

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) March 4, 2005

**FRANKLIN COVEY CO.**

(Exact name of registrant as specified in its charter)

Utah

1-11107

87-0401551

(State or other jurisdiction of  
incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

2200 West Parkway Boulevard  
Salt Lake City, Utah 84119-2099

(Address of principal executive offices including zip code)

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

(Former name or former address, if changed since last report) Not Applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

**Item 1.01. Entry into a Material Definitive Agreement.**

**1. Franklin Covey Co. 2004 Non-Employee Directors' Stock Incentive Plan**

On November 12, 2004, the Board of Directors of Franklin Covey Co. (the "Company") adopted the Franklin Covey Co. 2004 Non-Employee Directors' Stock Incentive Plan (the "Plan"). The shareholders of the Company approved the Plan on March 4, 2005. The Plan authorizes incentive awards in the form of options, restricted stock and deferred stock grants (the "Awards"). There are 300,000 shares of common stock of the Company reserved for grants pursuant to the Plan (subject to adjustment in accordance with the provisions of the Plan). The Plan is intended to encourage ownership in the Company by members of the Board of Directors of the Company who are not employees of the Company. The Plan will commence on March 31, 2005 and will have a duration of ten (10) years unless terminated sooner by the Board of Directors of the Company. Except for actions specifically reserved to the full Board of Directors, the Plan is administered by the Organization and Compensation Committee (the "Committee") of the Company, and the Committee has authority to determine the terms and provisions of the Awards made pursuant to the Plan.

Pursuant to the terms of the Plan, the Company will automatically award to each eligible director on March 31 of each year a formula grant consisting of restricted shares having an aggregate fair market value of \$27,500 on the date of grant, rounded up to the nearest whole share. The Board of Directors may grant additional Awards to eligible directors in its discretion. However, an annual aggregate limit of shares (including options, restricted stock and deferred stock) having an aggregate fair market value of \$37,500 is set for grants during each calendar year to any individual director.

The foregoing summary of the Plan is subject to, and qualified in its entirety by, the Franklin Covey Co. 2004 Non-Employee Directors' Stock Incentive Plan attached to this Current Report on Form 8-K as Exhibit 99.1 and incorporated herein by reference.

**2. Forms of Award Agreements**

On November 11, 2004, the Committee approved Forms of Option Agreements and Restricted Stock Agreements. These forms will be used to evidence grants of Awards made pursuant to the Plan. The full text of the forms of each Award agreement is attached hereto as Exhibits 99.2 and 99.3 and is incorporated herein by reference. The foregoing summary is qualified in its entirety by, and should be read in conjunction with, such exhibits.

**Item 9.01. Financial Statements and Exhibits.**

**(c) Exhibits**

99.1 Franklin Covey Co. 2004 Non-Employee Directors' Stock Incentive Plan

99.2 Form of Option Agreement

99.3 Form of Restricted Stock Agreement

## 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 hereunto duly authorized.

Date: March 25, 2005

### FRANKLIN COVEY CO.

By: /s/ VAL J. CHRISTENSEN  
Name: Val J. Christensen  
Title: Executive Vice President

## **EXHIBIT INDEX**

99.1 Franklin Covey Co. 2004 Non-Employee Directors' Stock Incentive Plan

99.2 Form of Option Agreement

99.3 Form of Restricted Stock Agreement

**Franklin Covey Co.**  
**2004 Non-Employee Directors' Stock Incentive Plan**

**1. Establishment and Purpose of the Plan.**

Franklin Covey Co. 2004 Non-Employee Directors' Stock Incentive Plan (the "Plan") is established upon the following terms and conditions. The purposes of the Plan are to advance the interests of Franklin Covey Co. (the "Company") through the attraction, motivation and retention of qualified non-employee Directors. The Plan will provide a means for non-employee Directors to increase their equity ownership of the Company consistent with the Company's guidelines for stock ownership by non-employee Directors. By increasing their ownership interest in the Company, the economic interests of the non-employee Directors will more closely align with those of all other stockholders of the Company.

**2. Definitions.**

2.01 **Award:** A grant of Options, Restricted Stock, and/or Deferred Stock to an Awardee.

2.02 **Awardee:** An Eligible Director to whom an Award is made.

2.03 **Award Agreement:** Each Award of Options, Restricted Stock or Deferred Stock shall be evidenced by an Option Agreement, a Restricted Stock Agreement or a Deferred Stock Agreement. Such Award Agreement shall conform to the provisions of the Plan and shall specify the Date of Grant, the Option Price for grants of Options, vesting provisions, restrictions for grants of Restricted Stock or Deferred Stock, and such other terms and conditions as the Organization and Compensation Committee ("Committee") deems appropriate.

2.04 **Basic Annual Award:** An Award granted to each Eligible Director once each year based upon the formulas described in Section 13.

2.05 **Board:** The Board of Directors of the Company.

2.06 **Change of Control:** A Change of Control of the Company of a nature that would be required to be reported in response to Item 403(c) of Regulation S-K whether or not the Company is then subject to such reporting requirement; provided that, without limitation, a Change of Control shall be deemed to have occurred if (a) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act"), is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing 20 percent or more of the combined voting power of the Company's then outstanding securities entitled to vote in an election of Directors of the Company; or (b) during any period of two (2) consecutive years (not including any period prior to the adoption of this Plan), individuals who at the beginning of such period constitute the Board of Directors and any new Directors, whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least three quarters (3/4) of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof.

2.07 **Common Stock:** The Common Stock of the Company, par value \$0.05 per share, or such other class or kind of share or other securities as may be applicable under Section 6.

2.08 **Company:** Franklin Covey Co., a Utah corporation, or any successor to substantially all its business.

2.09 **Date of Grant:** The date an Award is granted to an Eligible Director. The Date of Grant with respect to Basic Annual Awards will be March 31 of each year during the life of the Plan and the Date of Grant for any Supplemental Grant, shall be a date determined by the Board. If the New York Stock Exchange ("NYSE") is not open on such date, the Date of Grant will be the next subsequent day on which the NYSE is open.

2.10 **Deferred Stock:** Deferred Stock is Common Stock of the Company to vest and be issued to an Awardee under the Plan in one or more installments beginning at such time in the future as the Committee shall determine. Prior to the vesting and issuance of Deferred Stock, the Company shall pay to or accrue on behalf of the Awardee an amount equivalent to the dividends that would have been paid on that Deferred Stock had it been issued on the Date of Grant. Awards of Deferred Stock shall be made pursuant to a Deferred Stock Agreement between the Company and each Awardee that may contain additional terms specified by the Committee.

- 2.11 **Deferred Stock Agreement:** The written agreement between the Company and the Awardee for a grant of Deferred Stock.
- 2.12 **Eligible Director:** Any person who on the Date of Grant is a member of the Board of Directors of the Company and is not an employee of the Company or of any Subsidiary as defined in Section 2.20. An individual shall be treated as an employee of the Company or a Subsidiary only if he is on the payroll of the Company or a Subsidiary and treated as an employee under the Company's or a Subsidiary's system of personnel classification.
- 2.13 **Fair Market Value:** As applied to a specific date, the average of the highest and lowest market prices of Common Stock, as reported on the consolidated transaction reporting system for the NYSE on such date, or, if the Common Stock was not traded on the NYSE such date, on the next preceding day on which the Common Stock was traded. In the event shares of Common Stock cease to be traded on the NYSE, but are traded or listed on another securities exchange or market quotation system, the Fair Market Value of shares of Common Stock on a specified date shall be the average of the highest and lowest market prices of Common Stock, as reported on that exchange or market system on such date, or, if the Common Stock was not traded on that date, on the next preceding day on which the Common Stock was traded. If the Common Stock ceases to be traded on any exchange or market quotation system, Fair Market Value shall be determined in good faith by the Board.
- 2.14 **Option:** Any option or options providing for the purchase of a stated number of whole, not fractional, shares of Common Stock pursuant to Section 5.
- 2.15 **Option Agreement:** The written agreement between the Company and Awardee for the grant of an Option.
- 2.16 **Option Price:** The price at which Common Stock of the Company may be purchased upon the exercise of an Option which price shall be the Fair Market Value on the Date of Grant.
- 2.17 **Plan:** Franklin Covey Co. 2004 Non-Employee Directors' Stock Incentive Plan.
- 2.18 **Restricted Stock:** Restricted Stock under the Plan is Common Stock of the Company restricted as to sale for such time and subject to such other conditions and risks of forfeiture, as the Committee shall determine. Prior to vesting and the lifting of the restrictions, the Awardee will nevertheless be entitled to receive dividends from and to vote the shares of Restricted Stock. Awards of Restricted Stock shall be made pursuant to a Restricted Stock Agreement between the Company and each Awardee that may contain additional terms specified by the Committee.
- 2.19 **Restricted Stock Agreement:** The written agreement between the Company and the Awardee for a grant of Restricted Stock.
- 2.20 **Subsidiary:** Any business association (including a corporation or a partnership other than the Company) in an unbroken chain of such associations beginning with the Company if each of the associations other than the last association in the unbroken chain owns equity interests (including stock or partnership interests) possessing fifty (50) percent or more of the total combined voting power of all classes of equity interests in one or the other associations in such chain.
- 2.21 **Supplemental Grant:** A grant of Options, Restricted Stock, or Deferred Stock that is in addition to the Basic Annual Award and is granted to an Eligible Director as a result of that Eligible Director taking on additional responsibilities as a member of the Board of Directors of the Company. No Director shall have any entitlement to a Supplemental Grant except as approved by the Board in its sole discretion.

### 3. **Stock Subject to the Plan.**

The total number of shares of Common Stock which may be awarded under the Plan is 300,000, subject to adjustment under Section 6 below. If any shares subject to any Award granted hereunder are forfeited or such Award otherwise terminates without the issuance of such shares or of other consideration in lieu of such shares, the shares subject to such Award, to the extent of such termination or forfeiture, shall again be available for grant under the Plan during the term of the Plan.

### 4. **Duration of Plan.**

The Plan shall have duration of ten (10) years commencing on March 31, 2005, unless sooner terminated by the Board under Section 12 below. Notwithstanding termination of the Plan, any Award granted prior to termination of the Plan shall remain outstanding until expiration of its term as set forth in the applicable Award Agreement. No additional grants will be made after March 31, 2015 unless the Board of Directors the stockholders of the Company approve an extension

## 5. **Grants of Awards.**

- 5.01 **Frequency of Grants.** Basic Annual Awards of Options and Restricted Stock shall be made on an annual basis on the Date of Grant as defined in Section 2.09. Supplemental Grants may be made by the Company at any time in the discretion of the Board of Directors.
- 5.02 **Size of Grants.** The size of each Basic Annual Award shall be calculated as described in Section 13. The size of any Supplemental Grant shall be determined by the Board in its sole discretion.
- 5.03 **Individual Limits.** An annual aggregate limit of shares (including Options, Restricted Stock, and Deferred Stock) having an aggregate fair market value of \$37,500 is set for grants during each calendar year to any individual Director, which limit shall apply to both the Basic Annual Award and any Supplemental Grant made during any given calendar year.
- 5.04 **Types of Grants.** Basic Annual Awards shall consist of Options and Restricted Stock. Supplemental Grants may consist of Options, Restricted Stock, or Deferred Stock or a combination of Options, Restricted Stock and Deferred Stock.
- 5.04 **Terms of Grants.**

(a) Stock Options are non-qualified Options to purchase a designated number of shares of Common Stock of the Company. The term of each Option shall be ten (10) years from the Date of Grant, subject to earlier expiration as provided in the applicable Award Agreement. The per share Option Price shall be the per share Fair Market Value of Common Stock on the Date of Grant. Each Option shall be subject to the vesting schedule set forth in the applicable Award Agreement, as determined by the Committee, and may be exercised only to the extent vested on the date of exercise. Under no circumstances shall any Option vest or become exercisable in less than one year from the Date of Grant. Shares purchased upon exercise of an Option must be paid for in full at the time of exercise either in cash or with currently owned shares. Neither the Organization and Compensation Committee nor the Board of Directors may reprice any Option that is "underwater." Except as otherwise provided in the applicable Award Agreement, vesting and exercisability will be accelerated in the event of a Change of Control as defined in Section 2.06.

(b) Restricted Stock is Common Stock of the Company restricted as to sale and subject to a risk of forfeiture in such fashion and according to such vesting schedule as the Committee shall determine and specify in the applicable Award Agreement. Prior to vesting and the lifting of the restrictions, the Awardee will be entitled to receive dividends from and to vote the shares of Restricted Stock. Except as otherwise provided in the applicable Award Agreement, vesting and lifting of restrictions will be accelerated in the event of a Change of Control as defined in Section 2.06. Share certificates evidencing Restricted Stock may be held in escrow by the Company pending vesting of such shares and shall bear such legends as the Committee deems appropriate to reflect the restrictions applicable under the Plan and Award Agreement.

(c) Deferred Stock is Common Stock of the Company to be issued to an Awardee under the Plan in one or more installments beginning at such time in the future and on such vesting conditions as the Committee shall determine and specify in the applicable Award Agreement. Prior to vesting and the issuance of Deferred Stock, the Company shall pay to or accrue on behalf of the Awardee an amount equivalent to the dividends on that Deferred Stock from the Date of Grant. Except as otherwise provided in the applicable Award Agreement, vesting and delivery of the Deferred Stock will be accelerated in the event of a Change in Control as defined in Section 2.06.

### 5.06 **Termination of Membership on the Board of Directors.**

(a) Notwithstanding the provisions of Section 5.05 but subject to Section 8 below, an Option whose term has not yet expired or been forfeited shall become fully vested and immediately exercisable upon the Awardee's termination of Board membership on account of death or voluntary retirement after attainment of age 59 ("Retirement"). Any such Options of a deceased or retired Director may be exercised (a) within five (5) years from such termination of Board membership or (b) within the original term of the Option, whichever time is less, or such Option shall thereafter automatically terminate. Options held by an Awardee whose membership on the Board of Directors terminates for reasons other than death or Retirement, unless subject to the provisions of Section 8 of the Plan, shall expire six (6) months from Board termination and are exercisable only to the extent they have vested, as provided for under Section 5.05, prior to expiration.

(b) Notwithstanding the provisions of Section 5.05 but subject to Section 8 below, in the event of an Awardee's termination of Board membership on account of death or Retirement, (i) all Restricted Stock held by such Awardee shall immediately vest and cease to be subject to the restrictions of this Plan, and (ii) all Awards of Deferred Stock shall automatically vest and be issued. In such event, certificates for the Common Stock related to such Award shall be delivered to the retired Director or such Director's beneficiary as soon as administratively feasible after such event.

**6. Adjustments upon Changes in Capitalization.**

In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation or any other change in corporate structure of the Company affecting Common Stock, or a sale by the Company of all or a substantial part of its assets, or any distribution to stockholders other than a cash dividend, the Board will make appropriate adjustment in the number and kind of shares authorized for issuance under the Plan, and will make such adjustments to the number and kind of shares, and exercise prices payable under, all outstanding Awards as the Board in good faith deems appropriate to prevent inequitable increase or decreases in the rights of the Awardees. However, no fractional shares of Common Stock will be issued pursuant to any such adjustment, and the Fair Market Value of any fractional shares resulting from adjustments will be paid in cash to the Awardee.

**7. General Provisions.**

(a) Each Award shall be made pursuant to a written Award Agreement between the Company and the Awardee. Nothing contained in the Plan, or in any Award granted pursuant to the Plan, shall confer upon any Awardee any right with respect to continuance as a Director.

(b) To the extent of any conflict between the Plan and the Award Agreement, the provisions of the Plan shall control.

**8. Forfeiture.**

Any provision herein to the contrary notwithstanding, all Options, Restricted Stock, and Deferred Stock granted to an Awardee shall automatically terminate and be null and void as of the date an Eligible Director's service on the Board of Directors terminates if the directorship is terminated as a result of any act of (a) fraud or intentional misrepresentation, or (b) embezzlement, misappropriation, or conversion of assets or opportunities of the Company or any Subsidiary.

**9. Non-Assignability.**

Awards may not be pledged, assigned, or transferred for any reason during the Awardee's lifetime, and any attempt to do so shall be void and notwithstanding any contrary provision contained herein, the relevant Award shall be immediately forfeited whether or not otherwise vested.

**10. Beneficiary upon Awardee's Death.**

Notwithstanding the provisions of Section 9, an Awardee's Award shall be transferable at his or her death to the beneficiary designated by the Awardee on forms prescribed by and filed with the Company prior to the Awardee's death. Upon the death of an Awardee, such beneficiary shall succeed to the rights of the Awardee. If no such designation of a beneficiary has been made, the Awardee's Award(s) shall succeed to his or her legal representative and shall be transferable by will or pursuant to the laws of descent and distribution.

**11. Plan Administration and Share Issuance.**

(a) Except as otherwise provided herein, the Plan shall be administered by the Committee. Subject to Section 13 below and the other express provisions of this Plan, the Committee has full authority and discretion to determine the terms and provisions of any Awards made pursuant to the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan and Awards granted under it, to define terms not otherwise defined herein, and to make all other determinations that it may determine to be necessary or advisable for the administration of the Plan. All decisions, determinations and interpretations by the Board and the Committee regarding this Plan or any Award shall be final and binding on all persons.

(b) The Committee may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any Option exercises, share issuances and/or of any resales or other transfers of shares issued hereunder, including without limitation (i) restriction under an insider trading policy, (ii) restrictions as to the use of a specified brokerage firm for such resales or other transfers, (iii) restrictions during any period when the Administrator determines that the prospectus relating to such Award may not contain all required information, (iv) restrictions under any applicable federal or state securities law; and (iv) restrictions requested by an underwriter engaged in a registered offering of the Company's securities, not to exceed 180 days following the pricing of securities for sale in such offering.

(c) Shares of Common Stock shall not be issued under the Plan with respect to any Award unless the exercise of such Award, if applicable, and the issuance and delivery of such Shares pursuant thereto shall comply with all applicable



provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, applicable state securities laws and the requirements of the NYSE and any stock exchange upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance. As a condition to the exercise of Options and issuance of Awards or shares of Common Stock, the Company may require the Awardee or person exercising such rights to represent and warrant that any shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

12. **Amendment and Termination of the Plan.**

The Board shall have the power to amend or terminate the Plan at any time without further action of the stockholders; provided, however that stockholder approval shall be required of any amendment that:(a) increases the number of shares available under the Plan (other than an increase solely to reflect a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation or any other change in corporate structure of the Company affecting the Common Stock, or a sale by the Company of all or a substantial part of its assets, or any distribution to stockholders other than a cash dividend); (b) withdraws administration of the Plan from the Committee; (c) changes the types of awards available under the Plan; (d) extends the term of the Plan; (e) constitutes a "material revision" to the Plan requiring stockholder approval pursuant to the New York Stock Exchange Corporate Governance Listing Standards; or (f) deletes or limits the scope of the Plan provision prohibiting the repricing of Options that are "underwater." The Committee may not amend, alter or discontinue the any Award Agreement under the Plan in a manner that would materially impair the rights of the holder of an Award without such holder's consent; provided that no such consent shall be required if the Committee determines in its sole discretion and prior to the date of any Change of Control that such amendment or alteration either (a) is required or advisable in order for the Company, the Plan or the Award to satisfy any law or regulation, to meet the requirements of any accounting standard or to avoid any adverse accounting treatment, or (b) is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been or will be adequately compensated.

13. **Annual Grant of Restricted Stock.**

The Company will award to each director on March 31, of each year a number of Restricted Shares having an aggregate fair market value of \$27,500, rounded up to the nearest whole share.

14. **Governing Law and Choice of Law.**

This Plan and all Award Agreements shall be deemed to have been adopted in the State of Utah, and shall be interpreted and construed according to the laws of the State of Utah, without giving effect to any conflict of laws provisions. In the event any person initiates legal action based upon a dispute or claim arising out of this Plan or any Award Agreement, such action shall be exclusively brought before and decided by a state court or U.S. District Court in the State of Utah.

OPTION AGREEMENT  
for the  
FRANKLIN COVEY CO.  
2004 NON-EMPLOYEE DIRECTORS' STOCK INCENTIVE PLAN

THIS OPTION AGREEMENT (the "Agreement") is made and entered into effective as of the \_\_\_\_ day of \_\_\_\_\_, 2005, by and between Franklin Covey Co., a Utah corporation (the "Company"), and \_\_\_\_\_ ("Optionee"). Capitalized terms used herein without definition shall have the meanings set forth in the Franklin Covey Co. 2004 Non-employee Directors' Stock Incentive Plan, as amended from time to time (the "Plan").

R E C I T A L S:

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

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

A G R E E M E N T:

1. Number of Options. The Company hereby acknowledges and confirms the grant to Optionee, upon the terms and conditions set forth in this Agreement, of \_\_\_\_\_ non-qualified stock options ("Options"). Each Option shall entitle Optionee to purchase, upon the terms and conditions set forth in this Agreement, one (1) Common Share. The number of Common Shares to which each Option pertains shall be adjusted, as necessary, in accordance with the provisions of Article 10 of the Plan.
2. Exercise Price. The price for which each Option granted to Optionee may be exercised shall be \$\_\_\_\_\_ per Common Share, payable as provided in the Plan.
3. (a) Vesting Schedule. Subject to any provisions set forth in the Plan regarding the exercisability of Options, the Options shall be exercisable in accordance with the following vesting schedule [to be determined]:
  - «Vesting» Options shall be vested and exercisable on or after \_\_\_\_\_;
  - «Vesting» Options shall be vested and exercisable on or after \_\_\_\_\_;
  - «Vesting» Options shall be vested and exercisable on or after \_\_\_\_\_;
  - «Vesting» Options shall be vested and exercisable on or after \_\_\_\_\_.

All vested Options shall be exercisable until \_\_\_\_ (expiration) \_\_\_\_, unless the period of exercise is sooner terminated in accordance with the provisions of the Plan. Notwithstanding the foregoing, in the event Optionee has attained the age of fifty-nine (59) years and ceases serving the Company as a director, (i) any Options that are not then vested and exercisable under the foregoing provisions shall become immediately vested and upon the date of cessation of board service exercisable and, (ii) subject to the provisions of Section 4(b)(2) below, all Options then held by Optionee will continue to be exercisable until \_\_\_\_ (expiration) \_\_\_\_, unless the period of exercise is sooner terminated in accordance with the provisions of the Plan.

- (b) Right to Exercise. Optionee understands and hereby agrees that he or she has no right whatsoever to exercise any Option except during the times provided herein and except as may be limited by any provision of the Plan.

4. Governing Documents. This Agreement hereby incorporates by reference all of the provisions of the Plan, as presently existing and as hereafter amended. Optionee expressly acknowledges and agrees that the terms and conditions of this

Agreement are subject in all respects to the provisions of the Plan; that the terms and conditions of this Agreement in no way limit or modify any provision of the Plan; and that in case of any conflict between the provisions of the Plan and the terms and conditions of this Agreement, the provisions of the Plan shall control and shall bind the parties hereto. Optionee also hereby expressly agrees and represents as follows:

(a) Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the provisions of the Plan.

(b) Optionee acknowledges and understands that the establishment of the Plan and the existence of this Agreement are not sufficient, in and of themselves, to exempt Optionee from the reporting requirements and short-swing liability provisions of Section 16 of the Exchange Act and any rules or regulations promulgated thereunder, and that Optionee shall not be exempt from the short-swing liability provisions pursuant to Rule 16b-3 unless and until Optionee shall comply with all applicable requirements of Rule 16b-3, including without limitation, the requirement that Optionee must not sell or otherwise dispose of any Common Shares acquired upon exercise of an Option unless and until a period of at least six months shall have elapsed between the date upon which such Option was granted to Optionee and the date upon which Optionee desires to sell or otherwise dispose of any Common Shares acquired upon exercise of such Option.

(c) Optionee acknowledges and understands that the exercise of an Option could have substantial adverse tax consequences to Optionee, and that the Company recommends that Optionee consult with a knowledgeable tax advisor before exercising any Option.

5. Representations and Warranties. As a condition to the exercise of any Option, the Company may require Optionee to make any representations and warranties to the Company that legal counsel for the Company may reasonably determine to be advisable for the Company.

6. Restrictions on Encumbrances. During the lifetime of Optionee, Optionee agrees and covenants that no Options will be pledged or otherwise encumbered in any manner, whether voluntarily or involuntarily, by operation of law or otherwise. The foregoing sentence shall not be deemed or construed, however, to prohibit any transfer otherwise allowed by will or by the laws of descent and distribution.

7. Notices.

(a) All notices, demands or requests provided for or permitted to be given pursuant hereto must be in writing. All notices, demands and requests shall be deemed to have been properly given or served when deposited in the United States mail, addressed to the individual or entity to whom notice is given, postage prepaid and registered or certified with return receipt requested, at the last known address of such individual or entity.

(b) By giving at least fifteen (15) days' prior written notice, the Company and Optionee shall have the right from time to time and at any time during the term of this Agreement to change their addresses and to specify any other address within the United States of America.

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

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

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

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

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

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

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

“Corporation”

**FRANKLIN COVEY CO.,**

a Utah corporation

By: /s/ ROBERT A. WHITMAN

Robert A. Whitman

President

“Optionee”:

\_\_\_\_\_

Optionee Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

AGREEMENT FOR THE  
ISSUANCE OF RESTRICTED SHARES  
UNDER THE  
FRANKLIN COVEY CO.  
2004 NON-EMPLOYEE DIRECTORS' STOCK INCENTIVE PLAN

THIS AGREEMENT FOR THE ISSUANCE OF RESTRICTED SHARES (the "Agreement") is made and entered into effective \_\_\_\_\_, 2005 (the "Grant Date"), by and between FRANKLIN COVEY CO., a Utah corporation (the "Company"), and \_\_\_\_\_ (the "Awardee"). Capitalized terms used herein without definition shall have the meanings set forth in the Franklin Covey Co. 2004 Non-Employee Directors' Stock Incentive Plan, as amended from time to time (the "Plan").

RECITALS:

A. Article 5 of the Plan provides for the grant of basic annual awards ("Awards") in the form of Restricted Shares ("Restricted Shares") to such Awardees as the Organization and Compensation Committee of the Board of Directors (the "Committee") deems appropriate.

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

AGREEMENT

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

1. Number of Restricted Shares. The Company hereby acknowledges and confirms the issuance of Restricted Shares to the Awardee, upon the terms and conditions set forth in this Agreement of \_\_\_\_\_ (\_\_\_\_\_) Restricted Shares. The number of Restricted Shares to which this Agreement pertains shall be adjusted, as necessary, in accordance with the provisions of Article 6 of the Plan.

2. Vesting of Awards. Restricted Shares granted hereunder shall vest on the third anniversary of the Grant Date; provided, however, that in the event of the Awardee's total disability (such determination to be made in the sole discretion of the Committee) or the Awardee's retirement from the Board after having attained the age of 59, or by reason of death, the Restricted Shares awarded hereunder shall immediately vest.

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

4. Delivery of Restricted Shares.

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

(b) No shares of Common Stock shall be delivered pursuant to this Agreement until the requirements of such laws and regulations as may be deemed by the Company and the Committee to be applicable thereto are satisfied.

5. General Provisions.

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

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

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

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

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

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

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

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

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

FRANKLIN COVEY CO.

By: /s/ ROBERT A. WHITMAN

Robert A. Whitman, President

Awardee:

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