

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):
May 22, 2008



(Exact name of registrant as specified in its charter)

Commission File No. 1-11107

Utah
(State or other jurisdiction of
incorporation)

87-0401551
(IRS Employer Identification
Number)

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

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

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

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:

- 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

On May 22, 2008, Franklin Covey Co. (the Company) announced that it will join with Peterson Partners V, L.P. to create a new limited liability company, Franklin Covey Products, LLC (Franklin Covey Products), to pursue the strategic objective of expanding the sales of Franklin Covey branded consumer products throughout the world. In connection with the creation of Franklin Covey Products, on May 22, 2008 the Company entered into a definitive agreement to sell substantially all of the assets of its Consumer Solutions Business Unit (CSBU) to Franklin Covey Products (the Sale Agreement). The sale price is \$32.0 million in cash plus the amount, if any, by which the closing date net current assets exceeds a specified amount of current net assets or minus the amount, if any, by which the specified current net assets exceeds the actual current net assets at the closing date.

Pursuant to the terms of the Sale Agreement, the Company will contribute (i) approximately \$1.7 million on the closing date of the sale as consideration for a 19.5 percent voting interest in Franklin Covey Products plus (ii) a \$1.0 million interest-bearing preferred contribution that provides no additional ownership or voting rights. The remaining interest in Franklin Covey Products will be primarily held by Peterson Partners V, L.P., an affiliate of Peterson Partners, Inc., a Salt Lake City, Utah based investment firm that specializes in small to mid-size companies. Founded in 1995, Peterson Partners has a track record of successful investments including JetBlue, Making Memories, EnergySolutions, Winder Farms, MITY Enterprises, Inc. and Diamond Rental. A founding general partner of Peterson Partners and a significant investor in Peterson Partners V, L.P. is Joel C. Peterson, a member of the Company's Board of Directors. Due to this relationship, Mr. Peterson recused himself from the negotiations and Board of Director discussions regarding the sale of CSBU.

The CSBU is primarily focused on sales of the Company's products to individual customers and small business organizations and includes the operations of the Company's domestic retail stores, consumer direct channels (primarily eCommerce and call center), wholesale operations, international product channels in certain countries, and other related distribution channels, including government product sales and domestic printing and publishing operations. Some of the Company's best-known consumer products include the FranklinCovey Planner™ as well as a variety of binders, totes, and other productivity and organizational tools and accessories.

The sale of CSBU assets is expected to be completed approximately 60 days from the signing of the Sale Agreement. The closing of the transaction is subject to a number of customary conditions stated in the Sale Agreement, which also contains representations and warranties of both parties, indemnification agreements, and other customary covenants.

In addition to the Sale Agreement, the Company expects to complete a licensing agreement, shared services agreement, and lease agreements with Franklin Covey Products prior to the closing of the sale. The management and operations of CSBU are expected to remain on the Company's campus located in Salt Lake City, Utah for the foreseeable future.

The proposed sale of the CSBU has been approved by the Company's Board of Directors and does not require shareholder approval. The Company also obtained a fairness opinion from ThinkPanmure, LLC (San Francisco), which served as the Company's financial advisor in connection with the transaction.

The Company anticipates using a portion of the proceeds from the sale of CSBU to acquire shares of its common stock through a Dutch auction tender offer, which is expected to begin shortly after the closing of the sale transaction.

The foregoing description of the Sale Agreement does not purport to be complete and is qualified in its entirety by reference to the Sale Agreement, which the Company expects to file as part of an amendment to this Form 8-K as soon as practicable.

CAUTIONARY STATEMENT

The Sale Agreement will be included to provide investors and shareholders with information regarding its terms and conditions. Except for its status as a contractual document that establishes and governs the legal relations among the parties thereto with respect to the transaction described in this Form 8-K, the Sale Agreement is not intended to be a source of factual, business, or operational information about the parties.

Certain of the contractual representations or warranties made by the parties in the Sale Agreement are subject to a standard of materiality that may be different from what shareholders of the Company may view as material to their interests. Representations and warranties may be used as a tool to allocate risks between the respective parties to the Sale Agreement, including where the parties do not have complete knowledge of all the facts. Investors in the Company's securities are not third-party beneficiaries under the Sale Agreement and should not rely on the representations, warranties, and covenants or any description thereof as characterizations of the actual state of facts or condition of the parties or any of their affiliates.

FORWARD LOOKING STATEMENTS

This current report and the exhibits furnished herewith contain forward-looking statements related to, among other things, the completion of the sale of CSBU, the tender offer, and the other transactions contemplated by the Sale Agreement. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those contemplated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the ability of the parties to the Sale Agreement to satisfy the conditions to closing specified in the Sale Agreement, and other risks and uncertainties outlined in the Company's documents filed with the SEC, including the Company's most recent annual report on Form 10-K for the fiscal year ended August 31, 2007 as filed with the Securities and Exchange Commission. All forward-looking statements and other information in this current report are based upon information available as of the date of this report. Such information may change or become invalid after the date of this report, and, by making these forward-looking statements, the Company undertakes no obligation to update these statements after the date of this report, except as required by law.

TENDER OFFER STATEMENT

This communication is for informational purposes only and is not an offer to buy, or the solicitation of an offer to sell, any shares. The full details of any tender offer, including complete instructions on how to tender shares, will be included in the offer to purchase, the letter of transmittal and related materials, which would be mailed to shareholders promptly following commencement of the offer. Shareholders should read carefully the offer to purchase, the letter of transmittal and other related materials when they are available because they will contain important information. Shareholders may obtain free copies, when available, of the offer to purchase and other related materials that will be filed by Franklin Covey Co. with the Securities and Exchange Commission at the Commission's website at www.sec.gov. When available, shareholders also may obtain a copy of these documents, free of charge, from the Company's information agent to be appointed in connection with the offer.

Item 2.04 Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement

The Sale Agreement described in Item 1.01 above creates an instance of non-compliance with certain covenants related to material changes and transfers of assets in the Company's \$25.0 million revolving line of credit agreements. The Company has obtained the necessary consents from the lending institutions to waive these instances of non-compliance with the applicable loan covenants and thus prevent the acceleration of payments on amounts outstanding on the line of credit agreements.

Item 7.01 Regulation FD Disclosure

On May 22, 2008, the Company issued a press release announcing that it had entered into the Sale Agreement as described in Item 1.01 above. A copy of the press release is attached hereto as Exhibit 99.1 and incorporated by reference herein.

The Company will hold an investor web cast on Friday, May 23, 2008 at 9:00 a.m. (Mountain Daylight Time) to discuss the Sale Agreement and other business matters. Interested parties may participate in the web cast by calling (800) 435-1398, participant code: 38649130; or by logging on to <http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=102601&eventID=1857100>.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

99.1 Press release announcing the sale of Consumer Solutions Business Unit dated May 22, 2008.

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.

FRANKLIN COVEY CO.

Date: May 22, 2008

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

FranklinCovey and Peterson Partners Form New Company to Acquire FranklinCovey's Consumer Business Unit.

FranklinCovey to Use Proceeds From Sale to Repurchase Common Stock.

SALT LAKE CITY, May 22, 2008, — FranklinCovey (**NYSE: FC**) today announced that it has entered into an agreement with Peterson Partners to create a new company, Franklin Covey Products, LLC. This new company will purchase substantially all of the assets of FranklinCovey's Consumer Solutions Business Unit (CSBU) and, pursuant to a comprehensive license agreement, will continue expanding CSBU's planner and other branded consumer products businesses through its proprietary channels and through third-party retailers worldwide. FranklinCovey will focus its full resources on the continued expansion of its training, consulting, content-rich media and thought leadership businesses, which currently operate in 147 countries.

The new company, which will be controlled by Peterson Partners, will purchase the CSBU assets for \$32.0M in cash subject to adjustments for net working capital. FranklinCovey will invest \$1.7M to purchase a 19.5% voting interest in the new company, will make a \$1.0M interest bearing preferred capital contribution and will also have the opportunity to earn contingent license fees as the new company achieves certain performance objectives. FranklinCovey intends to utilize the sale proceeds to repurchase a substantial number of shares of its common stock pursuant to a Dutch auction tender offer, which it anticipates would commence shortly after the closing of the transaction.

Peterson Partners, a leading Intermountain West investment firm based in Salt Lake City, Utah, specializes in investing in small to mid-sized companies and has a track record of successful investments including JetBlue, Making Memories, EnergySolutions, 3form, Cranium, Asurion, Instashred, Winder Farms, MITY Enterprises and Diamond Rental. Founded in 1995, Peterson Partners has managed over \$400 million in committed capital through five funds.

Sarah Merz, current President of the CSBU, will be named Chief Executive Officer of Franklin Covey Products, LLC and will serve on its board of managers. Robert A. Whitman, Chairman and Chief Executive Officer of Franklin Covey, has agreed to also serve as Chairman of the board of managers of FranklinCovey Products, LLC for a period of three years. Whitman will serve without compensation. The jobs and responsibilities of CSBU's other officers and employees are not expected to be affected by the transaction. Merz and her other senior officers will own significant equity interests in Franklin Covey Products, LLC.

The CSBU is primarily focused on sales of the Company's planners and other hard goods products to individual customers and small business organizations and includes the operations of the company's domestic retail stores, consumer direct channels, wholesale operations, international product channels and other related distribution channels, including government product sales and domestic printing and publishing operations. Some of the Company's best-known consumer products include the popular FranklinCovey Planning System™, PlanPlus Planning Software™ and PlanPlus Online™, as well as a line of binders, business cases, totes, and other productivity and organizational tools and accessories. Franklin Covey Products, LLC will assume all of CSBU's channels and offerings, and plans to further expand CSBU's already strong pipeline of new products and offerings.

FranklinCovey to Focus on Accelerating Growth in its Training, Consulting, Content-Rich Media and Thought Leadership Businesses

"Over the past several years, the strategic focus of both our CSBU and Organizational Solutions Business Unit (OSBU) has changed significantly. The OSBU's business has grown significantly, both domestically and internationally," said Robert A. Whitman, Chairman and Chief Executive of FranklinCovey. "While its historical time management and individual effectiveness solutions have also grown, it has added new solution categories, including Leadership, Execution, and Customer Loyalty, which have grown even more rapidly. As a consequence, the extent of overlap between our training and consulting offerings and our hard goods products has diminished. Meanwhile, the CSBU has expanded its distribution into more than 13,000 third-party outlets, including office superstores and other large retail chains. In the process, CSBU has grown its annual planner sales from approximately 4.8M units to almost 5.2M units in the past three years.

"Over the last five years, FranklinCovey has achieved a very substantial financial turnaround in both major business units. After significant analysis and deliberation, however, it became apparent to us that the business units would be able to operate more effectively as separate companies, each with clear and distinct strategic objectives, market definitions, and competitive sets. Each business can now focus its full attention on building value within its own markets, while continuing to partner with each other on key initiatives."

Franklin Covey Products, LLC

Jordan Clements, Managing Partner, Peterson Partners, said, "This transaction represents a tremendous opportunity for Peterson Partners to invest in the premier company in the stable, billion-dollar planner industry. Franklin Covey Products, LLC will be led by a smart and determined management team, which has proven to be outstanding at the continuous process of building value in a company. We're tremendously impressed with our new CEO, Sarah Merz. We anticipate that our human and investment capital will augment Sarah's already successful team. We are also looking forward to a long and close relationship with FranklinCovey, an organization for which we have enormous respect. Peterson Partners has tremendous regard for Bob Whitman and his leadership abilities were integral to Peterson's investment decision. Bob's continuing participation as Chairman of the new company is a huge plus for Franklin Covey Products, LLC."

Under the terms of the transaction, all products to be sold by the new company will continue to carry the FranklinCovey brand name. The FranklinCovey retail stores will also continue to operate under the FranklinCovey name, which Franklin Covey Products Co. will license from FranklinCovey. The licensing agreement makes the transaction seamless with no negative effect on customers or clients of either organization.

The transaction is expected to close in approximately sixty days. While closing is subject to customary conditions, due diligence and the negotiation of key agreements has been largely completed prior to the signing of the sale agreement. The management and operations of Franklin Covey Products, LLC are expected to remain on FranklinCovey's campus located in Salt Lake City, Utah.

"Peterson Partners has a proven track record of success. We are delighted that Peterson Partners is excited about the strategic opportunity offered by Franklin Covey Products, LLC, since Peterson Partners shares our commitment to the CSBU employees, and to Salt Lake City. Because this is an intricate and long-term relationship, it was important to find a partner committed to the FranklinCovey brand, customers and employees," said Bob Whitman.

Joel C. Peterson, a founding general partner and significant investor in Peterson Partners, is also a member of FranklinCovey's board of directors. Mr. Peterson insulated himself from any substantive knowledge about a possible transaction, and recused himself from any involvement in discussions or

deliberations within both FranklinCovey or Peterson Partners. A special recapitalization committee was formed more than a year ago to consider the possibility of a transaction. This committee and the FranklinCovey board, with guidance from their financial advisor, ThinkPanmure, LLC, and their legal advisors Dorsey & Whitney, LLP, and Jones Day, conducted a rigorous market due diligence and board review process prior to authorizing execution of the agreement.

Audio Web Cast

The Company will hold an investor web cast on Friday, May 23, 2008 at 9:00 a.m. (Mountain Daylight Time) to discuss the Sale Agreement and other business matters. Interested parties may participate in the web cast by calling (800) 435-1398, participant code: 38649130; or by logging on to <http://phx.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=102601&eventID=1857100>.

About FranklinCovey

FranklinCovey is a global leader in effectiveness training, productivity tools and assessment services for organizations and individuals. FranklinCovey helps companies succeed by unleashing the power of their workforce to focus and execute on top business priorities. Clients include 90 percent of the Fortune 100, more than 75 percent of the Fortune 500, thousands of small and mid-sized businesses, as well as numerous government entities and educational institutions. Organizations and individuals access FranklinCovey products and services through corporate training, licensed client facilitators, one-on-one coaching, public workshops, catalogs, more than 70 retail stores, and www.franklincovey.com. FranklinCovey has nearly 1,500 associates providing professional services and products in 39 offices and in 95 countries.

About Peterson Partners

Peterson Partners, a leading Intermountain West investment firm based in Salt Lake City, Utah, specializes in investing in small to mid-sized companies, and has a track record of successful investments including JetBlue, Making Memories, EnergySolutions, 3form, Cranium, Asurion, Instashred, Winder Farms, MITY Enterprises, and Diamond Rental. Founded in 1995, Peterson Partners has managed over \$400 million in committed capital through five funds.

Forward-Looking Statements

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Tender Offer Statement

This press release is for informational purposes only and is not an offer to buy, or the solicitation of an offer to sell, any shares. The full details of any tender offer, including complete instructions on how to tender shares, will be included in the offer to purchase, the letter of transmittal and related materials, which would be mailed to shareholders promptly following commencement of the offer. Shareholders should read carefully the offer to purchase, the letter of transmittal and other related materials when they are available because they will contain important information. Shareholders may obtain free copies, when available, of the offer to purchase and other related materials that will be filed by FranklinCovey with the Securities and Exchange Commission at the Commission's website at www.sec.gov. When available, shareholders also may obtain a copy of these documents, free of charge, from FranklinCovey's information agent to be appointed in connection with the offer.

Investor Contact:
FranklinCovey
Steve Young
801-817-1776
Steve.Young@franklincovey.com

Media Contact:
FranklinCovey
Debra Lund
801-244-4474
Debra.Lund@franklincovey.com

Investor Contact:
Peterson Partners
Jordan Clements
801-365-0180
Jordan@petersonpartnerslp.com