on the aggregate principal amount of the Indebtedness of the Company and its subsidiaries, including (A) the amortization of debt discounts, (B) the amortization of all fees payable in connection with the incurrence of Indebtedness to the extent included in interest expense and (C) the portion of any payments or accruals with respect to Capital Lease Obligations allocable to interest expense and (ii) capitalized interest of the Company and its subsidiaries for such period on a consolidated basis in accordance with GAAP;

(p) "Junior Dividends" means any cash or other dividend, distribution or other amount paid or payable on or in respect of Junior Stock, whether in cash, property or securities other than (i) any such dividend, distribution or other payment as a result of which an adjustment in the Conversion Price is made pursuant to Section 8 and (ii) any amount into which the Common Stock is converted in a Business Combination;

(q) "Lien" means with respect to any asset, (i) any mortgage, deed of trust, lien, pledge, encumbrance, assignment, charge or security interest in or on such asset, (ii) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset, and (iii) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities;

(r) "LTM" means the four full fiscal quarters ended immediately prior to the relevant calculation date for which financial statements are then available;

(s) "Major Acquisition" means the purchase for cash, securities, property or other consideration, whether by merger, consolidation, acquisition of assets, contribution or any other form of transaction, of any business or properties in a single transaction or series of related transactions on which the purchase price paid (including any Indebtedness assumed by the

Company or any of its subsidiaries in connection with such purchase by the Company or any of its subsidiaries) calculated in accordance with GAAP (and prior to any write-downs or write-offs of tangible or intangible assets whether or not defined or permitted by GAAP) (the "Purchase Price"), which Purchase Price, when taken together with the Purchase Prices of all other such purchases during the twelve months immediately preceding the date of the definitive agreement for or, if there is no such agreement, the date of consummation, exceeds $50.0 million;

(t) "Major Divestiture" means the divestiture, whether by merger, consolidation, disposition of assets, spin-off, contribution or any other form of transaction, in a single transaction or series of related transactions, of any business or properties of the Company or any of its subsidiaries that had Revenues in the LTM in excess of 25% of the Company's Revenues in the LTM in which less than 80% of the total consideration paid in such transaction consists of cash;

(u) "Net Income" means for any period, the net income of the Company and its subsidiaries, determined on a consolidated basis in accordance with GAAP;

(v) "Net Worth" means, as of the date of determination, the "shareholders equity" as shown on a consolidated balance sheet for the Company and its subsidiaries at such date prepared in accordance with GAAP;

(w) "Permitted Indebtedness" means (i) any Indebtedness reflected on the Company's consolidated balance sheet as of February 27, 1999, (ii) all refinancings, extensions, renewals, amendments, and modifications of such Indebtedness, and (iii) any Indebtedness, the incurrence of which, on a pro forma basis, satisfies the Financial Test;

(x) "Person" means any individual, firm, corporation or other entity and included any successor (whether by merger or otherwise) of such entity;

(y) "Revenues" means for any Person for any period, the revenues of such Person and its subsidiaries determined on a consolidated basis in accordance with GAAP;

(z) "Sales Price" with respect to any period of time means the volume times the sales prices for each regular way trade during the measurement period divided by the total volume during such period (referred to as the "volume weighted average" on the Bloomberg News Service and derived therefrom, or, if such service no longer publishes such information or ceases to exist, such alternative service as the Board may select in good) or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system, quotation system or such other similar system of the Stock Exchange as reported on the Bloomberg News Service, or, if such service no longer publishes such information or ceases to exist, such alternative service as the Board may select in good faith, if on any such date the Common Stock is not traded or quoted by any Stock Exchange, the average of the closing bid and asked prices furnished by a professional market maker making a market in the Common Stock selected by the Board in good faith, or if no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined by the Board in good faith;

(aa) "Special Board Vote" means the affirmative vote or written consent of not fewer than 80% of the total number of directors of the Company;

(bb) "Stock Exchange" means the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares are not listed or admitted to trading on any national securities exchange, the National Association of Securities Dealers, Inc. Automated Quotation System or any similar national system on which the Common Stock is quoted or traded;

(cc) "Surviving Person" means the continuing, surviving or resulting Person in a Business Combination, the Person receiving a transfer of all or a substantial part of the properties and assets of the Company, or the Person consolidating with or merging into the Company in a Business Combination in which the Company is the continuing or surviving Person, but in connection with which the Series A Preferred or Common Stock is exchanged or converted into the securities of any other Person or the right to receive cash or any other property; and

(dd) "Trading Day" means any day on which the Stock Exchange is open for trading or, if the Common Stock is not listed or admitted to trading on any Stock Exchange, any day other than a Saturday, Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

3. The foregoing amendment is adopted by the Board of Directors on the 2nd day of June, 1999.

4. The foregoing amendment was duly adopted by the Board of Directors without shareholder action and shareholder action was not required.

5. No shares of the Series A Preferred Stock have heretofore been issued.

IN WITNESS WHEREOF, this amendment to the Certificate of Designation is executed on behalf of the Company as of this 2nd day of June, 1999.

FRANKLIN COVEY CO.

/s/ Jon Roberry

President

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT (this "Agreement"), dated as of June 2, 1999, between Franklin Covey Co., a Utah corporation (the "Company"), and Knowledge Capital Investment Group, a Texas general partnership (the "Purchaser" and together with its Permitted Transferees, the "Investor").

A. The Company and Purchaser have entered into a Stock Purchase Agreement, dated May 11, 1999 (as amended from time to time, the "SPA"), pursuant to which, among other things, on the terms and subject to the conditions thereof, Purchaser will acquire certain shares of Series A Preferred Stock of the Company (the "Series A Preferred") that are convertible into common stock of the Company ("Common Stock" and, together with the Series A Preferred, the "Securities").

B. The Company and Purchaser desire to make certain provisions in respect of their relationship.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

I. DEFINITIONS

1.1 Definitions. Capitalized terms used herein but not defined have the meaning assigned to them in the SPA. In addition to the terms defined elsewhere herein, as used herein, the following terms have the following meanings when used herein with initial capital letters:

(a) "Affiliate" of any Person means any other Person, that, directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, such Person; and, for the purposes of this definition only, "control" (including the terms "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, policies or activities of a Person whether through the ownership of securities, by contract or agency or otherwise.

(b) "Assumption Agreement" means a writing in substantially the form of Exhibit A hereto.

(c) A Person will be deemed the "beneficial owner" of, and will be deemed to "beneficially own", and will be deemed to have "beneficial ownership" of:

(i) any securities that such Person or any of such Person's Affiliates is deemed to "beneficially own" within the meaning of Rule 13d-3 under the Exchange Act, as in effect on the date of this Agreement; and

(ii) any securities (the "underlying securities") that such Person or any of such Person's Affiliates or Associates has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (written or oral), or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise (it being understood that such Person will also be deemed to be the beneficial owner of the securities convertible into or exchangeable for the underlying securities).

(d) "Board" means the Board of Directors of the Company.

(e) "Board Approval" means the approval of a majority of the members of the Board who (a) are not officers or employees of the Company or any of its Affiliates and (b) have not been designated for election to the Board by Purchaser pursuant to Article III.

(f) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(g) "Initial Purchaser Shares" means the number of shares equal to the shares of Series A Preferred purchased by Purchaser pursuant to the SPA plus the Series A Preferred equivalent of any shares of Common Stock received by Purchaser

upon conversion of the Series A Preferred so purchased (which equivalent number of shares of Series A Preferred will be equal to the product of (i) the total number of shares of Common Stock, if any, into which any such Series A Preferred has been converted, (ii) multiplied by the conversion price in effect at the time of conversion, and (iii) divided by $100).

(h) "Person" means an individual, a corporation, a partnership, an association, a trust or other entity or organization, including without limitation a government or political subdivision or an agency or instrumentality thereof.

(i) "Permitted Acquisition" means any acquisition of securities pursuant to or as contemplated by the SPA, including without limitation pursuant to the conversion of the Series A Preferred, or Section 2.1 of this Agreement and any additional acquisition of Securities that does not increase Purchaser's beneficial ownership of Common Stock by more than 10% in any 12 consecutive month period.

(j) "Permitted Transferees" means any Person to whom Securities are Transferred in a Transfer not in violation of this Agreement and who is required to, and does, enter into an Assumption Agreement, and includes any Person to whom a Permitted Transferee of any Investor (or a Permitted Transferee of a Permitted Transferee) so further Transfers shares of Common Stock and who is required to, and does, become bound by the terms of this Agreement.

(k) "Public Offering" means the sale of shares of any class of the Common Stock to the public pursuant to an effective registration statement (other than a registration statement on Form S-4 or S-8 or any similar or successor form) filed under the Securities Act.

(l) "Registration Rights Agreement" means the Registration Rights Agreement, dated as of the date hereof, between Purchaser and the Company and any other registration rights agreement entered into in accordance with Article V.

(m) "Restricted Securities" means any Voting Securities and any other securities convertible into, exchangeable for or exercisable for Voting Securities (whether immediately or otherwise), except any securities acquired pursuant to a Permitted Acquisition.

(n) "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(o) "Total Voting Power" means, at any time, the aggregate number of votes, which may then be cast by all holders of outstanding Voting Securities in the election of directors of the Company.

(p) "Transfer" means a transfer, sale, assignment, pledge, hypothecation or other disposition, whether directly or indirectly pursuant to the creation of a derivative security, the grant of an option or other right, the imposition of a restriction on disposition or voting or transfer by operation of law. Notwithstanding the foregoing, "Transfer" does not include any change of control of Purchaser or a successor of Purchaser.

(q) "Voting Securities" means the Common Stock and the Series A Preferred (on an as-converted basis) and all other securities of the Company entitled to vote generally in the election of directors of the Company, except to the extent such voting rights are dependent upon the non-payment of dividends, events of default or bankruptcy or other events not in the ordinary course of business.

II. STANDSTILL

2.1. Acquisition of Restricted Securities. Without prior Board Approval, no Investor will purchase or otherwise acquire beneficial ownership of any Restricted Securities if after such acquisition the Investors would have, in the aggregate, beneficial ownership of 25% or more of the Total Voting Power (the "25% Threshold"), provided, however, that the foregoing restriction will not apply to any acquisition of Restricted Securities (i) pursuant to a rights offering (other than the rights offering of up to 750,000 additional shares of Series A Preferred contemplated by the SPA) made to all holders of Common Stock by the Company (including without limitation any standby underwriting or similar arrangements relating thereto) pursuant to Board Approval, (ii) that is approved prior to such acquisition by a majority of the members of the Board that are not Purchaser Designees or Affiliates or Associates of Investor or by the holders of a majority of the Total Voting Power, (iii) purchases of Common Stock upon exercise of conversion rights under any Series A Preferred, (iv) the acquisition of beneficial ownership of additional Series A Preferred pursuant to the terms thereof, and (v) in a Permitted Acquisition or any other transaction or series of transactions permitted or contemplated by this Agreement or the SPA.

2.2. Other Restrictions. Without prior Board Approval, except as otherwise permitted hereunder, no Investor will do any of the following:

(a) solicit proxies from other shareholders of the Company in opposition to a recommendation of the Board for any matter to be considered at any meeting of the shareholders of the Company, except matters on which a class vote of Series A Preferred is required or as permitted by this Agreement;

(b) knowingly form, join or participate in or encourage the formation of a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to any Voting Securities of the Company, other than a group consisting solely of Affiliates of Purchaser or the Company; or

(c) deposit any Voting Securities of the Company into a voting trust or subject any such Voting Securities to any arrangement or agreement with respect to the voting thereof, other than any such trust, arrangement or agreement (i) the only

parties to, or beneficiaries of, which are Affiliates of an Investor; and (ii) the terms of which do not require or expressly permit any party thereto to act in a manner inconsistent with this Agreement.

2.3. No Breach. No Investor will be deemed to have breached the terms of Section 2.1 above if Voting Securities beneficially owned by the Investors exceed the percentage limitation set forth in Section 2.1 due to any reduction in Total Voting Power or other action by the Company or due to any Investor's acquisition of Securities pursuant to a Permitted Acquisition.

III. BOARD REPRESENTATION; CONSULTATION

3.1. Nomination and Voting. (a) Simultaneously herewith, the Company will elect three designees of Purchaser to the Board ("Purchaser Designees", one of whom will be named Chairman of the Board and each of which will be elected to a different class of directors to the extent the Board is divided into classes. The designee to be so named will be (i) Robert A. Whitman, (ii) if Mr. Whitman is unable or unwilling to serve, either Donald A. McNamara or Daniel A. Decker (as Purchaser designates), or (iii) if none of them is able or willing to serve, a nominee of Purchaser reasonably acceptable to the Company. The Company, at each meeting of stockholders of the Company at which directors are elected, will cause to be nominated for election as directors of the Company such number of persons determined in accordance with Section 3.1(c) who shall each be designated by Purchaser. The Company will solicit proxies from its stockholders for such nominees, vote all management proxies in favor of such nominees, except for such proxies that specifically indicate to the contrary and otherwise use its best efforts to cause such nominees to be elected to the Board as herein contemplated.

(b) If any Purchaser Designee ceases to be a director of the Company, the Company will promptly upon the request of Purchaser cause a person designated by Purchaser to replace such director.

(c) The number of Purchaser Designees will be such number no greater than three as Purchaser may from time to time designate, one of whom will be the Chairman of the Board.

(d) The Company covenants that the total number of seats on the Board (including any vacant seats) will in no event exceed 15.

(e) At all times after the date hereof, the Company shall ensure that at least one Purchaser Designee is a member of each committee of the Board other than the nominating committee.

(f) Persons elected to the Board by holders of the Series A Preferred pursuant to Section 4(d) of the Company's Certificate of Designations for the Series A Preferred will be deemed to be designees of Purchaser for purposes of this Section 3.1.

3.2. Director Fees. Designees of Purchaser will not be entitled to receive fees from the Company for their service as directors for any period during which II Management, L.L.C. receives a fee pursuant to the Monitoring Agreement, dated as of the date hereof, between the Company and II Management, L.L.C. (as amended from time to time).

3.3. Consultation. Purchaser will have the right to consult with the Company, including its principal officers, and to participate in the drawing up of any recommendation or Company position, prior to its presentation to the Board of Directors (if applicable) or implementation, regarding the following:

(a) the appointment and/or termination of the chief executive officer, chief operating officer, president and chief financial officer, or any person or persons fulfilling similar duties;

(b) the remuneration, both cash and non-cash, and other benefits of the officers and of any managers of the Company with annual salaries in excess of $100,000;

(c) the appointment and/or termination of the Company's auditors and accountants;

(d) the annual operating and capital budgets of the Company;

(e) any deviation from the approved budgets referred to in paragraph (d) by more than 20 percent on any line item or 10 percent on the total budget; and

(f) the Company's annual or long range strategic plans which incorporate specific business strategies, operating agenda, investment and disposition objectives, or capitalization and funding strategies.

The foregoing rights are in addition to any voting or other rights granted to Purchaser by any other document or agreement or by any law, rule or regulation.

3.4. Access. The Company will, and will cause its subsidiaries and each of the Company's and its subsidiaries' officers, directors, employees, agents, representatives, accountants and counsel to: (a) afford the members, officers, employees and authorized agents, accountants, counsel, financing sources and representatives of Purchaser reasonable access, during normal business hours and without unreasonable interference with business operations, to the offices, properties, other facilities, books and records of the Company and each subsidiary and to those officers, directors, employees, agents, accountants and counsel of the Company and of each Subsidiary who have any knowledge relating to the Company or any Subsidiary and (b) furnish to the members, officers, employees and authorized agents, accountants, counsel, financing sources and representatives of Purchaser, such additional financial and operating data and other information regarding the assets, properties and goodwill of the Company and its subsidiaries (or legible copies thereof) as Purchaser may from time to time reasonably request.

IV. TRANSFER OF SECURITIES

4.1 Transferability. (a) Any Investor may Transfer all or any part of the Securities (i) if Section 4.2 is not applicable thereto, to any Person who duly executes and delivers an Assumption Agreement, (ii) if such Transfer is permitted or otherwise not prohibited by Section 4.2, to any Person, and (iii) without compliance with Section 4.2, (A) to any of their respective Affiliates or investors who duly execute and deliver to the Company an Assumption Agreement, (B) pursuant to a Public Offering or a transaction effected on the New York Stock

Exchange, or (C) to a "qualified institutional buyer" (as defined in Rule 144A of the Securities Act); provided, however, no Transfer will be permitted (other than pursuant to a Public Offering) pursuant to clauses (ii) and (iii)(A), (B) or (C) unless in connection therewith the Company has been furnished an opinion of such Investor's counsel (which counsel shall be reasonably acceptable to the Company, provided that any law firm having at least 100 lawyers, including associates and partners, shall be deemed acceptable, "Counsel") to the effect that such Transfer is exempt from or not subject to the registration requirements of Section 5 of the Securities Act, and (D) to a bank or other lender to secure indebtedness for borrowed money (either as a pledge or upon realization thereof).

(b) In the event of any purported Transfer by any Investor of any Security not permitted by Section 4.1, such purported Transfer will be void and of no effect and the Company will not give effect to such Transfer.

(c) Each certificate representing Securities issued to any Investor will bear a legend on the face thereof substantially to the following effect (with such additions thereto or changes therein as the Company may be advised by counsel are required by law (the "Legend"):

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A STOCKHOLDERS' AGREEMENT BETWEEN THE COMPANY, AND [INVESTOR], A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH STOCKHOLDERS' AGREEMENT."

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT OR ANY OTHER APPLICABLE LAW OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE."

The Legend will be removed by the Company by the delivery of substitute certificates without such Legend in the event of (i) a Transfer permitted by Section 4.1 and in which the Transferee is not required to enter into an Assumption Agreement or (ii) the

termination of this Article IV pursuant to the terms of this Agreement, provided, however, that the second paragraph of such Legend will only be removed if at such time a legal opinion from counsel to the Transferee shall have been obtained to the effect that such legend is no longer required for purposes of applicable securities laws. In connection with the foregoing, the Company agrees that, if the Company is required to file reports under the Exchange Act, for so long as and to the extent necessary to permit any Investor to sell the Securities pursuant to Rule 144, the Company will use its reasonable best efforts to file, on a timely basis, all reports required to be filed with the SEC by it pursuant to Section 13 of the Exchange Act, furnish to the Investors upon request a written statement as to whether the Company has complied with such reporting requirements during the 12 months preceding any proposed sale under Rule 144 and otherwise use its reasonable efforts to permit such sales pursuant to Rule 144.

4.2. Right of First Offer. (a) From the date hereof until the third anniversary of the date hereof (the "ROFO Period"), prior to any Investor effecting a Transfer other than a Transfer described in Section 4.1(a)(ii)(a "Third-Party Sale"), such Investor (the "Offering Stockholder") will deliver to the Company a written Notice (an "Offer Notice") specifying the amount of consideration (the "Offer Price") for which the Offering Stockholder proposes to sell the Securities to be offered in such Third-Party Sale (the "Offered Stock").

(b) Prior to effecting a Third-Party Sale, the Offering Stockholder will negotiate with the Company in good faith concerning the possible sale to the Company of the Securities proposed or otherwise intended to be sold in a Third Party Sale for a period of 3 calendar days following the date on which the Company receives the Offer Notice. If the Company delivers to the Offering Stockholder a written Notice (an "Acceptance Notice") within such 3 calendar day period (such 3 calendar day period being referred to herein as the "ROFO Acceptance Period") stating that the Company is willing to purchase all of the Offered Stock for the Offer Price and on the other terms set forth in the Offer Notice, the Offering Stockholder will sell all of the Offered Stock to the Company, and the Company will purchase such Offered Stock from the Offering Stockholder, on the proposed terms and subject to the conditions set forth below.

(c) The consummation of any purchase of the Offered Stock by the Company pursuant to this Section 4.2 (the "ROFO Closing") will occur no more than 20 calendar days following the delivery of the Acceptance Notice (such 20 calendar day period being referred to herein as the "ROFO Closing Period") at 10:00 a.m. (Eastern Time) at the offices of Jones, Day, Reavis & Pogue at 599 Lexington Avenue, New York, New York 10022, or at such other time of day and place as may be mutually agreed upon by the Offering Stockholder and the Company. At the ROFO Closing, (i) the Company will deliver to the Offering Stockholder by certified or official bank check or wire transfer to an account designated by the Offering Stockholder an amount in immediately available funds equal to the Offer Price, (ii) the Offering Stockholder will deliver one or more certificates evidencing the Offered Stock, together with such other duly executed instruments or documents (executed by the Offering Stockholder) as may be reasonably requested by the Company to acquire the Offered Stock free and clear of any and all claims, liens, pledges, charges, encumbrances, security interests, options, trusts, commitments and other restrictions of any kind whatsoever (collectively, "Encumbrances"), except for Encumbrances created by this agreement, federal or state securities laws or the Company or as specified in the Offer Notice ("Permitted Encumbrances"), and (iii) the Offering Stockholder will be deemed to represent and warrant to the Company that, upon the ROFO Closing, the Offering Stockholder will convey and the Company will acquire the entire record and beneficial ownership of, and good and valid title to, the Offered Stock, free and clear of any and all Encumbrances, except for Permitted Encumbrances.

(d) If no Acceptance Notice relating to the proposed Third-Party Sale is delivered to the Offering Stockholder prior to the expiration of the ROFO Acceptance Period, or an Acceptance Notice is so delivered to the Offering Stockholder but the ROFO Closing fails to occur prior to the expiration of the ROFO Closing Period (unless the Company was ready, willing and able prior to the expiration of the ROFO Closing Period to consummate the transactions to be consummated by the Company at the ROFO Closing), the Offering Stockholder may consummate the Third-Party Sale, but only (i) during the 180 calendar day period immediately following the expiration of the ROFO Acceptance Period (in the event that no Acceptance Notice was timely delivered to the Offering Stockholder) or the 180 calendar day period immediately following the expiration of the ROFO Closing Period (in the event that an Acceptance Notice was timely delivered to the Offering

Stockholder but the ROFO Closing failed timely to occur) and (ii) at a gross price at least equal to the Offer Price.

(e) For purposes of this Section 4.2, the value of any consideration other than cash that is payable or receivable in the Third Party Sale will be as determined by the Board in good faith.

V. REGISTRATION RIGHTS

Upon consummation of any Transfer of Securities constituting 5% or more of the Initial Purchaser Shares by an Investor (other than a Transfer in a Public Offering) that is either (a) permitted by this Agreement or (b) consummated after the third anniversary of the date hereof, the Company and the Transferee thereof will enter into a registration rights agreement substantially in the form of the Registration Rights Agreement, dated as of the date hereof, between Purchaser and the Company with such modifications thereto as are acceptable to such Transferee and the Transferring Investor and do not materially increase the Company's obligations thereunder (excluding the effects of multiple parties).

VI. TERMINATION

6.1. Termination. The provisions of this Agreement specified below will terminate, and be of no further force or effect (other than with respect to prior breaches), as follows:

(a) Articles II and III will terminate (but in the case of subparagraph (ii) through (vi), only as to the Investor that has given the notice contemplated thereby), upon the earliest to occur of the following dates or events:

(i) ten years after the date hereof;

(ii) notice that an Investor has determined to terminate this Agreement effective as of a date stated in such notice, at any time following the announcement by any person, entity or group (other than an Investor) that it intends to commence a tender offer for or otherwise acquire Voting Securities if, after the completion of such proposed tender offer or acquisition, such person, entity or group,

together with all persons and entities controlling, controlled by or under common control (or in a group with it), would own 20% or more of the Total Voting Power;

(iii) notice that an Investor has determined to terminate this Agreement effective as of a date stated in such notice, at any time following the acquisition by any person, entity or group of 20% or more of the Total Voting Power or the filing by any person, entity or group (other than an Investor) of any document with a governmental agency (including without limitation a Schedule 13D with the Securities and Exchange Commission or a notification under the Hart-Scott-Rodino Antitrust Improvement Act) to the effect that such person, entity or group intends or contemplates acquiring Voting Securities, if after the completion of such proposed acquisition such person, entity or group, together with all persons and entities controlling, controlled by or under common control or in a group with it, would own 20% or more of the Total Voting Power;

(iv) notice that an Investor has determined to terminate this Agreement effective as of a date stated in such notice, at any time following the execution, approval by the Board or announcement of an agreement, agreement in principle or proposal (whether or not subject to approval by the Board or other corporate action) that provides for or involves (A) the merger of the Company with or into any other entity, or (B) the sale of all or any significant part of the assets of the Company, (C) the reorganization or liquidation of the Company, or (D) any similar transaction or event that is subject to approval by the stockholders of the Company;

(v) notice that an Investor has determined to terminate this Agreement effective as of a date stated in such notice at any time following the failure by the Board or the Company to observe any of the provisions of this Agreement hereof which breach has continued for at least five calendar days after notice thereof to the Company from Purchaser;

(vi) notice that an Investor has determined to terminate this Agreement following either (A) the failure of the shareholders of the Company to elect any director

designated under this Agreement by an Investor, (B) the removal of any such recommended director from the Board, (C) the failure of the Board to replace any director designated by an Investor with a person designated by an Investor, or (D) the failure of the Board to effect without unreasonable delay and maintain the committee appointments required under Section 3.1(e); and

(vii) at such time as Purchaser, together with its Affiliates and Associates, beneficially owns less than 50% of the Initial Purchaser Shares;

(c) Article IV will terminate on the third anniversary of the date of this Agreement;

(d) Article V will terminate at such time as all of the Registration Rights Agreements have terminated, in accordance with its terms;

(e) Article VII will terminate at such time as no Investor owns shares of Series A Preferred;

(f) Any portion or all of this Agreement will terminate and be of no further force and effect upon a written agreement of the parties to that effect; and

(g) All other Sections of this Agreement will terminate at such time as all other Sections of this Agreement and all Registration Rights Agreements have terminated.

VII. AVAILABILITY OF TREASURY STOCK; NYSE LISTING

The Company will at all times retain and keep available for issuance the number of shares of Common Stock as are currently held by it in its treasury (each of which shall have been previously listed for trading on the New York Stock Exchange). The Company will not voluntarily take any action that could reasonably be expected to cause the Common Stock not to be listed for trading on the New York Stock Exchange.

VIII. MISCELLANEOUS

8.1. Specific Performance. The parties agree that any breach by any of them of any provision of this Agreement would

irreparably injure the Company or Purchaser, as the case may be, and that money damages would be an inadequate remedy therefor. Accordingly, the parties agree that the other parties will be entitled to one or more injunctions enjoining any such breach and requiring specific performance of this Agreement and consent to the entry thereof, in addition to any other remedy to which such other parties are entitled at law or in equity, provided, however, that in the event the Company breaches or is unable to perform (even if legally excused therefrom) Section 3.1, the obligations of Purchaser under Article II hereof will terminate without further action but the Company will have no liability for damages as a result thereof.

8.2. Notices. All notices, requests and other communications to either party hereunder will be in writing (including telecopy or similar writing) and will be given,

if to the Company, to:

Franklin Covey Co.
2200 West Parkway Boulevard
Salt Lake City, Utah 84119-2331
Attention: Val J. Christensen
Fax: (801) 817-8723

with a copy to:

Parr Waddoups Brown Gee & Loveless, P.C.
P.O. Box 11019
Salt Lake City, Utah 84147
Attention: Scott W. Loveless
Fax: (801) 532-7750

If to any member of Purchaser, to:

Knowledge Capital Investment Group
c/o The Hampstead Group
4200 Texas Commerce Tower
Dallas, Texas 75201
Attention: Daniel A. Decker
Fax: (214) 220-4949

with a copy to:

Jones, Day, Reavis & Pogue
599 Lexington Avenue
New York, New York 10022
Attention: Robert A. Profusek, Esq.
Fax: (212) 755-7306

or such other address or telecopier number as such party may hereafter specify for the purpose by notice to the other party hereto. Each such notice, request or other communication shall be effective when delivered at the address specified in this Section 8.2.

8.3. Amendments: No Waivers. (a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder will operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided will be cumulative and not exclusive of any rights or remedies provided by law.

8.4. Expenses. Except as otherwise provided herein or in the SPA, all costs and expenses incurred in connection with this Agreement will be paid by the party incurring such cost or expense.

8.5. Successors and Assigns. The provisions of this Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided, however, that none of the parties may assign, delegate or otherwise transfer any of their rights or obligations under this Agreement without the written consent of the other parties hereto, except that Purchaser may assign delegate or otherwise transfer any of its rights hereunder to any of its Affiliates which commits to the Company in writing to be bound by the terms hereof (but no assignment or transfer shall relieve Purchaser of its obligations hereunder) and upon such assignment or transfer references to Purchaser herein will be deemed to include any such

Affiliate. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

8.6. Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which will be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement will become effective when each party hereto will have received a counterpart hereof signed by the other party hereto.

8.7. Entire Agreement. This Agreement, the SPA and the documents contemplated thereby (and all schedules and exhibits thereto) constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements, understandings and negotiations, both written and oral, between the parties with respect thereto. No representation, inducement, promise, understanding, condition or warranty not set forth herein or therein has been made or relied upon by any of the parties hereto.

8.8. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas, without giving effect to the principles of conflict of laws thereof.

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

FRANKLIN COVEY CO.

By: /s/ Jon Rowberry

Name: Jon Rowberry
Title: Chief Executive Officer

KNOWLEDGE CAPITAL INVESTMENT GROUP

By: /s/ Richard Fitzpatrick

Richard M. FitzPatrick
Duly Authorized

EXHIBIT A
to
Stockholders Agreement

FORM OF ASSUMPTION AGREEMENT

ASSUMPTION AGREEMENT (this "Agreement"), dated as of _____, by _____ ("Transferee") in favor of Franklin Covey Co., a Utah corporation (the "Company").

RECITAL

A. The Company and Knowledge Capital Investment Group are parties to a Stockholders' Agreement, dated as of May 11, 1999, (the "Stockholders Agreement");

B. As contemplated by the Stockholders Agreement, concurrently herewith the Company and Transferee have entered into a Registration Rights Agreement.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

1. Transferee hereby acknowledges receipt from [_____] ("Transferor") of _____ shares of [Series A Preferred/Common Stock] and will, and hereby agrees to, become a party to, and be bound by, to the same extent as Transferor, the terms of the Stockholders Agreement, provided, however, that Article III of the Stockholders Agreement will not be applicable to Transferee, and Transferee will have no rights or obligations thereunder. Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Stockholders Agreement.

2. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Utah, without giving effect to the principles of conflict of laws hereto.

3. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or caused this Agreement to be executed on its behalf as of the date first written above.

[TRANSFEREE]

By:_____
Name:
Title:

[TRANSFEROR]

By:_____
Name:
Title:

Agreed and Accepted:
FRANKLIN COVEY CO.

By:_____
Name:_____
Title:_____

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of June 2, 1999, between Knowledge Capital Investment Group, a Texas general partnership ("Purchaser") and Franklin Covey Co., a Utah corporation (the "Company").

RECITALS

The parties hereto (or their predecessors) have entered into, or are equity owners in entities that have entered into, other agreements which contemplate, among other things, the execution and delivery of this Agreement by the parties hereto.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Definitions. For purposes of this Agreement, the following terms have the following meanings when used herein with initial capital letters:

(a) Advice: As defined in Section 6 hereof.

(b) Common Stock: The Common Stock, par value $0.05, of the Company.

(c) Demand Notice: As defined in Section 3 hereof.

(d) Demand Registration: As defined in Section 3 hereof.

(e) Losses: As defined in Section 8 hereof.

(f) Piggyback Registration: As defined in Section 4 hereof.

(g) Prospectus: The prospectus included in any Registration Statement (including without limitation a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement,

with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

(h) Registrable Securities: All shares of Series A Preferred and all shares of Common Stock acquired by Purchaser or any permitted transferee or their respective assigns upon conversion of any shares of Series A Preferred (including any shares of Series A Preferred or Common Stock or other securities that may be received by Purchaser or any permitted transferee or their respective assigns (x) as a result of a stock dividend or stock split of Series A Preferred or Common Stock or (y) on account of Series A Preferred or Common Stock in a recapitalization or other transaction involving the Company) upon the respective original issuance thereof, and at all times subsequent thereto, and all other securities of the Company of any class or series that are otherwise publicly traded and are beneficially owned by Purchaser or any of its Affiliates, until, in the case of any such security, (i) it is effectively registered under the Securities Act and disposed of in accordance with the Registration Statement covering it, (ii) it is saleable by the holder thereof pursuant to Rule 144(k), or (iii) it is distributed to the public pursuant to Rule 144.

(i) Registration Expenses: As defined in Section 7 hereof.

(j) Registration Statement: Any registration statement of the Company under the Securities Act that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the related Prospectus, all amendments and supplements to such registration statement (including post-effective amendments), all exhibits and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

(k) Rule 144: Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC.

(l) SEC: The Securities and Exchange Commission.

(m) Securities Act: The Securities Act of 1933, as amended.

(n) Series A Preferred: Shares of Series A Preferred Stock, liquidation preference $100 per share, of the Company.

(o) Special Counsel: As defined in Section 7(b) hereof.

(p) Underwritten registration or underwritten offering: A distribution, registered pursuant to the Securities Act in which securities of the Company are sold to an underwriter for reoffering to the public.

2. Holders of Registrable Securities. Whenever a number or percentage of Registrable Securities is to be determined hereunder, each then-outstanding Other Equity Security that is exercisable to purchase, convertible into, or exchangeable for shares of capital stock of the Company will be deemed to be equal to the number of shares of Common Stock for which such Other Equity Security (or the security into which such Other Equity Security is then convertible) is then convertible.

3. Demand Registration. (a) Requests for Registration. At any time and from time to time after the date hereof, the holders of Registrable Securities constituting at least 5% of the total number of Registrable Securities then outstanding will have the right by written notice delivered to the Company (a "Demand Notice"), to require the Company to register (a "Demand Registration") under and in accordance with the provisions of the Securities Act the number of Registrable Securities requested to be so registered (but not less than 5% of the total number of Registrable Securities then outstanding); provided, however, that no Demand Notice may be given prior to four months after the effective date of the immediately preceding Demand Registration.

The number of Demand Registrations pursuant to this Section 3(a) shall not exceed three; provided, however, that in determining the number of Demand Registrations to which the holders of Registrable Securities are entitled there shall be excluded (1) any Demand Registration that is an underwritten registration if the managing underwriter or underwriters have advised the holders of Registrable Securities that the total number of Registrable Securities requested to be included therein exceeds the number of Registrable Securities that can be sold in such offering in accordance with the provisions of this Agreement without materially and adversely affecting the success of such offering, (2) any Demand Registration that does not become effective or is not maintained effective for the period required pursuant to Section 3(b) hereof, unless in the case of this clause (2) such Demand Registration does not become effective after being filed by the Company solely by reason of the refusal to proceed by the holders of Registrable Securities unless (i) the refusal to proceed is based upon the advice of counsel relating to a matter with respect to the

Company, or (ii) the holders of the Registrable Securities elect to pay all Registration Expenses in connection with such Demand Registration, and (3) any Demand Registration in connection with which any other stockholder of the Company exercises a right of first refusal which it may otherwise have and purchases all the stock registered and to be sold pursuant to the Demand Registration.

(b) Filing and Effectiveness. The Company will file a Registration Statement relating to any Demand Registration within 60 calendar days, and will use its best efforts to cause the same to be declared effective by the SEC as soon as practicable thereafter, and in any event, within 120 calendar days, of the date on which the holders of Registrable Securities first give the Demand Notice required by Section 3(a) hereof with respect to such Demand Registration.

All requests made pursuant to this Section 3 will specify the number of Registrable Securities to be registered and will also specify the intended methods of disposition thereof; provided, that if the holder demanding such registration specifies one particular type of underwritten offering, such method of disposition shall be such type of underwritten offering or a series of such underwritten offerings (as such demanding holders of Registrable Securities may elect) during the period during which the Registration Statement is effective.

If any Demand Registration is requested to be effected as a "shelf" registration by the holders of Registrable Securities demanding such Demand Registration, the Company will keep the Registration Statement filed in respect thereof effective for a period of up to 12 months from the date on which the SEC declares such Registration Statement effective (subject to extension pursuant to Sections 5 and 6 hereof) or such shorter period that will terminate when all Registrable Securities covered by such Registration Statement have been sold pursuant to such Registration Statement.

Within ten calendar days after receipt of such Demand Notice, the Company will serve written notice thereof (the "Notice") to all other holders of Registrable Securities and will, subject to the provisions of Section 3(c) hereof, include in such registration all Registrable Securities with respect to which the Company receives written requests for inclusion therein within 20 calendar days after the receipt of the Notice by the applicable holder.

The holders of Registrable Securities will be permitted to withdraw Registrable Securities from a

Registration at any time prior to the effective date of such Registration provided the remaining number of Registrable Securities subject to a Demand Notice is at least 5% of the total number of Registrable Securities then outstanding.

(c) Priority on Demand Registration. If any of the Registrable Securities registered pursuant to a Demand Registration are to be sold in one or more firm commitment underwritten offerings, the Company may also provide written notice to holders of its equity securities (other than Registrable Securities), if any, who have piggyback registration rights with respect thereto and will permit all such holders who request to be included in the Demand Registration to include any or all equity securities held by such holders in such Demand Registration on the same terms and conditions as the Registrable Securities. Notwithstanding the foregoing, if the managing underwriter or underwriters of the offering to which such Demand Registration relates advises the holders of Registrable Securities that the total amount of Registrable Securities and securities that such equity security holders intend to include in such Demand Registration is in the aggregate such as to materially and adversely affect the success of such offering, then (i) first, the amount of securities to be offered for the account of the holders of such other equity securities will be reduced, to zero if necessary (pro rata among such holders on the basis of the amount of such other securities to be included therein by each such holder), and (ii) second, the number of Registrable Securities included in such Demand Registration will, if necessary, be reduced and there will be included in such firm commitment underwritten offering only the number of Registrable Securities that, in the opinion of such managing underwriter or underwriters, can be sold without materially and adversely affecting the success of such offering, allocated pro rata among the holders of Registrable Securities on the basis of the amount of Registrable Securities to be included therein by each such holder.

(d) Postponement of Demand Registration. The Company will be entitled to postpone the filing period (or suspend the effectiveness) of any Demand Registration for a reasonable period of time not in excess of 90 calendar days, if the Company determines, in the good faith exercise of its reasonable business judgment, that such registration and offering could materially interfere with bona fide financing plans of the Company or would require disclosure of information, the premature disclosure of which could materially and adversely affect the Company. If the Company postpones the filing of a Registration Statement, it will promptly notify the

holders of Registrable Securities in writing when the events or circumstances permitting such postponement have ended.

4. Piggyback Registration. (a) Right to Piggyback. If at any time the Company proposes to file a registration statement under the Securities Act with respect to an offering of any class of equity securities (other than a registration statement (i) on Form S-4, S-8 or any successor form thereto or (ii) filed solely in connection with an offering made solely to employees of the Company), whether or not for its own account, then the Company will give written notice of such proposed filing to the holders of Registrable Securities at least 10 calendar days before the anticipated filing date. Such notice will offer such holders the opportunity to register such amount of Registrable Securities as each such holder may request (a "Piggyback Registration"). Subject to Section 4(b) hereof, the Company will include in each such Piggyback Registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein. The holders of Registrable Securities will be permitted to withdraw all or part of the Registrable Securities from a Piggyback Registration at any time prior to the effective date of such Piggyback Registration.

(b) Priority on Piggyback Registrations. The Company will cause the managing underwriter or underwriters of a proposed underwritten offering to permit holders of Registrable Securities requested to be included in the registration for such offering to include therein all such Registrable Securities requested to be so included on the same terms and conditions as any similar securities, if any, of the Company included therein. Notwithstanding the foregoing, if the managing underwriter or underwriters of such offering deliver an opinion to the holders of Registrable Securities to the effect that the total amount of securities which such holders, the Company and any other persons having rights to participate in such registration propose to include in such offering is such as to materially and adversely affect the success of such offering, then:

(i) if such registration is a primary registration on behalf of the Company, the amount of securities to be included therein (x) for the account of holders of Registrable Securities on the one hand (allocated pro rata among such holders on the basis of the Registrable Securities requested to be included therein by each such holder), and (y) for the account of all such other persons (exclusive of the Company), on the other hand, will be reduced (to zero if necessary) pro rata in proportion to the respective amounts of securities requested to be

included therein to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters; and

(ii) if such registration is an underwritten secondary registration on behalf of holders of securities of the Company other than Registrable Securities, the Company will include therein: (x) first, up to the full number of securities of such persons exercising "demand" registration rights that in the opinion of such managing underwriter or underwriters can be sold or allocated among such holders as they may otherwise so determine, and (y) second, the amount of Registrable Securities and securities proposed to be sold by any other person in excess of the amount of securities such persons exercising "demand" registration rights propose to sell that, in the opinion of such managing underwriter or underwriters, can be sold (allocated pro rata among the holders of such Registrable Securities and such other persons on the basis of the dollar amount of securities requested to be included therein).

(c) Registration of Securities other than Registrable Securities. Without the written consent of the holders of a majority of the then-outstanding Registrable Securities, the Company will not grant to any person the right to request the Company to register any securities of the Company under the Securities Act unless the rights so granted are subject to the prior rights of the holders of Registrable Securities set forth herein, and, if exercised, would not otherwise conflict or be inconsistent with the provisions of, this Agreement.

5. Restrictions on Sale by Holders of Registrable Securities. Each holder of Registrable Securities whose Registrable Securities are covered by a Registration Statement filed pursuant to Section 3 or Section 4 hereof, agrees and will confirm such agreement in writing, if such holder is so requested (pursuant to a timely written notice) by the managing underwriter or underwriters in an underwritten offering, not to effect any public sale or distribution of any of the Company's equity securities (except as part of such underwritten offering), including a sale pursuant to Rule 144, during the 10-calendar day period prior to, and during the 90-calendar day period (or such longer period as any managing underwriter or underwriters may reasonably request in connection with any underwritten public offering) beginning on, the closing date of each underwritten offering made pursuant to such Registration Statement or such other shorter period to which the executive officers may agree. If a request is made pursuant to this

Section 5, the time period during which a Demand Registration (if a shelf registration) is required to remain continuously effective pursuant to Section 3(b) will be extended by 100 calendar days or such shorter period that will terminate when all such Registrable Securities not so included have been sold pursuant to such Registration Statement.

6. Registration Procedures. In connection with the Company's registration obligations pursuant to Sections 3 and 4 hereof, the Company will effect such registrations to permit the sale of such Registrable Securities in accordance with the intended method or methods of disposition thereof, and pursuant thereto the Company will as expeditiously as possible:

(a) Prepare and file with the SEC a Registration Statement or Registration Statements on any appropriate form under the Securities Act available for the sale of the Registrable Securities by the holders thereof in accordance with the intended method or methods of distribution thereof (including, without limitation, distributions in connection with transactions with broker-dealers or others for the purpose of hedging Registrable Securities, involving possible sales, short sales, options, pledges or other transactions which may require delivery and sale to broker-dealers or others of Registrable Securities), and cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that before filing a Registration Statement or Prospectus or any amendments or supplements thereto (including documents that would be incorporated or deemed to be incorporated therein by reference) the Company will furnish to the holders of the Registrable Securities covered by such Registration Statement, the Special Counsel and the managing underwriters, if any, copies of all such documents proposed to be filed, which documents will be subject to the review of such holders, the Special Counsel and such underwriters, and the Company will not file any such Registration Statement or amendment thereto or any Prospectus or any supplement thereto (including such documents which, upon filing, would or would be incorporated or deemed to be incorporated by reference therein) to which the holders of a majority of the Registrable Securities covered by such Registration Statement, the Special Counsel or the managing underwriter, if any, shall reasonably object on a timely basis.

(b) Prepare and file with the SEC such amendments and post-effective amendments to each Registration Statement as may be necessary to keep such Registration Statement continuously effective for the applicable period specified in Section 3; cause the related Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed

pursuant to Rule 424 (or any similar provisions then in force) under the Securities Act; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement as so amended or to such Prospectus as so supplemented.

(c) Notify the selling holders of Registrable Securities, the Special Counsel and the managing underwriters, if any, promptly, and (if requested by any such person) confirm such notice in writing, (i) when a Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or any other federal or state governmental authority for amendments or supplements to a Registration Statement or related Prospectus or for additional information, (iii) of the issuance by the SEC or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement or the initiation of any proceedings for that purpose, (iv) if at any time the representations and warranties of the Company contained in any agreement contemplated by Section 6(n) hereof (including any underwriting agreement) cease to be true and correct, (v) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose, (vi) of the occurrence of any event which makes any statement made in such Registration Statement or related Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or which requires the making of any changes in a Registration Statement, Prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and, in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated or is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vii) of the Company's reasonable determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) Use every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration

Statement, or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Registrable securities for sale in any jurisdiction, at the earliest possible moment.

(e) If requested by the managing underwriters, if any, or the holders of a majority of the Registrable Securities being registered, (i) promptly incorporate in a Prospectus supplement or post-effective amendment such information as the managing underwriters, if any, and such holder agree should be included therein as may be required by applicable law and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment; provided, however, that the Company will not be required to take any actions under this Section 6(e) that are not, in the opinion of counsel for the Company, in compliance with applicable law.

(f) Furnish to each selling holder of Registrable Securities, the Special Counsel and each managing underwriter, if any, without charge, at least one conformed copy of the Registration Statement and any post-effective amendment thereto, including financial statements (but excluding schedules, all documents incorporated or deemed incorporated therein by reference and all exhibits, unless requested in writing by such holder, counsel or underwriter).

(g) Deliver to each selling holder of Registrable Securities, the Special Counsel and the underwriters, if any, without charge, as many copies of the Prospectus or Prospectuses relating to such Registrable Securities (including each preliminary prospectus) and any amendment or supplement thereto as such persons may request; and the Company hereby consents to the use of such Prospectus or each amendment or supplement thereto by each of the selling holders of Registrable Securities and the underwriters, if any, in connection with the offering and sale of the Registrable Securities covered by such Prospectus or any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Securities, to register or qualify or cooperate with the selling holders of Registrable Securities, the underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or blue sky laws of such jurisdictions within the United States as any seller or

underwriter reasonably requests in writing; keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdiction of the Registrable Securities covered by the applicable Registration Statement; provided, however that the Company will not be required to (i) qualify generally to do business in any jurisdiction in which it is not then so qualified or (ii) take any action that would subject it to general service of process in any such jurisdiction in which it is not then so subject.

(i) Cooperate with the selling holders of Registrable Securities and the managing underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates will not bear any restrictive legends; and enable such Registrable Securities to be in such denominations and registered in such names as the managing underwriters, if any, shall request at least two business days prior to any sale of Registrable securities to the underwriters.

(j) Cause the Registrable Securities covered by the applicable Registration Statement to be registered with or approved by such other governmental agencies or authorities within the United States except as may be required solely as a consequence of the nature of such selling holder's business, in which case the Company will cooperate in all reasonable respects with the filing of such Registration Statement and the granting of such approvals as may be necessary to enable the seller or sellers thereof or the underwriters, if any, to consummate the disposition of such Registrable Securities.

(k) Upon the occurrence of any event contemplated by Section 6(c)(vi) or 6(c)(vii) hereof, prepare a supplement or post-effective amendment to each Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder, such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) Use its best efforts to cause all Registrable Securities covered by such Registration Statement to be, at the Company's option (i) listed on each securities exchange, if

any, on which similar securities issued by the Company are then listed or, if no similar securities issued by the Company are then so listed, on the New York Stock Exchange or another national securities exchange if the securities qualify to be so listed or (ii) authorized to be quoted on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or the National Market System of NASDAQ if the securities qualify to be so quoted; in each case, if requested by the holders of a majority of the Registrable Securities covered by such Registration statement or the managing underwriters, if any.

(m) Prior to the effective date of the first Demand Registration or the first Piggyback Registration, whichever shall occur first, (i) engage an appropriate transfer agent and provide the transfer agent with printed certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and (ii) provide a CUSIP number for the Registrable Securities.

(n) Enter into such agreements (including, in the event of an underwritten offering, an underwriting agreement in form, scope and substance as is customary in underwritten offerings) and take all such other actions in connection therewith (including those requested by the holders of a majority of the Registrable Securities being sold or, in the event of an underwritten offering, those requested by the managing underwriters) in order to expedite or facilitate the disposition of such Registrable Securities and in such connection, whether or not an underwriting agreement is entered into and whether or not the registration is an underwritten registration, (i) make such representations and warranties to the holders of such Registrable Securities and the underwriters, if any, with respect to the business of the Company and its subsidiaries, the Registration Statement, Prospectus and documents incorporated by reference or deemed incorporated by reference, if any, in each case, in form, substance and scope as are customarily made by issuers to underwriters in underwritten offerings and confirm the same if and when requested; (ii) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions (in form, scope and substance) shall be reasonably satisfactory to the managing underwriters, if any, and the holders of a majority of the Registrable Securities being sold) addressed to such selling holder of Registrable Securities and each of the underwriters, if any, covering the matters customarily covered in opinions requested in underwritten offerings and such other matters as may be reasonably requested by such holders and underwriters, including without limitation the matters referred to in Section 6(n)(i) hereof; (iii) use its best efforts to

obtain "comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data is, or is required to be, included in the Registration Statement), addressed to each selling holder of Registrable Securities and each of the underwriters, if any, such letters to be in customary form and covering matters of the type customarily covered in "comfort" letters in connection with underwritten offerings; and (iv) deliver such documents and certificates as may be requested by the holders of a majority of the Registrable Securities being sold, the Special Counsel and the managing underwriters, if any, to evidence the continued validity of the representations and warranties of the Company and its subsidiaries made pursuant to clause (i) above and to evidence compliance with any customary conditions contained in the underwriting agreement or similar agreement entered into by the Company. The foregoing actions will be taken in connection with each closing under such underwriting or similar agreement as and to the extent required thereunder.

(o) Make available for inspection by a representative of the holders of Registrable Securities being sold, any underwriter participating in any disposition of Registrable Securities, and any attorney or accountant retained by such selling holders or underwriter, all financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries, and cause the officers, directors and employees of the Company and its subsidiaries to supply all information reasonably requested by any such representative, underwriter, attorney or accountant in connection with such Registration Statement; provided, however, that any records, information or documents that are designated by the Company in writing as confidential at the time of delivery of such records, information or documents will be kept confidential by such persons unless (i) such records, information or documents are in the public domain or otherwise publicly available, (ii) disclosure of such records, information or documents is required by court or administrative order or is necessary to respond to inquires of regulatory authorities, or (iii) disclosure of such records, information or documents, in the opinion of counsel to such person, is otherwise required by law (including, without limitation, pursuant to the requirements of the Securities Act).

(p) Comply with all applicable rules and regulations of the SEC and make generally available to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar

rule promulgated under the Securities Act) no later than 45 calendar days after the end of any 12-month period (or 90 calendar days after the end of any 12-month period if such period is a fiscal year) (i) commencing at the end of any fiscal quarter in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering, and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of the Company, after the effective date of a Registration Statement, which statements shall cover said 12-month period.

(q) Cooperate with any reasonable request by holders of a majority of the Registrable Securities offered for sale, including by ensuring participation by the executive management of the Company in road shows, so long as such participation does not materially interfere with the operation of the Company's business.

The Company may require each seller of Registrable Securities as to which any registration is being effected to furnish to the Company such information regarding the distribution of such Registrable Securities as the Company may, from time to time, reasonably request in writing and the Company may exclude from such registration the Registrable Securities of any seller who unreasonably fails to furnish such information within a reasonable time after receiving such request.

Each holder of Registrable Securities will be deemed to have agreed by virtue of its acquisition of such Registrable Securities that, upon receipt of any notice from the Company of the occurrence of any event of the kind described in Section 6(c)(ii), 6(c)(iii), 6(c)(v), 6(c)(vi) or 6(c)(vii) hereof, such holder will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus (a "Black-Out") until such holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(k) hereof, or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus, provided, however, that in no event shall the aggregate number of days during which a Black-Out is effective during any period of 24 consecutive months exceed 90. In the event the Company shall give any such notice, the time period prescribed in Section 3(a) hereof will be extended by the number of days during the time period from and including the date of the giving of such notice to and including the date when each

seller of Registrable Securities covered by such Registration Statement shall have received (x) the copies of the supplemented or amended Prospectus contemplated by Section 6(k) hereof or (y) the Advice.

7. Registration Expenses. (a) All Registration Expenses will be borne by the Company whether or not any of the Registration Statements become effective. "Registration Expenses" will mean all fees and expenses incident to the performance of or compliance with this Agreement by the Company, including, without limitation, (i) all registration and filing fees (including without limitation fees and expenses (x) with respect to filings required to be made with the National Association of Securities Dealers, Inc. and (y) of compliance with securities or "blue sky" laws (including without limitation fees and disbursements of counsel for the underwriters or selling holders in connection with "blue sky" qualifications of the Registrable Securities and determination of the eligibility of the Registrable Securities for investment under the laws of such jurisdictions as the managing underwriters, if any, or holders of a majority of the Registrable Securities being sold may designate)), (ii) printing expenses (including without limitation expenses of printing certificates for Registrable Securities in a form eligible for deposit with The Depository Trust Company and of printing prospectuses if the printing of prospectuses is requested by the holders of a majority of the Registrable Securities included in any Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, the Special Counsel for the sellers of the Registrable Securities, and counsel for the underwriters (v) fees and disbursements of all independent certified public accountants referred to in Section 6(n)(iii) hereof (including the expenses of any special audit and "comfort" letters required by or incident to such performance), (vi) fees and expenses of any "qualified independent underwriter" or other independent appraiser participating in an offering pursuant to Section 3 of Schedule E to the By-laws of the National Association of Securities Dealers, Inc., (vii) Securities Act liability insurance if the Company so desires such insurance, and (viii) fees and expenses of all other persons retained by the Company, provided, however, that Registration Expenses will not include fees and expenses of counsel for the holders of Registrable Securities other than fees and expenses of the Special Counsel and any local counsel nor shall it include underwriting discounts and commissions relating to the offer and sale of Registrable Securities, all of which shall be borne by such holders. In addition, the Company will pay its internal expenses (including without limitation all salaries and expenses of its officers and

employees performing legal or accounting duties), the expense of any annual audit, the fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange on which similar securities issued by the Company are then listed and the fees and expenses of any person, including special experts, retained by the Company.

(b) In connection with any Demand Registration or Piggyback Registration hereunder, the Company will reimburse the holders of the Registrable Securities being registered in such registration for the reasonable fees and disbursements of not more than one counsel (the "Special Counsel"), together with appropriate local counsel, chosen by the holders of a majority of the Registrable Securities being registered.

8. Indemnification. (a) Indemnification by the Company. The Company will, without limitation as to time, indemnify and hold harmless, to the fullest extent permitted by law, each holder of Registrable Securities registered pursuant to this Agreement, the officers, directors and agents and employees of each of them, each person who controls such holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of any such controlling person, from and against all losses, claims, damages, liabilities, costs (including without limitation the costs of investigation and attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or based upon any untrue or alleged untrue statement of a material fact contained in any Registration Statement, Prospectus or form of Prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are based solely upon information furnished in writing to the Company by such holder expressly for use therein; provided, however, that the Company will not be liable to any holder of Registrable Securities to the extent that any such Losses arise out of or are based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any preliminary prospectus if either (A) (i) such holder failed to send or deliver a copy of the Prospectus with or prior to the delivery of written confirmation of the sale by such holder of a Registrable Security to the person asserting the claim from which such Losses arise and (ii) the Prospectus would have completely corrected such untrue statement or alleged untrue statement or such omission or alleged omission; or (B) such untrue statement or alleged untrue statement, omission or alleged omission is completely corrected in an amendment or supplement to the Prospectus previously furnished

by or on behalf of the Company with copies of the Prospectus as so amended or supplemented, and such holder thereafter fails to deliver such Prospectus as so amended or supplemented prior to or concurrently with the sale of a Registrable Security to the person asserting the claim from which such Losses arise.

The rights of any holder of Registrable Securities hereunder will not be exclusive of the rights of any holder of Registrable Securities under any other agreement or instrument of any holder of Registrable Securities to which the Company is a party. Nothing in such other agreement or instrument will be interpreted as limiting or otherwise adversely affecting a holder of Registrable Securities hereunder and nothing in this Agreement will be interpreted as limiting or otherwise adversely affecting the holder of Registrable Securities' rights under any such other agreement or instrument, provided, however, that no Indemnified Party will be entitled hereunder to recover more than its indemnified Losses.

(b) Indemnification by Holders of Registrable Securities. In connection with any Registration Statement in which a holder of Registrable Securities is participating, such holder of Registrable Securities will furnish to the Company in writing such information as the Company reasonably requests for use in connection with any Registration Statement or Prospectus and will severally indemnify, to the fullest extent permitted by law, the Company, its directors and officers, agents and employees, each person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling persons, from and against all Losses arising out of or based upon any untrue statement of a material fact contained in any Registration Statement, Prospectus or preliminary prospectus or arising out of or based upon any omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such holder to the Company expressly for use in such Registration Statement or Prospectus and was relied upon by the Company in the preparation of such Registration Statement, Prospectus or preliminary prospectus. In no event will the liability of any selling holder of Registrable Securities hereunder be greater in amount than the dollar amount of the proceeds (net of payment of all expenses and underwriter's discounts and commissions) received by such holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any person shall become entitled to indemnity hereunder (an "indemnified party"), such indemnified party shall give prompt notice to the party from which such indemnity is sought (the "indemnifying party") of any claim or of the commencement of any action or proceeding with respect to which such indemnified party seeks indemnification or contribution pursuant hereto; provided, however, that the failure to so notify the indemnifying party will not relieve the indemnifying party from any obligation or liability except to the extent that the indemnifying party has been prejudiced materially by such failure. All fees and expenses (including any fees and expenses incurred in connection with investigating or preparing to defend such action or proceeding) will be paid to the indemnified party, as incurred, within five calendar days of written notice thereof to the indemnifying party (regardless of whether it is ultimately determined that an indemnified party is not entitled to indemnification hereunder). The indemnifying party will not consent to entry of any judgment or enter into any settlement or otherwise seek to terminate any action or proceeding in which any indemnified party is or could be a party and as to which indemnification or contribution could be sought by such indemnified party under this Section 8, unless such judgment, settlement or other termination includes as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release, in form and substance satisfactory to the indemnified party, from all liability in respect of such claim or litigation for which such indemnified party would be entitled to indemnification hereunder.

(d) Contribution. If the indemnification provided for in this Section 8 is unavailable to an indemnified party under Section 8(a) or 8(b) hereof in respect of any Losses or is insufficient to hold such indemnified party harmless, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, will, jointly and severally, contribute to the amount paid or payable by such indemnified party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the indemnifying party or indemnifying parties, on the one hand, and such indemnified party, on the other hand, in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such indemnifying party or indemnifying parties, on the one hand, and such indemnified party, on the other hand, will be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or related to

information supplied by, such indemnifying party or indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses will be deemed to include any legal or other fees or expenses incurred by such party in connection with any action or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provision of this Section 8(d), an indemnifying party that is a selling holder of Registrable Securities will not be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities sold by such indemnifying party and distributed to the public exceeds the amount of any damages which such indemnifying party has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

The indemnity, contribution and expense reimbursement obligations of the Company hereunder will be in addition to any liability the Company may otherwise have hereunder, under the Loan Agreement or otherwise. The provisions of this Section 8 will survive so long as Registrable Securities remain outstanding, notwithstanding any transfer of the Registrable Securities by any holder thereof or any termination of this Agreement.

9. Rules 144 and 144A. The Company will file the reports required to be filed by it under the Securities Act and the Exchange Act in a timely manner, and will cooperate with any holder of Registrable Securities (including without limitation by making such representations as any such holder may reasonably request), all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitations of the exemptions provided by Rules 144 and 144A (including, without limitation, the requirements of Rule 144A(d)(4)). Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such filing requirements. Notwithstanding the foregoing, nothing in this

Section 9 will be deemed to require the Company to register any of its securities under any section of the Exchange Act.

11. Underwritten Registrations. If any of the Registrable Securities covered by any Demand Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the holder of Registrable Securities that gave the Demand Notice with respect to such offering; provided, that such investment banker or manager shall be reasonably satisfactory to the Company. If any Piggyback Registration is an underwritten offering, the Company will have the right to select the investment banker or investment bankers and managers to administer the offering.

11. Miscellaneous. (a) Remedies. In the event of a breach by the Company of its obligations under this Agreement, each holder of Registrable Securities, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it will waive the defense that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company has not, as of the date hereof, and will not, on or after the date hereof, enter into any agreement with respect to its securities which is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. This Agreement will be deemed to be an independent agreement and no limitation or restriction contained in this Agreement will be deemed to conflict with, limit or restrict the rights of Purchaser under this Agreement.

(c) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of holders of a majority of the then-outstanding Registrable Securities. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of holders of Registrable Securities whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect the rights of other holders of Registrable Securities

may be given by holders of at least 51% of the Registrable Securities being sold by such holders; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the immediately preceding sentence.

(d) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing and will be deemed given (i) when made, if made by hand delivery, (ii) upon confirmation, if made by fax, or (iii) one business day after being deposited with a reputable next-day courier, postage prepaid, to the parties as follows:

(x) if to the Company, initially at 2200 West Parkway Boulevard, Salt Lake City, Utah 84119-2331, Fax Number (801) 817-8723, Attention: Val J. Christensen, and thereafter at such other address, notice of which is given to the holders of Registrable Securities in accordance with the provisions of this Section 11(d);

(y) if to Purchaser, initially at 4200 Texas Commerce Tower, Dallas, Texas 75201, Fax Number (214) 220-4949, Attention: Daniel A. Decker, and thereafter at such other address, notice of which is given in accordance with the provisions of Section 11(d); and

(z) if to any other holder of Registrable Securities, at the most current address given by such holder to the Company in accordance with the provisions of this Section 11(d).

(e) Owner of Registrable Securities. The Company will maintain, or will cause its registrar and transfer agent to maintain, a stock book with respect to the Series A Preferred and the Common Stock, in which all transfers of Registrable Securities of which the Company has received notice will be recorded. The Company may deem and treat the person in whose name Registrable Securities are registered in the stock book of the Company as the owner thereof for all purposes, including without limitation the giving of notices under this Agreement.

(f) Successors and Assigns. This Agreement will inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and will inure to the benefit of each holder of any Registrable Securities. The Company may not assign its rights or obligations hereunder without the prior written consent of each holder of any Registrable Securities. The holders of the Registrable Securities may assign the rights and obligations under this Agreement to any subsequent holder of such Registrable Securities. Notwithstanding the foregoing,

no transferee will have any of the rights granted under this Agreement (i) until such transferee shall have acknowledged its rights and obligations hereunder by a signed written statement of such transferee's acceptance of such rights and obligations or (ii) if the transferor notifies the Company in writing on or prior to such transfer that the transferee shall not have such rights.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed will be deemed to be an original and all of which taken together will constitute one and the same instrument.

(h) Headings. The headings in this Agreement are for convenience of reference only and will not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

(j) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein will remain in full force and effect and will in no way be affected, impaired or invalidated, and the parties hereto will use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such which may be hereafter declared invalid, void or unenforceable.

(k) Entire Agreement. This Agreement is intended by the parties as a final expression of their agreement and is intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the registration rights granted by the Company with respect to the Registrable Securities. This Agreement supersedes all prior agreements and understandings among the parties with respect to such registration rights.

(l) Attorneys' Fees. In any action or proceeding brought to enforce any provision of this Agreement, or where any

provision hereof is validly asserted as a defense, the prevailing party, as determined by the court, will be entitled to recover reasonable attorneys' fees in addition to any other available remedy.

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

KNOWLEDGE CAPITAL INVESTMENT GROUP

By: /s/ Kym Irvin

Kym Irvin
Duly Authorized

FRANKLIN COVEY CO., a Utah corporation

By: /s/ Jon Rowberry

Name: Jon Rowberry
Title: Chief Executive Officer

MONITORING AGREEMENT

MONITORING AGREEMENT, dated as of June 2, 1999 (this "Agreement") made and entered into between Franklin Covey Co., a Utah corporation (the "Company") and Hampstead Interests, LP, a Texas limited partnership ("HI").

A. Knowledge Capital Investment Group, a Texas general partnership, related to HI ("Purchaser"), has made a substantial equity investment in the Company pursuant to a Stock Purchase Agreement, dated as of the date hereof, between Purchaser and the Company (the "SPA");

B. HI, by and through itself, its affiliates and their respective officers, employees and representatives, has expertise in the areas of management, finance, strategy, investment and acquisitions relating to the business of the Company; and

C. Pursuant to the terms of the SPA, the Company desires to avail itself, for the term of this Agreement, of the expertise of HI in the aforesaid areas and HI wishes to provide the services to the Company as herein set forth.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

1. Monitoring Services. (a) HI will use reasonable efforts to advise and assist the Company in connection with the development of its strategic plan, including acquisitions, divestitures, new development and financing matters. The precise nature of the services to be performed hereunder by HI will be determined from time to time by mutual agreement of HI and the Company. The Company hereby acknowledges that the persons performing the foregoing services are full-time employees of HI or other entities and will not be expected to devote substantially all of their efforts to the Company but rather only so much of their efforts as, from time to time, HI determines in its sole discretion to be appropriate in the circumstances.

(b) HI and the individuals acting on its behalf that are actually providing the services contemplated hereby will be independent contractors, rather than employees or agents, and will have only such authority as is incident to the discharge of

the duties herein contemplated or specifically authorized from time to time by the Board of Directors of the Company (the "Board").

2. Consideration. (a) In consideration of the services to be provided by HI, the Company will pay to HI a monitoring fee of $100,000 per quarter, payable during the term of this Agreement on the first day of each fiscal quarter of the Company (the "Fee").

(b) HI's rights under this Section 2 will not be subject to offset or reduction by reason of any obligation of the Company or any of its affiliates to pay any other financial advisory fee or other compensation to any other person or entity, including without limitation any entity affiliated with HI and will not limit such other rights and obligations to which the Company and HI or their respective affiliates may from time to time agree in the future.

3. Reimbursements. In addition to the Fee, the Company will, pay directly or reimburse HI for its Out-of-Pocket Expenses. Promptly following the Company's request therefor, HI will provide written substantiation in reasonable detail relating to any Out-of-Pocket Expenses to be paid or reimbursed by the Company pursuant to this Agreement. For the purposes of this Agreement, the term "Out-of-Pocket Expenses" means the reasonable out-of-pocket costs and expenses for travel that are actually and reasonably incurred by HI or its affiliates in connection with the services rendered hereunder. All reimbursements for Out-of-Pocket Expenses will be made promptly upon or as soon as practicable after presentation by HI to the Company of a written statement therefor.

4. Indemnification. (a) The Company will indemnify and hold harmless HI, its affiliates, including without limitation Purchaser, and their respective partners (both general and limited), members (both managing and otherwise), officers, directors, employees, agents and representatives (each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, whether joint or several (the "Indemnifiable Losses"), related to, arising out of or in connection with the services contemplated by this Agreement or the engagement of HI pursuant to, and the performance by HI of the services contemplated by, this Agreement, whether or not pending or threatened, whether or not an Indemnified Party is a party and whether or not such action, claim, suit, investigation or proceeding is initiated or brought

by the Company directly, derivatively or otherwise, including without limitation any action, suit, proceeding or investigation arising out of any action or failure to take action by the Company or any of its subsidiaries, whether or not based on a theory of primary or secondary liability, and will reimburse any Indemnified Party for all reasonable costs and expenses (including reasonable attorneys' fees and expenses) as they are incurred in connection with investigating, preparing, pursuing, defending or assisting in the defense of any action, claim, suit, investigation or proceeding for which the Indemnified Party would be entitled to indemnification under the terms of this sentence, or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party thereto, provided that, subject to the following sentence, the Company, upon execution of a written undertaking reasonably satisfactory to HI confirming the Company's indemnity obligations hereunder (without any reservation of rights) and expressly releasing all Indemnified Parties from any and all liability related to the matter in question (such undertaking, an "Indemnity Undertaking") will be entitled to assume the defense thereof at its own expense, with counsel satisfactory to such Indemnified Party in its reasonable judgment. Any Indemnified Party may, at its own expense, retain separate counsel to participate in such defense, and in any action, claim, suit, investigation or proceeding in which both the Company and/or one or more of its subsidiaries, on the one hand, and an Indemnified Party, on the other hand, is, or is reasonably likely to become, a party, such Indemnified Party will have the right to employ separate counsel at the expense of the Company and to control its own defense of such action, suit, claim, investigation or proceeding if, in the reasonable opinion of counsel to such Indemnified Party, a conflict or potential conflict exists between the Company, on the one hand, and such Indemnified Party, on the other hand, that would make such separate representation advisable. The Company will not, without the prior written consent of the applicable Indemnified Party, settle, compromise or consent to the entry of any judgment in any pending or threatened claim, suit, investigation, action or proceeding relating to the matters contemplated hereby (if any Indemnified Party is a party thereto or has been threatened to be made a party thereto) unless such settlement, compromise or consent includes an unconditional release of the applicable Indemnified Party and each other Indemnified Party from all liability arising or that may arise out of such claim, suit, investigation, action or proceeding. Provided the Company is not in breach of its indemnification obligations hereunder, no Indemnified Party may settle or compromise any claim subject to indemnification

hereunder without the consent of the Company provided that prior thereto such Indemnified Party has been furnished with an Indemnity Undertaking.

(b) If any indemnification sought by any Indemnified Party pursuant to this Section is unavailable for any reason or is insufficient to hold the Indemnified Party harmless against any Indemnifiable Losses referred to herein, then the Company will contribute to the Indemnifiable Losses for which such indemnification is held unavailable or insufficient in such proportion as is appropriate to reflect the relative benefits received (or anticipated to be received) by the Company, on the one hand, and HI, on the other hand, in connection with the transactions which gave rise to such Indemnifiable Losses or, if such allocation is not permitted by applicable law, not only such relative benefits but also the relative faults of the Company, on the one hand, and HI, on the other hand, as well as any other equitable considerations, subject to the limitation that in any event the aggregate contribution by the Indemnified Parties to all Indemnifiable Losses with respect to which contribution is available hereunder will not exceed the Fees Paid through the date on which (or, if more than one date, the last date on which the conduct occurred that gave rise to the Indemnifiable Loss).

(c) Notwithstanding any other provision hereof, none of HI nor any employee, officer, director or other related person or entity will have any liability or obligation by reason of this agreement for performance or nonperformance of services contemplated hereby except and solely to the extent that it is judicially determined by a court of competent jurisdiction that such person intentionally breached or caused to be breached a material provision of this Agreement. The parties hereto hereby expressly disclaim any liability or obligation of HI and its affiliates or any of their respective employees, officers, directors and other related persons or entities for actual or alleged negligence of any character in connection with the services contemplated by this Agreement.

(d) The provisions of this Section 4 will be in addition to and in no manner limit or otherwise affect any other right that HI or any other Indemnified Party may have, whether by contract, or arising as a matter of law or the constituent documents of any other entity.

6. Term. This Agreement will become effective on the date first written above and will continue such date on which

Purchaser and its affiliates together own less than one-half of the 750,000 shares of Series A Preferred Stock of the Company ("Series A Preferred") purchased by Purchaser pursuant to the SPA plus the Series A Preferred equivalent of any shares of Common Stock received by Purchaser or any of its affiliates upon conversion of such Shares of Series A Preferred (which equivalent number of shares of Series A Preferred will be equal to the product of (a) the total number of shares of Common Stock, if any, in to which any such Series A Preferred has been converted, (b) multiplied by the conversion price in effect at the time of conversion, and (b) divided by $100), in each case giving effect to any stock split, stock dividend or similar event. Notwithstanding any other provision hereof, HI may terminate its obligations under Section 1 with or without cause on 60 calendar days prior notice to the Company. The termination or expiration of the term of this Agreement (i) will not affect HI's rights under Sections 3 or 4 hereof (which will survive any termination or expiration of this Agreement) and (ii) will terminate HI's rights under Section 2 hereof (except that for the period during which such expiration or termination occurs the quarterly fee will be prorated based on the number of days in such quarter prior to such termination or expiration divided by 90).

7. Miscellaneous. (a) No amendment or waiver of any provision of this Agreement, or consent to any departure by either party hereto from any such provision, shall be effective unless the same shall be in writing and signed by each of the parties hereto. Any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The waiver by any party of any breach of this Agreement shall not operate as or be construed to be a waiver by such party of any subsequent breach.

(b) Any notices or other communications required or permitted hereunder shall be sufficiently given if delivered personally or sent by facsimile, Federal Express or other overnight courier, addressed as follows or to such other address of which the parties may have given notice:

If to HI: Hampstead Interests, LP
4200 Texas Commerce Center
Dallas, Texas 75201
Attention: Mr. Daniel A. Decker
Facsimile: (214) 220-4949

If to the Company: Franklin Covey Co.
2200 West Parkway Boulevard
Salt Lake City, Utah 84119-2311
Attention: Val J. Christensen
Facsimile: (801) 817-8723

Unless otherwise specified herein, such notices or other communications shall be deemed received (i) on the date delivered, if delivered personally or sent by facsimile, and (ii) one business day after being sent by Federal Express or other overnight courier.

(c) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns. The provisions of Section 4 shall inure to the benefit of each Indemnified Party.

(d) This Agreement may be executed by one or more parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

(e) The waiver by any party of any breach of this Agreement shall not operate as or be construed to be a waiver by such party of any subsequent breach.

(f) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall be not invalidate or render unenforceable such provision in any other jurisdiction.

(g) For purposes of this Agreement, (i) "affiliate" of any person means another person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such first person and (ii) "person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

(h) When a reference is made in this Agreement to an Article, Section, Exhibit or Schedule, such reference is to an

Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation". The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement will refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement will have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. References to a person are also to its permitted successors and assigns.

(i) This Agreement (including the documents and instruments referred to herein) (i) constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement and (ii) except for the provisions of Section 4, are not intended to confer upon any person other than the parties any rights or remedies.

(j) Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned, in whole or in part, by operation of Law or otherwise by either of the parties hereto without the prior written consent of the other party. Any assignment in violation of the preceding sentence will be void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

(k) The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at Law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties will be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any federal court located in the State of Texas or in Texas state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of Texas or any Texas state court in the event any dispute arises out of this

Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal court sitting in the State of Texas or a Texas state court.

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

FRANKLIN COVEY CO.

By: /s/ Jon Rowberry

Name: Jon Rowberry
Title: Chief Executive Officer

HAMPSTEAD INTERESTS, LP

By: /s/ Kym Irvin

Kym Irvin
Duly Authorized