SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 1997

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

For the transition period from __________ to ___________

Commission file no. 1-11107

FRANKLIN QUEST CO.

(Exact name of registrant as specified in its charter)

Utah	87-0401551
(State of incorporation)	(I.R.S. Employer Identification No.)
2200 West Parkway Boulevard Salt Lake City, Utah	84119-2331
(Address of principal executive offices)	(Zip code)
Registrant's telephone number, including area code:	(801) 975-1776

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No

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

19,751,458 shares of Common Stock as of March 28, 1997

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FRANKLIN QUEST CO.

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

	February 28, 1997 (unaudited)	August 31, 1996
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,583	$ 24,041
Accounts receivable, less allowance for doubtful accounts of $952 and $889	30,364	28,706
Inventories	42,060	49,463
Income taxes receivable	4,470	5,064
Other current assets	5,878	5,743
Total current assets	115,355	113,017
Property and equipment, net	102,047	102,063
Intangible assets, net	62,328	51,115
Other long-term assets	3,720	2,250
	$283,450	$268,445
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 16,037	$ 12,585
Other current liabilities	17,367	16,092
Total current liabilities	33,404	28,677
Long-term debt, less current portion	5,280	5,500
Deferred income taxes	2,787	2,433
Total liabilities	41,471	36,610
Shareholders' equity:		
Common stock, $0.05 par value, 40,000,000 shares authorized, 22,025,000 shares issued	1,101	1,101
Additional paid-in capital	134,106	132,959
Retained earnings	156,917	130,849
Deferred compensation	(1,821)	(1,240)
Cumulative translation adjustments	(1,483)	(940)
	288,820	262,729
Less 2,288,828 and 1,497,407 shares of treasury stock, at cost	(46,841)	(30,894)
Total shareholders' equity	241,979	231,835
	$283,450	$268,445

(See Notes to Consolidated Condensed Financial Statements)

FRANKLIN QUEST CO.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended February 28 and 29,		Six Months Ended February 28 and 29,	
	1997	1996	1997	1996
	(unaudited)		(unaudited)	
Sales	$105,958	$93,593	$208,335	$185,473
Cost of sales	43,066	40,103	86,341	79,430
Gross margin	62,892	53,490	121,994	106,043
Operating expenses	41,383	32,282	78,764	63,642
Income from operations	21,509	21,208	43,230	42,401
Interest and other	322	408	397	924
Income before provision for income taxes	21,831	21,616	43,627	43,325
Provision for income taxes	8,787	8,838	17,559	17,543
Net income	$ 13,044	$12,778	$ 26,068	$ 25,782
Net income per share	$ 0.63	$ 0.57	$ 1.25	$ 1.14
Weighted average number of common and common equivalent shares	20,779	22,432	20,845	22,650

(See Notes to Consolidated Condensed Financial Statements)

FRANKLIN QUEST CO.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Six Months Ended February 28 and 29,	
	1997	1996
	(unaudited)	
Cash flows from operating activities:		
Net income	$ 26,068	$ 25,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,470	7,439
Other changes in assets and liabilities	7,644	(1,643)
Net cash provided by operating activities	43,182	31,578
Cash flows from investing activities:		
Acquisition of businesses	(11,960)	(7,608)
Purchases of property and equipment	(5,873)	(11,194)
Net cash used in investing activities	(17,833)	(18,802)
Cash flows from financing activities:		
Payments on short-term borrowings	(121)	
Proceeds from long-term debt	356	
Payments on long-term debt and capital leases	(849)	(927)
Purchase of treasury shares	(16,016)	(7,426)
Proceeds from treasury stock issuance	367	694
Net cash used in financing activities	(16,263)	(7,659)
Effect of foreign exchange rates	(544)	(236)
Net increase in cash and cash equivalents	8,542	4,881
Cash and cash equivalents at beginning of period	24,041	35,006
Cash and cash equivalents at end of period	$ 32,583	$ 39,887
Supplemental disclosure of cash flow information:		
Interest paid	$ 283	$ 226
Income taxes paid	15,787	15,394
Supplemental schedule of non-cash investing and financing activities:		
Fair value of assets acquired	$ 13,770	$ 11,019
Cash paid for net assets	(11,960)	(7,608)
Liabilities assumed from acquisitions	1,810	3,411
Tax effect of exercise of affiliate stock options	13	175

(See Notes to Consolidated Condensed Financial Statements)

FRANKLIN QUEST CO.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - BASIS OF PRESENTATION

The attached unaudited consolidated condensed financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position and results of operations of Franklin Quest Co. (the "Company"), as of the dates and for the periods indicated.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the Securities and Exchange Commission rules and regulations. The Company suggests the information included in this report on Form 10-Q be read in conjunction with the financial statements and related notes included in the Company's Annual Report to Shareholders for the fiscal year ended August 31, 1996.

Certain reclassifications have been made in the consolidated condensed financial statements to conform with the current year presentation.

The results of operations for the six months ended February 28, 1997 are not necessarily indicative of results for the entire fiscal year ending August 31, 1997.

NOTE 2 - NET INCOME PER COMMON SHARE

Net income per common share is computed based on the weighted average number of common and common equivalent (stock options) shares outstanding for the periods presented.

NOTE 3 - INVENTORIES

Inventories are comprised of the following (in thousands):

	February 28, 1997 (unaudited)	August 31, 1996
Finished Goods	$25,245	$36,156
Work in Process	5,784	4,969
Raw Materials	11,031	8,338
	$42,060	$49,463

NOTE 4 - TRUENORTH ACQUISITION

Effective October 1, 1996, the Company acquired the assets of TrueNorth Corporation ("TrueNorth"). TrueNorth, a Utah corporation, is a leading provider of post-instructional personal coaching to corporations and individuals. TrueNorth develops and delivers one-on-one personalized coaching which is designed to augment the effectiveness and duration of training cirricula. The cash purchase price was $10.0 million. In addition, contingent payments may be made over the next five years based on TrueNorth's operating performance during the five years following the acquisition. TrueNorth had sales for the twelve months ended July 31, 1996 of approximately $16.0 million. If the acquisition of TrueNorth had taken place as of September 1, 1996, the impact on the accompanying consolidated condensed financial statements would have been immaterial.

NOTE 5 - SUBSEQUENT EVENTS

Effective March 1, 1997, the Company acquired Premier Agendas, Inc. and Premier School Agendas, Ltd., located in Bellingham, Washington, and Abbotsford, British Columbia, respectively (collectively, "Premier"). The combined cash purchase price was $23.0 million with additional contingent payments being made over the next three years based upon Premier's operating performance over that same time period. Premier is the leading provider of academic and personal planners for students from kindergarten to college throughout the U.S. and Canada. Premier's revenues were approximately $35.4 million for the year ended December 31, 1996.

On March 21, 1997, the Company signed a definitive merger agreement with Covey Leadership Center ("Covey"). The transaction will involve issuance of Franklin Quest Common Stock in exchange for all of the outstanding stock of Covey. In addition, the Company will acquire from Stephen R. Covey and The Stephen and Sandra Covey Posterity Trust, an exclusive, perpetual, worldwide, royalty free, transferable license to make, use and promote derivative works of the books, "The 7 Habits of Highly Effective People and Principle-Centered Leadership" for an aggregate of $27.0 million payable in cash or Company Common Stock or both. The transactions will be recorded using the purchase method of accounting under Generally Accepted Accounting Principles and are valued at approximately $150 million. Covey had approximately $98.7 million in revenues for the year ended December 31, 1996. Covey is a leadership consulting firm whose products include books, seminars and corporate training programs based on the international best seller, "The 7 Habits of Highly Effective People".

FRANKLIN QUEST CO.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements, the Notes thereto and the Management's Discussion and Analysis included in the Company's Annual Report to Shareholders for the fiscal year ended August 31, 1996.

RESULTS OF OPERATIONS

The following table sets forth selected data concerning the sales of the Company's products and services:

	Three Months Ended February 28 and 29,			Six Months Ended February 28 and 29,		
	1997	1996	Change	1997	1996	Change
	(in thousands)			(in thousands)		
Product sales	$ 80,190	$71,545	12%	$155,124	$136,742	13%
Training sales	20,641	17,056	21%	41,308	35,788	15%
Services	5,127	4,992	3%	11,903	12,943	-8%
	$105,958	$93,593	13%	$208,335	$185,473	12%

Three Months Ended February 28, 1997 Compared with Three Months Ended February 29, 1996

Sales for the three months ended February 28, 1997, increased $12.4 million, or 13%, over the same period in 1996. The total for the current quarter included approximately $3.4 million in revenue from the Personal Coaching Division, formerly TrueNorth Corporation, which was acquired effective October 1, 1996.

Product sales increased $8.6 million, or 12%, compared to the corresponding quarter of the prior year. Of this increase, $5.3 million came from growth in retail store sales. This was in large part due to the number of stores opened during the past twelve months. At the end of the second quarter of fiscal 1996 there were 80 retail stores, compared to 95 such stores at the end of the current quarter. Comparable store sales increased 7% for the quarter ended February 28, 1997 compared to the quarter ended February 29, 1996. The remaining increase in sales was primarily due to increased revenues from network marketing and international product sales over the corresponding period of the prior year.

Training sales increased $3.6 million, or 21%, over the same quarter a year ago. Approximately $3.4 million of this increase was a result of the acquisition of the Personal Coaching Division, effective October 1, 1996.

Gross margin was 59.3% of sales in the three months ended February 28, 1997, compared to 57.2% for the same period in 1996. The increase was primarily due to the addition of the Personal Coaching Division, which generates significantly higher gross margins than the Company's core products and services. In addition, improvements in the cost of paper and production processes contributed to the higher gross margin.

Operating expenses, consisting primarily of selling, general and administrative expenses, increased by 4.6% as a percentage of sales during the three months ended February 28, 1997 (39.1% compared to 34.5% in the same period of 1996). The increase came primarily from the area of employee expenses which resulted from staff increases in the areas of sales and technology support. There were also increased marketing program expenses in the second quarter of fiscal 1997 compared to the same quarter a year ago. In addition, operating expenses of the Personal Coaching Division are generally higher as a percentage of sales than expenses in the Company's core businesses. Depreciation and leasehold amortization charges were higher by $767,000 because of new equipment purchased to augment management information systems and improve customer service, the addition of leasehold improvements in new stores and the expansion of facilities at the Franklin Quest Institute of Fitness. Amortization charges increased $434,000 primarily due to amortization of intangible assets acquired in connection with the Personal Coaching Division acquisition.

Income taxes were accrued using an effective rate of 40.3% for the three months ended February 28, 1997, and 40.9% for the same quarter of fiscal 1996. The decrease was caused by a reduction in the Company's calculation of its effective state income tax rates.

Six Months Ended February 28, 1997 Compared with Six Months Ended February 29, 1996

Sales for the first six months of fiscal 1997 increased $22.9 million, or 12.3%, over the same period in fiscal 1996. Sales include $5.7 million from the Personal Coaching Division (TrueNorth) which was not acquired until October 1996.

Product revenue for the first six months of fiscal 1997 increased $18.4 million, or 13.4%, as compared to the first six months of the previous fiscal year. Retail store sales comprised $8.6 million of this increase which represents a 16.1% increase compared to the first six months of fiscal 1996. Most of the remaining increase was realized in the areas of network marketing and catalog sales.

Training revenue for the first six months grew by approximately $5.5 million or 15.4%, compared to the same period a year ago. This was a result of the Personal Coaching Division, which was acquired effective October 1, 1996 and was therefore not included in the amounts for the first six months of fiscal 1996.

Services revenue experienced a decrease of $1.0 million or 8.0%, compared to the first six months of fiscal 1996. The decrease was primarily a result of unusually strong sales in the first quarter a year ago from printing a nationally best selling book and reduced per-unit revenues in the current six month period due to paper price decreases which affected sales prices of Publishers Press' outside printing sales.

Gross margin was 58.6% of sales in the first six months of fiscal 1997 compared to 57.2% in the comparable six months of fiscal 1996. The increase was primarily a result of decreases in paper prices and the addition of the Personal Coaching Division which generates higher gross margins than the Company's core products and services.

Operating expenses increased to 37.8% of sales for the first six months of fiscal 1997 compared to 34.3% for the first six months of the previous year. The increase came primarily from the area of employee expenses which resulted from staff increases in the areas of sales and technology support. There were also increased marketing program expenses in the second quarter of fiscal 1997 in comparison to the same quarter a year ago. In addition, operating expenses of the Personal Coaching Division are generally higher as a percentage of sales than expenses in the Company's core business. Depreciation and leasehold amortization charges were higher by $1.6 million compared to the same period a year ago because of new equipment purchased to augment management information systems, improve customer service, the addition of leasehold improvements in new stores and expansion of the facilities at the Franklin Quest Institute of Fitness. Amortization charges increased by $745,000 primarily due to amortization of intangible assets acquired in connection with the Personal Coaching Division acquisition.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's primary sources of capital have been net cash provided by operating activities, long-term borrowing, capital lease financing and the sale of Common Stock. Working capital requirements have also been financed through short-term borrowing. At February 28, 1997, the Company had $32.6 million in cash and cash equivalents, although $23.0 million was utilized immediately after the end of the quarter to purchase Premier.

Net cash provided by operating activities during the six months ended February 28, 1997 was $43.2 million. Net cash used in investing activities was $17.8 million. Of this total, $5.9 million was invested in property and equipment, and the balance was used in the acquisition of TrueNorth and a contingent earn out payment which was paid as part of the acquisition of Productivity Plus. During the first six months of fiscal 1997, the Company used $16.0 million to repurchase 860,000 shares of its Common Stock on the open market.

Working capital during the period decreased by $2.4 million. Management believes that cash flows and available credit facilities are sufficient to meet working capital requirements, including anticipated increases in accounts receivable and inventories associated with sales increases.

Management anticipates using up to $27.0 million in cash along with shares of the Company's Common Stock for the merger with Covey. Management also has Board authorization to purchase up to an additional 1,655,000 shares of Common Stock. Should such authority be exercised at current prices, the Company would utilize approximately $34.5 million in cash.

The Company also has available lines of credit, not utilized at February 28, 1997, of $59.0 million.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings:

Not applicable.

Item 2. Changes in Securities:

Not applicable.

Item 3. Defaults upon Senior Securities:

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders:

Not applicable.

Item 5. Other information:

In September 1996, the Board of Directors approved the repurchase of up to 2,000,000 shares of the Company's Common Stock. As of March 27, 1997, the Company had acquired 345,000 shares at an average price of $19.55.

On March 21, 1997, the Company signed a definitive merger agreement with Covey. See Note 5 to the financial statements included in this report.

Item 6. Exhibits and Reports on Form 8-K:

(A) Exhibits:
Not applicable.

(B) Reports on Form 8-K:
Not applicable.

SIGNATURES

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

FRANKLIN QUEST CO.

Date: ______________________________ By: ___________________________
Jon H. Rowberry
President
Chief Operating Officer

Date: ______________________________ By: ____________________________
John L. Theler
Executive Vice President
Chief Financial Officer

5
1,000
U.S. DOLLARS

3-MOS
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DEC-1-1996
FEB-28-1997
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