

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):
February 19, 2007

FRANKLIN COVEY CO.

(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

\$25.0 Million Revolving Line of Credit Agreement

On March 14, 2007, Franklin Covey Co. (the Company) entered into long-term secured revolving line-of-credit agreements with JPMorgan Chase Bank N.A. and Zions First National Bank (the Credit Agreements). The Credit Agreements provide a total of \$25.0 million of borrowing capacity to the Company at an interest rate equal to LIBOR plus 1.10 percent. The Credit Agreements expire on March 14, 2010 and the Company may draw on the line of credit, repay, and draw again, on a revolving basis, up to the maximum loan amount of \$25.0 million so long as no event of default has occurred and is continuing. The Credit Agreements also contain customary representations and guarantees as well as provisions for repayment and liens.

The Credit Agreements require the Company to be in compliance with specified financial covenants, including: (i) a funded debt to earnings ratio; (ii) a fixed charge coverage ratio; (iii) a limitation on annual capital expenditures; and (iv) a defined amount of minimum net worth. In the event of noncompliance with these financial covenants and other defined events of default, the lenders are entitled to certain remedies, including acceleration of the repayment of amounts outstanding on the Credit Agreements.

In connection with the Credit Agreements, the Company entered into separate Promissory Notes, a Security Agreement, Repayment Guaranty Agreements, and a Pledge and Security Agreement.

The Company may use the proceeds from the Credit Agreements for general corporate purposes and intends to use a portion of the revolving loan amount to redeem the remaining shares of outstanding Series A Preferred Stock as described in Item 8.01 below.

The foregoing description of the Credit Agreements does not purport to be complete and is qualified in its entirety by reference to the text of the Credit Agreements and information contained in the related Promissory Notes, Security Agreement, Repayment Guaranty Agreements, and Pledge and Security Agreement, which are filed as Exhibits 10.1 through 10.8 attached hereto.

Canadian Line of Credit Agreement

In addition to the Credit Agreements described above, on February 19, 2007, the Company obtained a CDN \$500,000 (approximately \$425,300) revolving line of credit with Toronto-Dominion Bank through its wholly owned Canadian subsidiary (the Canadian Line of Credit). The Canadian Line of Credit is a revolving line of credit similar to the Credit Agreements described above and bears interest at the Canadian prime rate. In connection with the Canadian Line of Credit, the interest rate on the previously existing mortgage agreement with Toronto-Dominion Bank was reduced from Canadian prime plus one percent to the Canadian prime rate.

The Canadian Line of Credit may be used for general corporate purposes and requires the Company's Canadian subsidiary to maintain a specified financial covenant for minimum debt service coverage.

The foregoing description of the Canadian Line of Credit does not purport to be complete and is qualified in its entirety by reference to the text of the Canadian Line of Credit, which is filed as Exhibit 10.9 attached hereto.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information set forth above in Item 1.01 is incorporated herein by reference.

Item 8.01 Other Events

On March 14, 2007, the Company announced that it had given formal notice to the shareholders of its Series A Preferred Stock for the redemption of all remaining shares of Series A Preferred Stock totaling \$37.3 million, or approximately 1.5 million shares. The Company intends to redeem all remaining shares of its Series A Preferred Stock for \$25 per share, plus accrued dividends through April 4, 2007, the anticipated redemption date. Due to the proximity of the anticipated redemption date, the regular quarterly dividend payment due on March 15, 2007 will be paid to Series A Preferred Shareholders on the redemption date. The redemption of Series A Preferred Stock will reduce the Company's annual dividend obligation by \$3.7 million per year.

A copy of the press release announcing the foregoing items is attached hereto as exhibit 99.1 to this current report on Form 8-K and is incorporated herein by reference.

Forward Looking Statements

This report contains statements which constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws, including information with respect to the Company's intended use of the proceeds from the Credit Agreements and the payment of dividends. Forward-looking statements are based on the Company's current expectations and beliefs concerning future events and involve risks, uncertainties, and assumptions. A number of risks, uncertainties, and other important factors could cause actual results to differ materially from those contained in any forward-looking statement. Such factors include, but are not limited to, the Company's need to utilize the proceeds for other purposes and other factors that are more particularly described in the Company's filings with the Securities and Exchange Commission, including information under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2006, and in subsequently filed quarterly reports on Form 10-Q. The Company believes that its forward-looking statements are reasonable; however, undue reliance should not be placed on any forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments, or otherwise.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits:

- 10.1 Revolving Line of Credit Agreement (\$18,000,000) by and between JPMorgan Chase Bank, N.A. and Franklin Covey Co. dated March 14, 2007.
- 10.2 Secured Promissory Note between JPMorgan Chase Bank, N.A. and Franklin Covey Co. dated March 14, 2007.
- 10.3 Security Agreement between Franklin Covey Co., Franklin Covey Printing, Inc., Franklin Development Corporation, Franklin Covey Travel, Inc., Franklin Covey Catalog Sales, Inc., Franklin Covey Client Sales, Inc., Franklin Covey Product Sales, Inc., Franklin Covey Services LLC, Franklin Covey Marketing, LTD., and JPMorgan Chase Bank, N.A. and Zions First National Bank, dated March 14, 2007.
- 10.4 Repayment Guaranty between Franklin Covey Co., Franklin Covey Printing, Inc., Franklin Development Corporation, Franklin Covey Travel, Inc., Franklin Covey Catalog Sales, Inc., Franklin Covey Client Sales, Inc., Franklin Covey Product Sales, Inc., Franklin Covey Services LLC, Franklin Covey Marketing, LTD., and JPMorgan Chase Bank N.A., dated March 14, 2007.

- 10.5 Pledge and Security Agreement between Franklin Covey Co. and JPMorgan Chase Bank, N.A. and Zions First National Bank, dated March 14, 2007.
 - 10.6 Revolving Line of Credit Agreement (\$7,000,000) by and between Zions First National Bank and Franklin Covey Co. dated March 14, 2007.
 - 10.7 Secured Promissory Note between Zions First National Bank and Franklin Covey Co. dated March 14, 2007.
 - 10.8 Repayment Guaranty between Franklin Covey Co., Franklin Covey Printing, Inc., Franklin Development Corporation, Franklin Covey Travel, Inc., Franklin Covey Catalog Sales, Inc., Franklin Covey Client Sales, Inc., Franklin Covey Product Sales, Inc., Franklin Covey Services LLC, Franklin Covey Marketing, LTD., and Zions First National Bank, dated March 14, 2007.
 - 10.9 Credit Agreement between Franklin Covey Canada, Ltd. and Toronto-Dominion Bank dated February 19, 2007.
 - 99.1 Press release dated March 14, 2007
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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: March 19, 2007

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

EXHIBIT INDEX

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- 99.1 Press release dated March 14, 2007

REVOLVING LINE OF CREDIT AGREEMENT

by and between

JPMORGAN CHASE BANK, N.A.,
a national banking association,

as Lender,

and

FRANKLIN COVEY CO.,
a Utah corporation,

as Borrower

Dated as of March 14, 2007

REVOLVING LINE OF CREDIT AGREEMENT

THIS REVOLVING LINE OF CREDIT AGREEMENT is made as of March 14, 2007, by and between FRANKLIN COVEY CO., a Utah corporation (“Borrower”), whose address is 2200 West Parkway Blvd., Salt Lake City, Utah 84119, and JPMORGAN CHASE BANK, N.A., a national banking association (“Lender”), whose mailing address is 80 West Broadway, Suite 200, Salt Lake City, Utah 84101.

RECITALS:

A. Borrower has applied to Lender for a revolving line of credit loan to finance Borrower’s general corporate purposes, including Borrower’s working capital needs, the redemption of Borrower’s common or preferred stock, or other Borrower purposes, and for other uses approved by Lender, upon the terms and subject to the conditions set forth herein.

B. Based on the foregoing and upon the terms and subject to the conditions set forth herein, Lender is willing to extend the requested revolving line of credit loan to Borrower.

NOW, THEREFORE, in consideration of the covenants and conditions herein contained, the parties agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Definitions. As used herein, the following terms shall have the meanings set forth below:

“**Account Control Agreement**” means that certain Account Control Agreement of even date herewith by and among Borrower, Guarantor, Collateral Agent and Zions.

“**Advance**” means a disbursement of Loan proceeds.

“**Affiliate**” of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. The term “Affiliate” does not include the officers, directors, or employees of a Person, if the Person is a corporation, and does not include the employees or managers of a Person, if the Person is a limited liability company or limited partnership.

“**Agreement**” means this Revolving Line of Credit Agreement, as the same may be amended and supplemented from time to time.

“**Authorized Representative**” means, for any Person, the person or persons designated by that Person to take any and all actions on the part of that Person under any of the Loan Documents or in connection with the Loan.

“**Average Quarterly Outstanding Balance**” means the aggregate sum of the outstanding and unpaid balance of the Loan for each day during a calendar quarter (or portion thereof) with respect to which the Unused Commitment Fee is being computed, divided by the number of days in that calendar quarter (or portion thereof).

“**Borrower**” has the meaning set forth in the introductory paragraph of this Agreement, together with its successors and permitted assigns.

“**Borrower Operating Documents**” means the Articles of Incorporation of Borrower, as filed with the predecessor filing office to the Utah Department of Commerce, Division of Corporations and Commercial Code on December 2, 1983, and the Amended and Restated Bylaws of Borrower, dated effective as of January 11, 2002, and all modifications and amendments to those documents, pursuant to which Borrower has been formed and exists.

“**Business Day**” means a day other than a Saturday, Sunday or any other day on which Lender’s branch located at 80 West Broadway, Salt Lake City, Utah is authorized or obligated to close.

“**Capital Expenditures**” means expenditures for fixed or capital assets as determined in accordance with GAAP.

“**Change of Control**” (a) means the closing of a sale or other disposition of all or substantially all of Borrower’s or Guarantor’s assets; (b) shall be deemed to have occurred at such time as a “person” or “group” (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the “beneficial owner” (as defined in Rule 13d3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than fifty percent (50%) of the total voting power of all classes of stock then outstanding of Borrower entitled to vote in the election of directors; or (c) Borrower’s or Guarantor’s merger into or consolidation with any other entity, or any other reorganization or transfer, directly or indirectly, of the ownership interests in Borrower or Guarantor, in which the holders of the outstanding ownership interests in Borrower or Guarantor immediately prior to such transaction receive or retain, in connection with such transaction on account of their ownership interests, ownership interests representing less than fifty percent (50%) of the voting power of the entity surviving such transaction; *provided, however*, that a Change of Control shall not include a merger effected exclusively for the purpose of changing the domicile of Borrower or Guarantor or a merger of a Guarantor into Borrower or another Guarantor.

“**Closing Date**” means the date upon which Borrower, Guarantor and Lender have executed and delivered each of the Loan Documents and each of the conditions precedent and other requirements in **Article 4** have been satisfied or waived, as determined by Lender in its sole and absolute discretion.

“**Code**” means the Internal Revenue Code of 1986, as amended, and any successor statute promulgated in replacement thereof, together with all temporary, final and other Treasury Regulations promulgated under the Code.

“**Collateral**” means all of Borrower’s and Guarantor’s assets and proceeds thereof, including, without limitation, the personal property subject to the Security Agreement, including proceeds, products, interest on and investments thereof from time to time, and all other property, interests in property, and rights to property securing any or all of Borrower’s and Guarantor’s payment and other obligations under the Loan Documents from time to time.

“**Collateral Agent**” means JPMORGAN CHASE BANK, N.A., a national banking association, not in its individual capacity, but solely as collateral agent for Lender and Zions.

“**Consolidated Entities**” means Borrower and any Subsidiaries thereof, including, without limitation, Guarantor.

“**Covenant Compliance Certificate**” means a Covenant Compliance Certificate in form and substance satisfactory to Lender, which shall be in substantially the form attached hereto as **Exhibit A** from Borrower to Lender certifying compliance with the financial covenants set forth in **Section 6.8** of this Agreement, together with such other supporting documents and information as Lender may require from time to time in accordance herewith.

“**Default Interest Rate**” means a rate of interest equal to the lesser of (a) the aggregate of THREE PERCENT (3%) per annum plus the Interest Rate, or (b) the highest rate legally permissible under applicable Requirements of Law. The Default Interest Rate shall change from time to time as and when the Interest Rate changes.

“**Early Termination Fee**” means, as of the date of any early termination of the Loan by Borrower pursuant to **Section 2.6(c)**, an amount equal to the sum of (a) the Unused Commitment Fee for the portion of the calendar quarter that has passed as of such date and (b) using a discount rate of seven percent (7%), the net present value of the aggregate amount of future Unused Commitment Fees which would have been due (assuming an Average Quarterly Outstanding Balance of \$0.00) for each calendar quarter (or portion thereof) remaining in the term of the Loan after the date Borrower terminates the Loan.

“**EBITDAR**” shall have the meaning given in **Section 6.8(a)**.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

“**ERISA Affiliate**” means any corporation, partnership, or other trade or business (whether or not incorporated) that is, along with Borrower or Guarantor, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in sections 414(b) and 414(c), respectively, of the Code or section 4001 of ERISA, or a member of the same affiliated service group within the meaning of section 414(m) of the Code.

“**Event of Default**” means the occurrence of any of the events listed in **Section 7.1** and the expiration of any applicable notice and cure period provided in said section.

“**Financing Statement**” means one or more UCC financing statements and/or addenda thereto, to be prepared by Collateral Agent, naming Borrower and/or Guarantor, as applicable, as debtor, in favor of Collateral Agent, as secured party, and perfecting Collateral Agent’s security interest in the Collateral now owned or hereafter acquired by Borrower and Guarantor, in form and substance satisfactory to Collateral Agent, to be filed with the Utah Department of Commerce, Division of Corporations and Commercial Code and in such other offices for recording or filing such statements in such jurisdictions as Collateral Agent shall desire to perfect Collateral Agent’s liens and security interest or reflect such interest in appropriate public records.

“**Franklin Covey Mexico**” means **FRANKLIN COVEY MEXICO, INC.**, a Utah corporation.

“**GAAP**” shall have the meaning given in **Section 1.3**.

“**Governmental Authority**” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“**Guarantor**” means, individually and collectively, as the context requires, and jointly and severally, all present and future domestic Subsidiaries of Borrower, including, without limitation, **FRANKLIN COVEY PRINTING, INC.**, a Utah corporation (“**Printing**”), **FRANKLIN DEVELOPMENT CORPORATION**, a Utah corporation (“**Development**”), **FRANKLIN COVEY TRAVEL, INC.**, a Utah corporation (“**Travel**”), **FRANKLIN COVEY CATALOG SALES, INC.**, a Utah corporation (“**Catalog**”), **FRANKLIN COVEY CLIENT SALES, INC.**, a Utah corporation (“**Client**”), **FRANKLIN COVEY PRODUCT SALES**, a Utah corporation (“**Product**”), **FRANKLIN COVEY SERVICES, L.L.C.**, a Utah limited liability company (“**Services**”), and **FRANKLIN COVEY MARKETING, LTD.**, a Utah limited partnership (“**Marketing**”).

“**Guarantor Loan Documents**” means the Guaranty and any other guaranties, agreements, documents, or instruments now or hereafter executed by Guarantor evidencing, guarantying, securing or otherwise related to the obligations of Guarantor or the Loan, as the Guaranty and such other guaranties, agreements, documents, and instruments may be amended, modified, extended, renewed, or supplemented from time to time.

“**Guarantor Operating Documents**” means the articles of incorporation, articles of organization, certificate of partnership, bylaws, operating agreements and limited partnership agreements of Guarantor, as applicable, and all modifications and amendments to those documents, pursuant to which Guarantor has been formed and exists.

“**Guaranty**” means that certain Repayment Guaranty executed by Guarantor, as the same may be amended, modified, supplemented and restated from time to time.

“**Indebtedness**” means, as to any Person (a) indebtedness created, issued, incurred or assumed by such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (b) all obligations of such Person to pay the deferred purchase price of property or services; (c) all indebtedness secured by a lien on any asset of such Person whether or not such indebtedness is assumed by such Person; (d) all obligations, contingent or otherwise, of such Person directly or indirectly guaranteeing any indebtedness or other obligation of any other Person or in any manner providing for the payment of any indebtedness or other obligation of any other Person or otherwise protecting the holder of such indebtedness against loss (excluding endorsements for collection or deposit in the ordinary course of business); (e) the amount of all reimbursement obligations and other obligations of such Person (whether due or to become due, contingent or otherwise) in respect of letters of credit, bankers’ acceptances, surety or other bonds (but excluding surety or other bonds in favor of Governmental Authorities) and similar instruments; (f) all obligations under leases capitalized in accordance with GAAP; and (g) all other obligations that would be included as liabilities on a balance sheet prepared in accordance with GAAP.

“**Intercreditor Agreement**” means that certain Intercreditor Agreement of approximately even date herewith by and among Collateral Agent, Lender and Zions, as the same may be amended, modified, supplemented or restated from time to time.

“**Interest Period**” means each period commencing on the first day of a calendar month and ending on the first day of the next succeeding calendar month; *provided, however*, that (i) the first Interest Period shall commence on the Closing Date; and (ii) any Interest Period that would otherwise extend past the Maturity Date shall end on the Maturity Date.

“**Interest Rate**” means a variable rate equal to the LIBO Rate in effect from time to time plus One and One-Tenth Percent (1.10%) per annum.

“**Lender**” means **JPMORGAN CHASE BANK, N.A.**, a national banking association whose address is as set forth in the introductory paragraph of this Agreement, its successors and assigns.

“**Letter of Credit**” means a written agreement by Lender to honor drafts or other demands for payment in compliance with the conditions specified in a letter of credit extended by Lender pursuant to this Agreement, on such form(s) of letter of credit as customarily issued by Lender and on such terms as Lender shall require in its reasonable discretion.

“**Letter of Credit Application and Agreement**” means Lender’s then-current form of Letter of Credit Application and Agreement or such other application form as Lender shall then require.

“**Letter of Credit Limit**” means the aggregate issued and committed amount of THREE MILLION AND NO/100 DOLLARS (\$3,000,000.00).

“**Letter of Credit Interest Rate**” means the per annum interest rate set forth in the Letter of Credit Application and Agreement executed and delivered by Borrower in connection with any Letter of Credit.

“**LIBO Rate**” means, with respect to any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by Lender from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the “**LIBO Rate**” with respect to such Interest Period shall be the rate at which dollar deposits of \$1,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of Lender in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two (2) Business Days prior to the commencement of such Interest Period.

“**Lien or Encumbrance**” and “**Liens and Encumbrances**” means any assignment as security, conditional sale for security purposes, grant in trust, lien, mortgage, pledge, security interest, title retention arrangement, other encumbrance, or other interest or right securing the payment of money or the performance of any other liability or obligation, whether voluntarily or involuntarily created and whether arising by agreement, document, or instrument, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise.

“**Loan**” means the revolving line of credit loan from Lender to Borrower described in this Agreement.

“**Loan Amount**” means the amount of up to EIGHTEEN MILLION AND NO/100 DOLLARS (\$18,000,000.00), plus any sum in addition thereto advanced by Lender in its sole and absolute discretion in accordance with the Loan Documents, to be disbursed pursuant to the terms and conditions of this Agreement.

“**Loan Documents**” means the documents described in **Section 4.1(i)**, any International Swap and Derivatives Association Master Agreement (and any confirmation related thereto and any other Swap Agreement), and any other guaranties, agreements, documents, or instruments now or hereafter evidencing, guarantying or securing the Obligations of Borrower hereunder, as this Agreement, the other documents described in **Section 4.1**, and such other agreements, documents, and instruments may be amended, modified, extended, renewed, or supplemented from time to time.

“**Loan Party**” means Borrower, Guarantor and each other Person that from time to time is or becomes obligated to Lender or Collateral Agent under any Loan Document or grants any Lien or Encumbrance to Lender or Collateral Agent with respect to any Collateral.

“**Material Adverse Change**” means any change in the assets, liabilities, financial condition, or results of operations of Borrower or Borrower and Guarantor on an aggregate basis, or any other event or condition with respect to Borrower or Borrower and Guarantor together, that materially and adversely affects any of the following: (i) the likelihood of performance by Borrower or Borrower and Guarantor together of any Obligations or the ability of Borrower or Borrower and Guarantor together to perform such Obligations, (ii) the legality, validity or binding nature of any of the Obligations of Borrower or Guarantor, (iii) any Lien or Encumbrance securing any of such Obligations, or (iv) the priority of any Lien or Encumbrance securing any of such Obligations.

“**Maturity Date**” means the date which is exactly thirty-six (36) months from the date of the Note.

“**Multiemployer Plan**” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA which is maintained for employees of Borrower or Guarantor.

“**Note**” means the Secured Promissory Note of approximately even date herewith executed by Borrower and payable to Lender, as such note may be amended, modified, extended, renewed, supplemented or restated from time to time.

“**Obligations**” means, as the context requires, the duties and obligations of Borrower and/or Guarantor under the Loan Documents from time to time, including without limitation, any and all obligations, contingent or otherwise, whether now existing or hereafter arising, of Borrower to Lender arising under or in connection with Swap Agreements.

“**Occupational Safety and Health Law**” means the Occupational Safety and Health Act of 1970, as amended, and any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning employee health and/or safety.

“**Other Loans**” means any loan, financing arrangement or extension of credit to Borrower or its Subsidiaries, including, without limitation, Guarantor, from Lender, any Affiliate of Lender, J.P. Morgan Chase & Co. or any of its Affiliates, or Zions or any of its Affiliates.

“**Payment Date**” means the first (1st) day of each calendar month after the Closing Date.

“**PBGC**” means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

“**Permitted Exceptions**” means the following: (a) the sale, transfer, or other disposition of any Collateral that is (i) consumed or worn out in ordinary usage and that is promptly replaced with similar items of equal or greater value or (ii) sold in the ordinary course of business; (b) the Loan Documents; (c) purchase money liens on items of the Collateral; (d) Liens or Encumbrances granted to Zions or Collateral Agent pursuant to the Zions Loan Documents in respect of which Lender or Collateral Agent shares or is otherwise granted a first priority security interest with Zions on a *pari passu* basis pursuant to and as set forth in the Intercreditor Agreement; (e) Liens and Encumbrances against Borrower or Guarantor set forth on **Schedule 5.6** in effect on the Closing Date; (f) covenants, restrictions, rights, rights-of-way, easements and minor irregularities and encumbrances in title which do not materially interfere with the business or operations of Borrower or Guarantor as presently conducted; (g) Liens and Encumbrances arising by statute in connection with worker’s compensation and unemployment insurance (other than Liens and Encumbrances arising under ERISA), good faith cash deposits in connection with tenders, contracts or leases to which Borrower or Guarantor is a party or other cash deposits required to be made in the ordinary course of business (provided in each case that the obligation is not for borrowed money and that the obligation secured is not overdue or, if overdue, is being contested in good faith); (h) mechanics’, workmen’s, materialmen’s, landlords’, carriers’ or other similar Liens and Encumbrances arising in the ordinary course of Borrower’s or Guarantor’s business with respect to obligations which are not due or which are being contested in good faith; (i) the pledge of assets for the purpose of securing an appeal, stay or discharge in the course of any legal proceeding, provided that the aggregate amount of liabilities of Borrower and Guarantor secured by a pledge of Collateral, including interest and penalties thereon, if any, shall not be in excess of \$2,000,000 at any one time outstanding; and (j) any interest or title of a lessor under any operating lease to Borrower or Guarantor.

“**Person**” means any natural person, any unincorporated association, any corporation, any partnership, any joint venture, any limited liability company, any trust, any other legal entity, or any Governmental Authority.

“**Pledged Securities**” means all of the shares of the common stock of Guarantor (other than Services and Marketing) owned and pledged by Borrower, together with all dividends therefrom (whether in cash or in equity securities), all stock splits or reissuances thereof, all distributions thereon or in respect thereof, all rights with respect thereto, including voting and appraisal rights, all investments thereof, interest thereon and proceeds thereof, all securities, cash or other assets in replacement thereof.

“**Quarterly Payment Date**” means the last day of each of March, June, September and December of each calendar year until the Maturity Date, unless any such day is not a Business Day, in which case the Quarterly Payment Date shall be the next succeeding Business Day.

“**Reimbursement Obligations**” shall have the meaning given in **Section 3.2(a)**.

“**Reportable Event**” has the meaning given to such term in ERISA, but shall not include any event for which the thirty (30) day reporting requirement has been waived by the PBGC.

“**Request for Advance**” means a completed, written Request for Advance and Pledge in form and substance satisfactory to Lender, which shall be in substantially the form attached hereto as **Exhibit B** from Borrower to Lender requesting an Advance from Lender, together with such other documents and information as Lender may require from time to time in accordance herewith.

“**Requirements of Law**” means (a) the organizational documents of an entity and (b) any law, regulation, ordinance, code, decree, treaty, ruling or determination of an arbitrator, court or other Governmental Authority, or any Executive Order issued by the President of the United States, in each case applicable to or binding upon such Person or to which such Person, any of its property or the conduct of its business is subject.

“**Security Agreement**” means that certain Security Agreement of even date herewith by and between Borrower and Guarantor, as debtor, and Collateral Agent, as secured party, with respect to all of the assets of Borrower and Guarantor.

“**Stock Pledge Agreement**” means that certain Pledge and Security Agreement of even date herewith by and between Borrower, as pledgor, and Collateral Agent, pledging all of the shares of each Guarantor other than SERVICES and Marketing.

“**Subsidiary**” means, with respect to any Person (the “**parent**”) at any date, any corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise controlled, directly or indirectly, by the parent or one or more subsidiaries of the parent. As used in this definition, “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

“**Swap Agreement**” means any agreement between Borrower and Lender with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

“**Transfer**” means (a) the granting of any Lien or Encumbrance on the Collateral or any part thereof to any Person, except the security interests in favor of Lender or Collateral Agent, the Permitted Exceptions and other matters which have been approved in writing by Lender; (b) any sale, transfer, conveyance, lease or vesting of the Collateral or any part thereof or interest therein to or in any Person, whether voluntary, involuntary, by operation of law, or otherwise, except the Permitted Exceptions, which would result in a Material Adverse Change (without taking into consideration subsections (iii) and (iv) of the definition of Material Adverse Change); (c) any Change of Control; or (d) the execution of any agreements to do any of the foregoing, except the Permitted Exceptions.

“**Unused Commitment Fee**” means, with respect to each calendar quarter (or portion thereof) during the term of the Loan, an amount equal to (i) the Loan Amount *minus* (ii) the Average Quarterly Outstanding Balance for such calendar quarter (or portion thereof) with respect to which the Unused Commitment is being computed, with the resulting number being *multiplied* by ONE QUARTER OF ONE PERCENT (0.25%) per annum (i.e., 0.0625% per quarter). If the Unused Commitment Fee is being computed for less than a full calendar quarter, the percentage used in the preceding sentence will be computed on a daily basis for the number of days for which the fee is being computed.

“**Zions**” means ZIONS FIRST NATIONAL BANK, a national banking association.

“**Zions Account**” means an account established by Borrower with Zions into which Lender and Zions shall advance proceeds of the Loan and the Zions Loan, respectively.

“**Zions Loan**” means that certain revolving line of credit in the maximum principal amount of up to SEVEN MILLION AND NO/100 DOLLARS (\$7,000,000.00).

“**Zions Loan Documents**” means any agreements, documents, instruments or guaranties, now or hereafter governing, evidencing, guarantying or securing the obligations of Borrower with respect to the Zions Loan, as such agreements, documents, instruments and guaranties may be amended, modified, extended, renewed, or supplemented from time to time.

1.2 Interpretation. Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

(a) Number; Inclusion. References to the plural include the singular, the plural, the part and the whole; “or” has the inclusive meaning represented by the phrase “and/or”; and “including” has the meaning represented by the phrase “including without limitation”.

(b) Documents Taken as a Whole. The words “hereof,” “herein,” “hereunder,” “hereto” and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document.

(c) Headings. The section and other headings contained in this Agreement or the other Loan Documents and the Table of Contents (if any) preceding this Agreement or the other Loan Documents are for reference purposes only and shall not control or affect the construction of this Agreement or the other Loan Documents or the interpretation thereof in any respect.

(d) Implied References to This Agreement. Article, section, subsection, clause, schedule and exhibit references are to this Agreement unless otherwise specified.

(e) Persons. Reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or the other Loan Documents, as the case may be.

(f) Modifications to Documents. Reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated.

1.3 Accounting Terms. For purposes of this Agreement, all accounting terms not otherwise defined herein or in the Recitals shall have the meanings assigned to them in conformity with generally accepted accounting practices and principles (“**GAAP**”), consistently applied. In the event that GAAP changes during the term of this Agreement such that the covenants contained in **Section 6.8** would then be calculated in a different manner or with different components, (a) Borrower and Lender agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating the Consolidated Entities’ financial condition to substantially the same criteria as were effective prior to such change in GAAP and (b) the Consolidated Entities shall be deemed to be in compliance with the covenants contained in **Section 6.8** following any such change in GAAP if and to the extent that the Consolidated Entities would have been (and would continue to be) in compliance therewith under GAAP as in effect immediately prior to such change.

1.4 Actions by Lender. Unless otherwise expressly provided in this Agreement, all determinations, consents, approvals, disapprovals, calculations, requirements, requests, acts, actions, elections, selections, opinions, judgments, options, exercise of rights, remedies or indemnities, satisfaction of conditions or other decisions of or to be made by Lender under this Agreement or any of the other Loan Documents shall be made in the reasonable discretion of Lender. Any reference to Lender’s “sole and absolute discretion” or similar phrases has the meaning represented by the phrase “sole and absolute discretion, acting in good faith”.

1.5 Knowledge of Borrower. As used herein and in any other Loan Document, the phrase “to the knowledge of Borrower,” “to the knowledge of Guarantor” or such similar phrases shall mean to the actual, conscious knowledge of Borrower’s Chief Executive Officer, Chief Financial Officer or Treasurer.

ARTICLE 2

THE LOAN

2.1 Agreement to Lend and Borrow.

(a) Agreement to Lend and Borrow. Subject to the terms and conditions of this Agreement and the other Loan Documents, Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender from time to time prior to the Maturity Date, Advances of the proceeds of the Loan up to the Loan Amount. Lender’s commitment to make Advances shall be decreased at the same time and in the same amount as the aggregate stated amount of any outstanding Letters of Credit.

(b) Revolving Nature of Loan. Prior to the Maturity Date, the Loan Amount may be drawn, repaid, and drawn again, on a revolving basis, in unlimited repetition so long as (i) the aggregate of all outstanding Advances does not exceed, at any time, the Loan Amount, and (ii) no Event of Default has occurred and is continuing. Although the outstanding principal balance of the Note may be zero from time to time, the Loan Documents will remain in full force and effect until the Maturity Date or all obligations of Borrower or Guarantor relating to the Loan are indefeasibly paid and performed in full, whichever is later. Borrower shall have the right to terminate the Loan upon Borrower's specific written direction and attendant payment in full to Lender of all Obligations with respect to the Loan, including, without limitation, the Early Termination Fee. Upon the occurrence and during the continuance of any Event of Default, Lender may suspend or terminate its commitment to make Advances of the proceeds of the Loan without notice to Borrower or further act on the part of Lender.

(c) Use of Proceeds. The proceeds of the Loan may be used by Borrower for its general working capital purposes or other Borrower purposes and to repurchase shares of Borrower's preferred and common stock.

2.2 Procedures for Advances.

(a) Requests for Advances. Each request for an Advance shall be in writing and in the form of a Request for Advance. Lender, at its option, may set a cutoff time, after which all requests for Advances will be treated as having been requested on the next succeeding Business Day. In addition to complying with the other requirements of this Agreement, each Request for Advance shall specify the date (which shall be a Business Day) and the amount of the requested Advance.

(b) Timing of Disbursement of Advances. Provided the conditions for the making of Advances contained herein are satisfied, Lender shall disburse each Advance no later than the first Business Day following the date of the receipt by Lender of a valid Request for Advance. Upon acceptance of a Request for Advance made hereunder, Lender will make the amount of each Advance available to Borrower in immediately available funds by initiating a wire transfer to the Zions Account designated by Borrower in the Request for Advance.

(c) Authorized Persons. The persons initially authorized to request Advances are all Authorized Representatives of Borrower. At Lender's request, Borrower shall provide Lender with documentation satisfactory to Lender indicating the names of those employees of Borrower authorized by Borrower to sign a Request for Advance and other documents, and Lender shall be entitled to rely upon such documentation until notified in writing by Borrower of any change(s) in the names of the employees so authorized.

2.3 Conditions Precedent to Advances. The obligation of Lender to make Advances is subject to the fulfillment, to the satisfaction of Lender in its sole and absolute discretion, of each of the following conditions; *provided, however*, that Lender, in its sole and absolute discretion, may waive any of the following conditions:

(a) Lender shall have received a Request for Advance pursuant to **Section 2.2**;

(b) No Event of Default shall exist and be continuing or shall result from such Advance;

(c) The amount of the requested Advance, together with the amount of all prior Advances then outstanding and the aggregate stated amount of all Letters of Credit then outstanding, shall not exceed the Loan Amount;

(d) The representations and warranties made by Borrower contained herein and in the other Loan Documents shall be true and correct in all material respects on and as of the date of such Advance with the same effect as if made on and as of the date of such Advance (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date); and

(e) Borrower shall have provided such additional information and documents as Lender may reasonably request.

Each Request for Advance submitted by Borrower hereunder shall constitute a representation and warranty by Borrower hereunder, as of the date of each such request and as of the date of each Advance, that the conditions in this **Section 2.3** are satisfied.

2.4 Evidence of Indebtedness. The Loan shall be evidenced by the Note. Disbursements of the Loan shall be charged and funded under the Note. If there is any inconsistency between the Note and this Agreement, the provisions of this Agreement shall prevail.

2.5 Interest.

(a) Rate. The advanced and unpaid balance of the Loan shall bear interest at the Interest Rate in effect from time to time. Each change in the Interest Rate will become effective for each Interest Period, without notice, on the date set forth in the definition of the term LIBO Rate set forth herein.

(b) Default Interest Rate. Upon the occurrence and during the continuance of an Event of Default hereunder or under any of the Loan Documents, at the option of Lender, the outstanding and unpaid principal balance of the Loan shall bear interest, payable on demand, at a rate per annum equal to the Default Interest Rate. Lender may also, at its option, from time to time, add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Agreement (including at the Default Interest Rate, as and when applicable). The application of the Default Interest Rate shall not be interpreted or deemed to extend any cure period set forth in this Agreement, or otherwise to limit any of Lender's remedies under this Agreement or any of the other Loan Documents.

(c) Effective Rate. Borrower agrees to pay an effective rate of interest that is the sum of (i) the interest rate provided in this Agreement and (ii) any additional rate of interest resulting from any other charges or fees paid or to be paid in connection herewith that are determined to be interest or in the nature of interest. Any other provision of this Agreement or any of the other Loan Documents to the contrary notwithstanding, Lender and Borrower agree that none of the terms and provisions contained herein or in any of the Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the Requirements of Laws of the State of Utah. In such event, if any holder of the Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on the Note to a rate in excess of the maximum rate permitted to be charged by applicable Requirements of Law, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of the holder, be credited to the payment of other amounts payable under the Loan Documents or returned to Borrower.

(d) Computation of Interest. Interest shall be computed by applying the ratio of the annual Interest Rate over a year of three hundred sixty (360) days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding.

2.6 Payment of Principal and Interest; Application of Payments.

(a) Payments of Interest. Commencing on the Payment Date occurring in May, 2007, and continuing on each monthly Payment Date thereafter, installments of all accrued and outstanding interest shall be due and payable by Borrower to Lender.

(b) Payment at Maturity. The outstanding principal balance of the Loan, together with all unpaid accrued interest thereon, and all other amounts payable by Borrower with respect to the Note or pursuant to the terms of any other Loan Documents, shall be due and payable on the Maturity Date in lawful money of the United States

of America.

(c) Early Termination. Borrower shall have the right to terminate the Loan at any time prior to the Maturity Date by (i) giving written notice of its intent to do so to Lender; (ii) paying the outstanding principal balance of the Loan, together with all unpaid accrued interest thereon, and all other amounts payable by Borrower with respect to the Note or pursuant to the terms of any other Loan Documents; and (iii) paying the Early Termination Fee.

(d) Application of Payments. Unless otherwise agreed to in writing or otherwise required by applicable Requirements of Law, payments will be applied first to accrued, unpaid interest, then to any unpaid collection costs, late charges and other charges, and any remaining amount to principal; *provided, however*, upon the occurrence and during the continuance of an Event of Default, Lender reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its sole and absolute discretion.

(e) No Deductions. All payments of principal or interest hereunder or under the Note shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Borrower, and (ii) without any other set off. Borrower will pay the amounts necessary such that the gross amount of the principal and interest received by Lender is not less than that required hereby and by the Note.

(f) Late Charges. If any payment of interest or principal required pursuant to any provision of this Agreement is not received by Lender within ten (10) days after its due date, then, in addition to the other rights and remedies of Lender pursuant to this Agreement and the other Loan Documents, Borrower will be charged five percent (5.0%) of the regularly scheduled payment or Twenty-Five and No/100 Dollars (\$25.00), whichever is greater, up to the maximum amount of One Thousand Five Hundred and No/100 Dollars (\$1,500.00) per late charge. Such late charge will be immediately due and payable and is in addition to any other costs, fees, and expenses that Borrower may owe as a result of such late payment.

2.7 Manner and Time of Payment. All amounts payable by Borrower on or with respect to the Loan, or pursuant to the terms of any other Loan Documents, shall be paid without condition or reservation of right, in lawful money of the United States of America at 80 West Broadway, Suite 200, Salt Lake City, Utah 84101, or at such other place as Lender may from time to time designate in writing, not later than 1:00 p.m. (Utah time), in same day funds, on the date due, and to such account of Lender as Lender may designate; funds received by Lender after that time shall be deemed to have been paid on the next succeeding Business Day. If any payment would otherwise be due on a day which is not a Business Day, the payment instead shall be due on the next succeeding Business Day and such extension of time shall be included in computing the interest due in respect of said payment.

2.8 Guaranty. Payment of the Note and performance of Borrower's obligations hereunder shall be unconditionally guaranteed by Guarantor pursuant to the Guaranty and secured by, among other things, the Security Agreement, which shall be a first priority security interest in and to all of the personal property assets of Borrower and Guarantor, as more fully described in the Security Agreement, subject to Permitted Exceptions.

2.9 Security. Payment of the Note shall be secured by and/or guaranteed by, among other things, the following:

(a) the Guaranty;

(b) the Security Agreement, which shall secure the Obligations and the Guaranty and be a first priority security interest in and to all of the personal property assets of Borrower and Guarantor, as more fully described in the Security Agreement, subject to Permitted Exceptions;

(c) the Stock Pledge Agreement, which shall secure the Obligations and be a first priority security interest in and to the Pledged Securities, subject to Permitted Exceptions; and

(d) the Account Control Agreement, which shall secure the Obligations and the Guaranty and perfect the security interest given to Collateral Agent in and to all of Borrower's and Guarantor's deposit accounts maintained with Zions.

2.10 Fees and Expenses.

(a) Unused Commitment Fee. During the term hereof, Borrower shall pay to Lender the applicable Unused Commitment Fee on each Quarterly Payment Date. The Unused Commitment Fee shall be calculated on a quarterly basis and payable quarterly in arrears for the calendar quarter or portion thereof throughout the term of the Loan and on the Maturity Date.

(b) Early Termination Fee. As set forth in Section 2.6(c) above, Borrower shall pay to Lender the Early Termination Fee in the event Borrower elects to terminate the Loan prior to the Maturity Date.

(c) Additional Provisions Regarding Fees. The fees described in this **Section 2.10** shall be payable in addition to, and not in lieu of, interest, expense reimbursements, indemnification and other Obligations. Borrower acknowledges that all fees and other amounts described in this **Section 2.10** have been fully earned by Lender at the time of payment and are non-refundable to Borrower in the event this Agreement is terminated or expires as provided herein. All fees specified or referred to in this Agreement shall bear interest, if not paid when due, at the Default Interest Rate. Borrower hereby authorizes Lender, at its sole option and direction, without prior notice to Borrower, to advance any of the fees provided for in this **Section 2.10** if not paid within ten (10) days of when due.

ARTICLE 3

LETTERS OF CREDIT

3.1 Issuance of Letters of Credit.

(a) Issuance of Letters of Credit. Subject to the terms and conditions of this Agreement and the policies, procedures, and requirements of Lender for issuance of Letters of Credit in effect from time to time, Lender agrees to issue, from time to time on or before the Maturity Date, Letters of Credit upon request by and for the account of Borrower. Letters of Credit (i) will expire on the earlier of the date stated therein or thirty (30) days prior to the Maturity Date; and (ii) will not exceed, in the aggregate stated amount outstanding at any time, the lesser of (A) Letter of Credit Limit or (B) the difference between the Loan Amount and the then outstanding principal balance of the Loan. Each reference in this Agreement to "issue" or "issuance" or other forms of such words in relation to Letters of Credit will also include any extension or renewal of a Letter of Credit. Requests for the issuance of a Letter of Credit will be processed by Lender in accordance with its policies, procedures, and requirements then in effect. Upon the occurrence and during the continuance of an Event of Default, Lender may suspend or terminate its agreement to issue Letters of Credit hereunder.

(b) Issuance Procedures. Lender's obligation to issue Letters of Credit is expressly conditioned upon the receipt and approval by Lender, in its sole and absolute discretion, of each of the following items and the satisfaction by Borrower of the following conditions:

(i) Borrower shall deliver to Lender the Letter of Credit Application and Agreement in form and content satisfactory to Lender, duly executed (and acknowledged where necessary) by the appropriate parties thereto.

(ii) The stated face amount of the requested Letter of Credit, when aggregated with the stated face amount of all Letters of Credit then issued and outstanding, will not exceed the Letter of Credit Limit.

(iii) The stated face amount of the requested Letter of Credit, when aggregated with (A) the stated face amount of all Letters of Credit then issued and outstanding and (B) the then outstanding principal balance of the Loan, will not exceed the Loan Amount.

(iv) The representations and warranties of Borrower contained in all of the Loan Documents shall be true and correct in all material respects on and as of the date of each issuance as though made on and as of that date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date) and no Event of Default shall have occurred and be continuing as of the date of issuance of the Letter of Credit or request therefor.

3.2 Reimbursement Obligations.

(a) Borrower hereby agrees to pay to Lender the following (collectively, the “**Reimbursement Obligations**”):

(i) On the date of each drawing under a Letter of Credit, a sum equal to (A) the amount of such drawing under the Letter of Credit to the extent actually paid by Lender plus (B) any and all transaction charges or other charges and expenses which Lender may pay or incur relative to the drawing or Letter of Credit;

(ii) Upon the date incurred, any and all expenses incurred by Lender in enforcing any rights under this Agreement, any of the other Loan Documents, or under any agreement, document or instrument securing Lender’s rights under this Agreement; and

(iii) All payments or drawings due and owing to Lender which are related to any Letter of Credit shall bear interest payable from the date such amounts become payable (in the case of an amount payable on demand, from the date Lender is first entitled to demand payment, regardless as to whether a demand for payment is actually made) until payment in full, at an annual rate at all times equal to the Letter of Credit Interest Rate, but in no event above the maximum rate permitted by law. Interest accruing pursuant to this **Section 3.2(a)(iii)** shall be due and payable on the day on which amounts due hereunder are paid or earlier upon demand of Lender. All interest becoming due and payable under this Agreement shall be computed on the basis of the actual number of days elapsed and a year of 360 days.

(b) The Reimbursement Obligations shall be paid as herein provided without notice from or demand of Lender to Borrower. The Reimbursement Obligations and the other obligations from Borrower to Lender shall at all times be full recourse obligations of Borrower.

(c) Lender, in its sole and absolute discretion, is authorized, but not obligated, to make Advances under the Note without notice to Borrower or any Guarantor to satisfy any amounts owing to Lender by Borrower as a result of any drawing.

3.3 Obligations Absolute. The Reimbursement Obligations of Borrower shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and the Letter of Credit Application and Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of a Letter of Credit or any of the Loan Documents;

(b) any amendment or waiver of or any consent to or departure from a Letter of Credit or any of the Loan Documents;

(c) the existence of any claim, set-off, defense or other right which Borrower may have at any time against Lender, any holder of a Letter of Credit, or any other person or entity, whether in connection with this Agreement, the transactions contemplated herein or in any of the Loan Documents or any unrelated transactions; or

(d) any statement or any other document presented under or in connection with a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever.

3.4 Assumption of Risk and Liability. Borrower hereby assumes all risk of the acts or omissions of any holder of a Letter of Credit, and any beneficiary or transferee of a Letter of Credit with respect to its use of a Letter of Credit. Neither Lender nor any of its employees, officers, directors, agents or representatives shall be liable or responsible for:

(a) the use which may be made of a Letter of Credit or for any acts or omissions of Lender in connection therewith;

(b) the validity, sufficiency or genuineness of documents, or of any endorsements thereon, whether submitted in connection with a drawing under a Letter of Credit, or otherwise, even if such documents or endorsements should in fact prove to be in any or all respects invalid, insufficient, fraudulent, forged, inaccurate or untrue;

(c) payment by Lender against presentation of documents which do not strictly comply with the terms of a Letter of Credit, including failure of any such documents to bear reference or adequate reference to a Letter of Credit or the failure of any holder or beneficiary of a Letter of Credit to comply fully with conditions required in order to obtain honor of a drawing under a Letter of Credit;

(d) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

(e) omissions, interruptions, losses or delays in transmission or delivery of any messages by mail, cable, telegraph, telex, telephone, facsimile transmission or otherwise;

(f) any loss or delay in the transmission of any document or draft required in order to make a drawing under a Letter of Credit; or

(g) any other circumstances whatsoever in making or failing to make payment under a Letter of Credit.

ARTICLE 4

LOAN CLOSING; INITIAL ADVANCE

4.1 Conditions Precedent. Lender’s obligation to close the Loan and to disburse the initial Advance and to perform the remainder of its obligations under this Agreement are expressly conditioned upon the receipt and approval by Lender, in its sole and absolute discretion, of each of the following items and the satisfaction by Borrower of the following conditions on or before the Closing Date unless otherwise waived by Lender in its sole and absolute discretion:

- (a) Borrower's payment of all fees and costs payable under this Agreement;
- (b) Receipt, review and approval by Lender of copies of the Borrower Operating Documents and the Guarantor Operating Documents;
- (c) The representations and warranties of Borrower and/or Guarantor in **Article 5** and elsewhere in the Loan Documents shall be true and correct in all material respects;
- (d) No Event of Default shall exist and be continuing;
- (e) Receipt, review and approval by Lender, in its sole discretion, of such financial statements and tax returns for Borrower and/or Guarantor as Lender may require;
- (f) A determination by Lender that the Collateral provides an adequate loan-to-value coverage ratio for the Loan and all Other Loans which are secured by the Collateral;
- (g) The original certificates representing the Pledged Securities, together with blank transfer powers in form and substance acceptable to Lender shall have been delivered to Lender;
- (h) Receipt, review and approval by Lender of the policies of insurance required under **Article 6** hereof;
- (i) Borrower's delivery to Lender of the following documents, in form and content satisfactory to Lender, duly executed (and acknowledged where necessary) by the appropriate parties thereto:
 - (i) This Agreement;
 - (ii) The Note;
 - (iii) The Guaranty;
 - (iv) The Security Agreement;
 - (v) The Stock Pledge Agreement;
 - (vi) The original certificates representing the Pledged Securities;
 - (vii) Blank stock transfer powers executed by the holders of all Pledged Securities in favor of Collateral Agent;
 - (viii) An acknowledgement and consent to the pledge of the Pledged Securities pursuant to the Stock Pledge Agreement from each issuer of the Pledged Securities;
 - (ix) The Account Control Agreement;
 - (x) The Financing Statements, which shall be duly filed with the Utah Department of Commerce, Division of Corporations and Commercial Code;
 - (xi) A closing certificate from Borrower and each Guarantor;
 - (xii) Resolutions of the directors, members, managers, or partners of Borrower and Guarantor, as applicable, approving the Loan Documents and the Guarantor Loan Documents;
 - (xiii) An opinion of legal counsel to Borrower and Guarantor;
 - (xiv) True and correct copies of the Zions Loan Documents;
 - (xv) The Intercreditor Agreement; and
 - (xvi) Such other documents that Lender may require in its sole and absolute discretion.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

5.1 **Consideration.** As an inducement to Lender to execute this Agreement and to disburse the proceeds of the Loan, Borrower represents and warrants to Lender that the following statements set forth in this **Article 5** are true, correct and complete as of the date hereof and will be true, correct and complete as of the Closing Date.

5.2 **Organization, Powers, Good Standing and Subsidiaries.**

(a) **Organization and Powers.** Each of Borrower and Guarantor is either a corporation, a limited liability company, or a limited partnership duly organized and validly existing under the laws of the State of Utah. Borrower and Guarantor have all requisite power and authority, rights and franchises to own and operate their properties, to carry on their businesses as now conducted and as proposed to be conducted, and to enter into and perform this Agreement and the other Loan Documents. The address of Borrower's chief executive office and principal place of business is 2200 West Parkway Blvd., Salt Lake City, Utah 84119.

(b) **Good Standing.** Borrower and Guarantor have made all filings and each is in good standing in the State of Utah, and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary or where failure to make such filings would result in a Material

Adverse Change.

(c) Organizational Identification Number. The organizational identification number of Borrower and each Guarantor, as defined and contemplated by the Utah Uniform Commercial Code, is as set forth in the Financing Statement.

(d) Subsidiaries, Schedule 5.2(d) attached hereto sets forth a complete list of Borrower and each of its Subsidiaries, including the percentage of voting stock in each Subsidiary owned, directly or indirectly, by Borrower.

5.3 Authorization of Loan Documents.

(a) Authorization. The execution, delivery and performance of the Loan Documents (to which Borrower or Guarantor, respectively, is a party) by (i) Borrower are within Borrower's corporate powers and have been duly authorized by all necessary action by Borrower and its directors and shareholders; and (ii) Guarantor are within Guarantor's corporate, limited liability company or partnership powers and have been duly authorized by all necessary action by Guarantor and its directors, shareholders, members, managers and partners, as applicable.

(b) No Conflict. The execution, delivery and performance of the Loan Documents by Borrower will not violate (i) the Borrower Operating Documents; (ii) any legal requirement affecting Borrower or any of its properties except where a violation of such requirement would not result in a Material Adverse Change; or (iii) any agreement to which Borrower is bound or to which it is a party, except where a violation of any such agreement would not result in a Material Adverse Change, and will not result in or require the creation (except as provided in or contemplated by this Agreement) of any Lien or Encumbrance upon any of such properties. The execution, delivery and performance of the Guarantor Loan Documents by Guarantor will not violate (1) any provision of the Guarantor Operating Documents; (2) any legal requirement affecting Guarantor or any of Guarantor's respective properties except where a violation of such requirement would not result in a Material Adverse Change; or (3) any agreement to which Guarantor is bound or to which Guarantor is a party, except where a violation of any such agreement would not result in a Material Adverse Change, and will not result in or require the creation (except as provided in or contemplated by this Agreement) of any Lien or Encumbrance upon any of such properties.

(c) Governmental and Private Approvals. All governmental or regulatory orders, consents, permits, authorizations and approvals required for the present use and operation of the Borrower's business and the Collateral have been obtained and are in full force and effect, except where failure to obtain such orders, consents, permits, authorizations or approvals would not result in a Material Adverse Change. To the knowledge of Borrower, no additional governmental or regulatory actions, filings or registrations with respect to the Borrower's business and the Collateral, and no approvals, authorizations or consents of any trustee or holder of any Indebtedness or obligation of Borrower or Guarantor are required for the due execution, delivery and performance by Borrower or Guarantor of their respective duties and obligations under the Loan Documents or the Guarantor Loan Documents.

(d) Binding Obligations. This Agreement and the other Loan Documents have been duly executed by Borrower, and are legally valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Requirements of Laws affecting creditors' rights generally and by general principles of equity. The Guarantor Loan Documents have been duly executed by Guarantor, and are the legally valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Requirements of Laws affecting creditors' rights generally and by general principles of equity.

5.4 No Material Defaults. There exists no material violation of or material default by Borrower and, to the knowledge of Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default, which in each case, would result in a Material Adverse Change, with respect to the terms of (a) any instrument evidencing or securing any Indebtedness of Borrower or Guarantor, (b) any instrument evidencing or securing any Indebtedness secured by the Collateral, (c) any agreement affecting the Collateral, (d) any license, permit, statute, ordinance, Requirements of Law, judgment, order, writ, injunction, decree, rule, or regulation of any Governmental Authority, or any determination or award of any arbitrator, to which Borrower, Guarantor or the Collateral is a party or may be bound, or (e) any document, instrument, or agreement by which Borrower, or any of its properties, is bound and, with respect to this clause (e), (i) which involves any Loan Document, (ii) which involves the Collateral and is not adequately covered by insurance, (iii) which might materially and adversely affect the ability of Borrower or Guarantor to perform its respective obligations under any of the Loan Documents or any other material document, instrument, or agreement to which it is a party, or (iv) which, subject to the Permitted Exceptions, might adversely affect the first priority of the liens created by this Agreement, the Security Agreement or any of the other Loan Documents.

5.5 Litigation; Adverse Facts. Except as disclosed on **Schedule 5.5** attached hereto, there is no action, suit, investigation, proceeding, or arbitration (whether or not purportedly on behalf of Borrower or Guarantor) at law or in equity or before or by any foreign or domestic court or other governmental entity (a "Legal Action"), pending or, to the knowledge of Borrower, threatened in writing against or affecting the Collateral, Borrower or Guarantor, individually or in the aggregate in excess of \$500,000, which would result in any Material Adverse Change. Neither Borrower nor Guarantor is (a) in violation of any applicable Requirements of Law which violation would result in a Material Adverse Change, (b) subject to, or in default with respect to, any other legal requirement that would result in a Material Adverse Change, or (c) in default with respect to any agreement to which Borrower or Guarantor is a party or to which either is bound where such default would result in a Material Adverse Change. There is no Legal Action pending or, to the knowledge of Borrower or Guarantor, threatened in writing against or affecting Borrower or Guarantor questioning the validity or the enforceability of this Agreement or any of the other Loan Documents.

5.6 Title to Properties; Liens. Each of Borrower and Guarantor has good, sufficient, and legal title to the Collateral and all other properties and assets reflected in its most recent balance sheet delivered to Lender, except (a) for assets disposed of in the ordinary course of business since the date of such balance sheet, (b) for Permitted Exceptions and (c) where failure to have such title would not result in a Material Adverse Change. Borrower and/or Guarantor, as applicable, is the sole owner of the Collateral, and the Collateral is free from any adverse Lien or Encumbrance, security interest, or encumbrance of any kind whatsoever, excepting only Liens or Encumbrances and security interests in favor of Lender or Collateral Agent, Permitted Exceptions and other matters which have been approved in writing by Lender in its sole and absolute discretion. All Liens and Encumbrances against Borrower or Guarantor in effect on the Closing Date (and which are included as Permitted Exceptions under clause (e) of the definition of Permitted Exceptions) are set forth on **Schedule 5.6** attached hereto.

5.7 Disclosure. To the knowledge of Borrower, there is no fact that would result in a Material Adverse Change which has not been disclosed in this Agreement or in other documents, certificates, and written statements furnished to Lender in connection herewith.

5.8 Payment of Taxes. All tax returns and reports of Borrower and Guarantor which are required to be filed by Borrower or Guarantor have been timely filed, and all taxes, assessments, fees, and other governmental charges upon Borrower or Guarantor, and upon their respective properties, assets, income, and franchises which are due and payable have been paid when due and payable, except, in each case, where failure to do so would not result in a Material Adverse Change. Borrower knows of no proposed tax assessment against it that would result in a Material Adverse Change, and neither Borrower nor Guarantor has contracted with any government entity in connection with such taxes. To the knowledge of Borrower, all tax returns and reports of Guarantor required to be filed have been timely filed, and all taxes, assessments, fees, and other governmental charges upon Guarantor and upon its properties, assets, income, and franchises which are due and payable have been paid when due and payable, except, in each case, where failure to do so would not result in a Material Adverse Change.

5.9 Securities Activities. Neither Borrower nor Guarantor is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (as defined within Regulations G, T, and U of the Board of Governors of the Federal Reserve System), and not more than twenty-five percent (25.0%) of the value of Borrower's and/or Guarantor's assets consists of such margin stock. No part of the Loan will be used to purchase or carry any margin stock or to extend credit to others for that purpose or for any other purpose that violates the provisions of Regulations U or X of said Board of Governors. No portion of any Advance or of Loan proceeds shall be used directly or indirectly to purchase ineligible securities, as defined by applicable regulations of the Federal Reserve Board, underwritten by any affiliate of J.P. Morgan Chase & Co. during the underwriting period and for thirty (30) days thereafter.

5.10 Government Regulations. Neither Borrower nor Guarantor is subject to regulation under the Investment Company Act of 1940, the Federal Power Act, the Public Utility Holding Company Act of 1935, or any other federal or state statute or regulation limiting its ability to incur Indebtedness for money borrowed.

5.11 Rights to Property Agreements, Permits, and Licenses. Borrower and/or Guarantor is the true owner of all rights in and to all existing agreements, permits, and licenses relating to the Collateral, and will be the true owner of all rights in and to all future agreements, permits, and licenses relating to the Collateral, except, in each case, where failure to be such an owner would not result in a Material Adverse Change. Borrower's and/or Guarantor's interest in all such agreements, permits, and licenses is not subject to any present claim (other than the Permitted Exceptions, under the Loan Documents or as otherwise approved by Lender in its sole and absolute discretion), set-off, or deduction, other than in the ordinary course of business, which would result in a Material Adverse Change.

5.12 Compliance with Laws. Borrower's and Guarantor's business does, and shall at all times, comply fully with all applicable Requirements of Law, except, in each case, where failure to comply would not result in a Material Adverse Change. The Collateral, and the uses to which the Collateral are and will be put, shall at all times comply fully with all applicable Requirements of Laws, except, in each case, where failure to comply would not result in a Material Adverse Change.

5.13 Financial Condition. The financial statements and all financial data previously delivered to Lender in connection with the Loan or relating to Borrower or Guarantor are true, correct, and complete in all material respects. Such financial statements comply with the requirements of this Agreement and fairly present the financial position of the parties who are the subject thereof as of the date thereof. No Material Adverse Change has occurred and, except for this Loan and the Permitted Exceptions, no borrowings have been made by Borrower or Guarantor since the date thereof which are secured by, or might give rise to, a Lien or Encumbrance, security interest, or claim against the Collateral or the proceeds of the Loan or the Other Loans.

5.14 Personal Property. Borrower and/or Guarantor is now, and shall continue to be, the sole owner of all personal property which constitutes a portion of the Collateral free from any adverse lien, security interest, or adverse claim of any kind whatsoever, except (a) Permitted Exceptions, (b) liens and security interests in favor of Lender or Collateral Agent, and (c) other matters which have been approved in writing by Lender in its sole and absolute discretion.

5.15 Other Loan Documents. Each of the representations and warranties of Borrower or Guarantor contained in any of the other Loan Documents, the Guarantor Loan Documents or the agreements, guaranties, documents, or instruments now or hereafter evidencing, guarantying or securing the Indebtedness of Borrower or Guarantor under the Other Loans, as such agreements, guaranties, documents, and instruments may be amended, modified, extended, renewed, or supplemented from time to time, is true and correct in all material respects. All of such representations and warranties are incorporated herein for the benefit of Lender.

5.16 Contracts; Labor Matters. Except as disclosed to Lender in writing (a) neither Borrower nor Guarantor is subject to any charge, corporate restriction, judgment, decree or order, which would result in a Material Adverse Change; (b) no labor contract to which Borrower or Guarantor is a party or is otherwise subject is scheduled to expire prior to the Maturity Date except to the extent that such expiration would not result in a Material Adverse Change; (c) neither Borrower nor Guarantor has, within the two-year period preceding the date of this Agreement, taken any action which would have constituted or resulted in a "plant closing" or "mass layoff" within the meaning of the Federal Worker Adjustment and Retraining Notification Act of 1988 or any similar applicable federal, state or local Requirements of Law, and on the date hereof Borrower and Guarantor have no reasonable expectation that any such action is or will be required at any time prior to the initial Maturity Date; and (d) on the date of this Agreement (i) neither Borrower nor Guarantor is a party to any material labor dispute and (ii) there are no strikes or walkouts relating to any labor contracts to which Borrower or Guarantor is a party or is otherwise subject.

5.17 ERISA. Each of Borrower and Guarantor is in compliance with ERISA in all material respects. No Reportable Event or Prohibited Transaction (as defined in ERISA) or termination of any Pension Plan has occurred and no written notice of termination has been filed with respect to any Pension Plan published or maintained by Borrower or Guarantor that is subject to ERISA. Neither Borrower nor Guarantor has incurred any material funding deficiency within the meaning of ERISA or any material liability to the PBGC in connection with any such plan established or maintained by Borrower or Guarantor. Neither Borrower nor Guarantor is a party to any Multiemployer Plan.

5.18 Pension and Welfare Plans. Each Pension Plan of Borrower or Guarantor complies in all material respects with all applicable statutes and governmental rules and regulations; no Reportable Event has occurred and is continuing with respect to any Pension Plan; neither Borrower nor Guarantor nor any ERISA Affiliate has withdrawn from any Multiemployer Plan in a "complete withdrawal" or a "partial withdrawal" as defined in Sections 4203 or 4205 of ERISA, respectively; no steps have been instituted by Borrower or Guarantor to terminate any Pension Plan; no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a Lien or Encumbrance under Section 302(f) of ERISA; no condition exists or event or transaction has occurred in connection with any Pension Plan or Multiemployer Plan which could reasonably be expected to result in the incurrence by Borrower or Guarantor or any ERISA Affiliate of any material liability, fine or penalty; and neither Borrower nor Guarantor nor any ERISA Affiliate is a "contributing sponsor" as defined in Section 4001(a)(13) of ERISA of a "single-employer plan" as defined in Section 4001(a)(15) of ERISA which has two or more contributing sponsors at least two of whom are not under common control. Neither Borrower nor Guarantor has any contingent liability with respect to any Welfare Plan which covers retired or terminated employees and their beneficiaries.

5.19 Occupational Safety and Health Matters. Except as disclosed to Lender in writing, Borrower and each property, operation and facility that Borrower may own, operate or control (a) complies in all respects with all applicable Occupational Safety and Health Laws, except to the extent the noncompliance would not result in a Material Adverse Change; (b) is not subject to any judicial or administrative proceeding alleging the violation of any Occupational Safety and Health Law; (c) has not received any written notice (i) that it may be in violation of any Occupational Safety and Health Law, (ii) threatening the commencement of any proceeding relating to allegedly unlawful, unsafe or unhealthy conditions, or (iii) alleging that it is or may be responsible for any response, cleanup, or corrective action, including but not limited to any remedial investigation/feasibility studies, under any Occupational Safety and Health Law; (d) to Borrower's knowledge, is not the subject of federal or state investigation evaluating whether any investigation, remedial action or other response is needed to respond to any allegedly unsafe or unhealthful condition; (e) has not filed any notice under or relating to any Occupational Safety and Health Law indicating or reporting any potentially unsafe or unhealthful condition, and there exists no basis for such notice irrespective of whether or not such notice was actually filed; and (f) has no contingent liability in connection with any unsafe or unhealthful condition.

5.20 Management Common Stock Loan Program. Schedule 5.20 attached hereto sets forth a description of Borrower's management common stock loan program.

ARTICLE 6

COVENANTS OF BORROWER

6.1 Consideration. As an inducement to Lender to execute this Agreement and to disburse the Loan Amount, Borrower hereby covenants as set forth in this Article 6, which covenants shall remain in effect so long as the Note shall remain unpaid, unless otherwise waived by Lender in its sole and absolute discretion.

6.2 No Encumbrances. Neither Borrower nor Guarantor will permit any Lien or Encumbrance to be made or filed against the Collateral, or any portion thereof, except for Permitted Exceptions, or permit any receiver, trustee, or assignee for the benefit of creditors to be appointed to take possession of the Collateral or any portion thereof.

6.3 Compliance with Laws. Borrower will comply and, to the extent Borrower is able, will cause Guarantor to comply with all Requirements of Laws and requirements of all Governmental Authorities having jurisdiction over Borrower, Guarantor or the Collateral, except to the extent that noncompliance would not result in a Material Adverse Change.

6.4 Lender Inspections. Upon reasonable prior notice, throughout the term of the Loan and during normal business hours, Borrower shall permit Lender or Collateral Agent and Lender's or Collateral Agent's representatives, inspectors, and consultants to enter upon the premises where any Collateral may be located and inspect the Collateral, to audit, examine, and copy all contracts, records (including, but not limited to, financial and accounting records pertaining to the Loan or the Collateral) which are kept at such premises or at Borrower's offices, and to discuss the affairs, finances, and accounts of Borrower with representatives of Borrower and, to the extent Borrower is able, will cause others to provide access to Lender or Collateral Agent and Lender's or Collateral Agent's representatives, inspectors, and consultants to audit, examine, and copy all contracts, books, documents and records.

6.5 Intentionally Omitted.

6.6 Ownership of Collateral. Borrower and/or Guarantor is and will be the sole owner of the Collateral (except as described in **Section 5.6**), whether acquired before or after the Closing Date, free from any adverse Lien or Encumbrance, security interest, or adverse claim of any kind whatsoever, except for Permitted Exceptions, security interests and Liens or Encumbrances in favor of the interest of a lessor pursuant to a lease of personal property approved by Lender and the Liens or Encumbrances and security interests approved by Lender pursuant to the Loan Documents.

6.7 Information and Statements. Borrower shall deliver to Lender the following:

(a) Annual Financial Statements. Within one hundred twenty (120) days of the end of its fiscal year, the complete consolidated financial statements of the Consolidated Entities, which shall consist of a balance sheet, statements of income, cash flow and retained earnings, and a schedule of contingent liabilities as of the end of such annual period, such financial statements to be audited by an independent certified public accountant of recognized standing acceptable to Lender in its reasonable discretion. Lender consents to the engagement of KPMG.

(b) Quarterly Financial Statements. Within sixty (60) days of the end of each fiscal quarter (other than the final quarter of a fiscal year), the complete consolidated financial statements of the Consolidated Entities which shall consist of a balance sheet, statements of income, cash flow and retained earnings, and a schedule of contingent liabilities as of the end of each such quarterly period, such financial statements to be certified as true and correct by the president or chief financial officer of Borrower.

(c) Other Information. As soon as reasonably practicable, but in any event within thirty (30) days after a request therefor, such information concerning Borrower, Guarantor, any Subsidiaries thereof and the assets, business, financial condition, operations, property, prospects, and results of operations of Borrower, Guarantor and any other Subsidiaries thereof as Lender reasonably requests from time to time.

(d) Covenant Compliance Information. Notwithstanding anything in this Agreement to the contrary, Borrower will be required to timely deliver, as soon as reasonably practicable, but in any event within fifteen (15) days after a request therefor from Lender, such financial information as may be necessary to promptly and accurately calculate any financial ratio or covenant required under this Agreement, even if such information is not specifically enumerated herein. Any review of any Borrower-prepared financial statements used to test any financial ratio or covenant will not waive Lender's rights to require further review or audit of such information or any rights if such further review or audit indicates financial information contrary to Borrower-prepared financial statements. Borrower agrees to deliver to Lender a Covenant Compliance Certificate at the same time as the delivery of the financial statements required pursuant to **Sections 6.7(a) and (b)**.

6.8 Financial Covenants. The Consolidated Entities shall not:

(a) Funded Debt to EBITDAR Ratio. Permit its ratio of (A) total liabilities, plus the net present value of payments under operating leases at a discount rate of seven percent (7%), but excluding (1) accounts arising from the purchase of goods and services in the ordinary course of business, (2) accrued expenses or losses, and (3) deferred revenues or gains, to (B) net income, plus amortization expense, depreciation expense, interest expense, income tax expense, and rents and operating lease payments, less extraordinary gains and losses (collectively, "EBITDAR"), for the twelve (12) month period then ending, to be greater than (x) 3.25 to 1.00 as of the end of the fiscal quarter of Borrower ending on March 3, 2007, (y) 3.00 to 1.00 as of the end of the fiscal quarter of Borrower ending on June 2, 2007, and (z) 2.75 to 1.00 as of the end of the fiscal quarter of Borrower ending on August 31, 2007 and each fiscal quarter thereafter.

(b) Fixed Charge Coverage Ratio. Permit its ratio of (A) net income before income tax expense, plus amortization expense, depreciation expense, interest expense, rent and operating lease payments, minus any distributions or dividends, for the twelve (12) month period then ending, to (B) prior period current maturities of long term debt and capital leases, interest expense, cash taxes paid, rent and operating lease payments, for the same such period, to be less than (x) 1.30 to 1.00 as of the end of the fiscal quarter of Borrower ending on March 3, 2007, (y) 1.35 to 1.00 as of the end of the fiscal quarter of Borrower ending on June 2, 2007, and (z) 1.50 to 1.00 as of the end of the fiscal quarter of Borrower ending on August 31, 2007 and each fiscal quarter thereafter.

(c) Capital Expenditures. Make Capital Expenditures, exclusive of curriculum development costs, in excess of (i) \$11,000,000.00 for Borrower's fiscal year ending on August 31, 2007 and (ii) \$8,000,000.00 for each fiscal year of Borrower thereafter.

(d) Minimum Net Worth. Permit its Net Worth to be less than ONE HUNDRED THIRTY-THREE MILLION AND NO/100 DOLLARS (\$133,000,000.00); *provided, however*, the Consolidated Entities' Net Worth may be less than such amount if Lender determines that the Consolidated Entities' Net Worth has decreased to an amount less than \$133,000,000.00 as a result of Borrower's purchase of its outstanding common or preferred stock. As used in this **Section 6.8(d)**, the term "**Net Worth**" means the Consolidated Entities' total assets *less* total liabilities, in each case as determined in accordance with GAAP.

Such covenant or any computations required to determine or test compliance with such covenant may be made by Lender at any time or times and in its sole and absolute discretion based on information available to Lender.

6.9 Representations and Warranties. Until repayment of the Note and all other obligations secured by the Security Agreement, the representations and warranties of **Article 5** shall remain true and complete in all material respects.

6.10 Trade Names. Borrower and Guarantor shall promptly notify Lender in writing of any change in the legal, trade, or fictitious business names used by Borrower or Guarantor, or a change in the state of formation of Borrower or Guarantor, and shall, upon Lender's request, authorize the preparation and filing of any additional financing statements and/or execute or cause to be executed any other certificates or documents necessary to reflect the change in legal, trade, or fictitious business names, or a change in state of formation.

6.11 Intentionally Omitted.

6.12 Notice of Litigation, Material Adverse Change or Event of Default. Borrower will give, or cause to be given, prompt written notice to Lender of (a) any action or proceeding which is instituted by or against Borrower or Guarantor in any federal or state court, or before any commission or other regulatory body, federal, state or local, foreign or domestic, or any such proceedings which are threatened in writing against Borrower or Guarantor which, if adversely determined, would result in a Material Adverse Change, (b) any other action, event, or condition of any nature which would result in a Material Adverse Change, and (c) any actions, proceedings, or written notices adversely affecting the Collateral, or Lender's or Collateral Agent's interest therein, except to the extent any such action, proceeding or notice would not result in a Material Adverse Change, and (d) the occurrence of an Event of Default.

6.13 Intentionally Omitted.

6.14 Maintenance of Business. Borrower and Guarantor shall maintain and preserve all rights and franchises material to their respective businesses.

6.15 Material Agreements. Unless such actions would not result in a Material Adverse Change, Borrower shall not make, consent to, or permit any alteration, amendment, modification, release, waiver or termination of any material agreement to which it is a party without the prior written consent of Lender, which consent will not be unreasonably withheld or delayed.

6.16 Right of Entry. Lender or Collateral Agent shall have the right, upon reasonable prior notice, to enter upon any portion of the premises where any Collateral may be located to verify compliance with the Loan Documents.

6.17 Transfer of Assets. Unless such action would result in a Material Adverse Change (without taking into consideration subsections (iii) and (iv) of the definition of Material Adverse Change), Borrower and Guarantor may sell, convey, transfer, assign or dispose of any properties or assets, or any right, title or interest therein, or any part thereof, or enter into any lease covering all or any portion thereof or an undivided interest therein, either voluntarily, involuntarily, or otherwise; *provided, however*, that neither Borrower nor Guarantor shall sell, transfer, lease, or otherwise dispose of all or any substantial part of the assets, business, operations, or property of Borrower or Guarantor, other than such a sale, transfer, lease or disposition to Borrower or another Guarantor.

6.18 Dividends and Other Distributions. The Consolidated Entities may directly or indirectly declare or pay dividends to its shareholders, members, partners or others on or on account of any shares, membership interests, partnership interests or other securities of any of the Consolidated Entities, so long as no Event of Default has occurred and is continuing or would occur as a result of such declaration or payment.

6.19 Change of Control. Without the prior written consent of Lender, which consent will not be unreasonably withheld or delayed, Borrower and Guarantor shall not cause, permit or suffer any Change of Control to occur.

6.20 Loans, Investments, Guaranties, Subordinations. From and after the date hereof, unless an Event of Default has occurred and is continuing or would occur as a result of such action, and provided that at any time the amounts involved do not exceed \$1,000,000 in any individual case or \$5,000,000 in the aggregate, the Consolidated Entities may, directly or indirectly (a) make loans or advances to other Persons, (b) purchase or otherwise acquire capital stock or other securities of other Persons, limited liability company interests or partnership interests in other Persons, or warrants or other options or rights to acquire capital stock or securities of other Persons or limited liability company interests or partnership interests in other Persons, (c) make capital contributions to other Persons, (d) otherwise invest in or acquire interests in other Persons, (e) guaranty or otherwise become obligated in respect of Indebtedness of other Persons, (f) subordinate claims against, or obligations of other Persons to, the Consolidated Entities to any other indebtedness of such Person, or (g) incur Indebtedness; *provided, however*, that, for the avoidance of doubt, (1) if an Event of Default has occurred and is continuing or would occur as a result of the taking of any of the foregoing actions, or if the amounts involved exceed the caps specified in this Section, the Consolidated Entities may not do or take any of the actions listed in this Section without the prior written consent of Lender and (2) (A) the line of credit in the maximum principal amount of £100,000.00 incurred by Franklin Covey Europe, Ltd., (B) the line of credit in the maximum principal amount of CAN\$500,000.00 incurred by Franklin Covey Canada, Ltd., and (C) the mortgage loan in the maximum principal amount of CAN\$895,253.00 incurred by Franklin Covey Canada, Ltd., in each case incurred prior to and outstanding as of the Closing Date (and any refinance thereof up to the amounts stated in the foregoing clauses (A), (B) and (C)) shall not be subject to the caps specified in this Section. Notwithstanding the foregoing, the prior written consent of Lender shall not be required for (y) intercompany transactions between or among the Consolidated Entities or (z) unsecured trade payables incurred by the Consolidated Entities in the ordinary course of business.

6.21 Acquisition of All or Substantially All Assets. Unless an Event of Default has occurred and is continuing or would occur as a result of such action, and provided that the amounts involved do not exceed \$1,000,000 in any individual case or \$5,000,000 in the aggregate, Borrower and Guarantor may, directly or indirectly, acquire by purchase, lease, or otherwise all or substantially all of the assets of any other Person; *provided, however*, that, for the avoidance of doubt, (1) if an Event of Default has occurred and is continuing or would occur as a result of the taking of any of the foregoing actions, or if the amounts involved exceed the caps specified in this Section, Borrower or Guarantor may not do or take any of the actions listed in this Section without the prior written consent of Lender and (2) the amounts of any transactions entered into by any of the Consolidated Entities within sixty (60) days prior to the Closing Date shall be subject to the caps specified in this Section.

6.22 Government Regulation. Borrower shall not (a) be or become subject at any time to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits Lender from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower, or (b) fail to provide documentary and other evidence of Borrower's identity as may be requested by Lender at any time to enable Lender to verify Borrower's identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

6.23 Intentionally Omitted.

6.24 Disposition of Franklin Covey Mexico. The sale of Franklin Covey Mexico (whether by asset sale, merger, or otherwise) shall have closed no later than the date which is nine (9) months after the Closing Date. Borrower agrees that if the foregoing has not occurred by such date, Borrower shall cause Franklin Covey Mexico to guaranty the Loan and to pledge all of its assets to Lender as security for such guaranty, and to deliver to Lender the equivalent of such agreements, documents, instruments, certificates and information as have been required to be delivered by each Guarantor as of the date hereof under any of the Loan Documents.

6.25 Additional Guarantors. Upon the formation of any domestic Subsidiary of Borrower, Borrower shall cause such Subsidiary to be added as a Guarantor under the Guaranty.

ARTICLE 7

EVENTS OF DEFAULT AND REMEDIES

7.1 Events of Default. The occurrence of any one or more of the following shall constitute an Event of Default under this Agreement:

- (a) Failure by Borrower or Guarantor to pay any monetary amount within ten (10) days of the date when due under any Loan Document.
- (b) Failure by Borrower or Guarantor to perform or comply with the provisions of **Sections 6.2, 6.6, 6.7, 6.8, 6.10, 6.17, 6.18, 6.19, 6.20, 6.21, or 6.24.**
- (c) Except as otherwise provided in this **Section 7.1**, any failure by Borrower or Guarantor to perform any obligation not involving the payment of money, or to comply with any other term or condition applicable to Borrower or Guarantor under any Loan Document and the expiration of thirty (30) days after written notice of such failure by Lender to Borrower or Guarantor.
- (d) The occurrence of a Material Adverse Change.
- (e) Any representation or warranty by Borrower or Guarantor in any Loan Document is materially false, incorrect, or misleading as of the date made.
- (f) Borrower or Guarantor (i) is unable or admits in writing Borrower's or Guarantor's inability to pay Borrower's or Guarantor's monetary obligations as they become due, (ii) fails to pay when due any monetary obligation, whether such obligation be direct or contingent, to any person in excess of \$1,000,000, unless such obligation is being contested in good faith by Borrower or Guarantor, as determined by Lender in its reasonable discretion, (iii) makes a general assignment for the benefit of creditors, or (iv) applies for, consents to, or acquiesces in, the appointment of a trustee, receiver, or other custodian for Borrower or Guarantor or the property of Borrower or Guarantor or any part thereof, or in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is appointed for Borrower or Guarantor or the property of Borrower or Guarantor or any part thereof, and such appointment is not discharged within sixty (60) days.
- (g) Commencement of any case under the Bankruptcy Code, Title 11 of the United State Code, or commencement of any other bankruptcy arrangement, reorganization, receivership, custodianship, or similar proceeding under any federal, state, or foreign Requirements of Law by or against Borrower or Guarantor and with respect to any such case or proceeding that is involuntary, and such case or proceeding is not dismissed with prejudice within sixty (60) days of the filing thereof.

(h) A final judgment or decree for monetary damages or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is entered against Borrower or Guarantor by any Government Authority, which together with the aggregate amount of all other such judgments or decrees against Borrower or Guarantor that remain unpaid or that have not been discharged or stayed, exceeds \$250,000, and such judgment or decree is not paid and discharged or stayed or appealed within thirty (30) days after the entry thereof.

(i) The dissolution of Borrower or Guarantor or the commencement of any action or proceeding which seeks as one of its remedies the dissolution of Borrower or Guarantor.

(j) All or any material part of the Collateral of Borrower or Guarantor is attached, levied upon, or otherwise seized by legal process, and such attachment, levy, or seizure is not quashed, stayed, or released within twenty (20) days of the date thereof.

(k) The occurrence of any Transfer, unless Lender delivers to Borrower its prior written consent to such Transfer.

(l) Guarantor shall take any action to repudiate its Guaranty, or the Guaranty shall otherwise cease to be in full force and effect.

(m) The occurrence of any default and the failure to cure such default during applicable cure periods, if any, or an Event of Default, as such term is defined in any other Loan Document.

(n) Any failure, breach or default under the Other Loans, it being the intention and agreement of Lender and Borrower to cross-default the Loan and the Other Loans.

(o) The occurrence or existence of any default, event of default or other similar condition or event (however described) with respect to a Swap Agreement.

7.2 Remedies.

(a) Notwithstanding any provision to the contrary herein or in any of the other Loan Documents, upon the happening, and during the continuance, of any Event of Default under this Agreement, Lender's obligation to make Advances or to issue Letters of Credit shall abate and Lender shall, at its option, have the remedies provided herein and in any other Loan Document, including, without limitation, the option to declare all outstanding indebtedness to be immediately due and payable without presentment, demand, protest or notice of any kind, and the following remedies: (i) Lender may, at its option, apply any of Borrower's or Guarantor's funds in its possession to the outstanding indebtedness under the Note whether or not such indebtedness is then due; (ii) Lender or Collateral Agent may exercise all rights and remedies available to them under any or all of the Loan Documents; and (iii) Lender shall have the right to perform Borrower's obligations under this Agreement. All sums expended by Lender or Collateral Agent for such purposes shall be deemed to have been disbursed to and borrowed by Borrower and evidenced by the Note and secured by the Security Agreement.

(b) Borrower hereby constitutes and appoints Lender, or an independent contractor selected by Lender, during the continuance of an Event of Default, as its true and lawful attorney-in-fact with full power of substitution for the purposes of performance of Borrower's obligations under this Agreement in the name of Borrower. It is understood and agreed that the foregoing power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked until repayment of the Loan.

(c) In addition to any other rights and remedies of Lender, if an Event of Default exists and is continuing, Lender is authorized at any time and from time to time during the continuance of the Event of Default, without prior notice to Borrower (any such notice being waived by Borrower to the fullest extent permitted by law) to set-off and apply any and all deposits or deposit accounts (general or special, time or demand, provisional or final) at any time held by Lender to or for the credit or the account of Borrower against any and all obligations of Borrower under the Loan Documents, now or hereafter existing, irrespective of whether or not Lender shall have made demand under this Agreement or any other Loan Document and although such amounts owed may be contingent or unmatured. If Lender exercises such setoff right, Lender exercising such right agrees promptly to notify Borrower after any such setoff and application made by Lender; *provided, however*, that the failure to give such notice shall not affect the validity of such setoff and application.

ARTICLE 8

MISCELLANEOUS

8.1 Assignment. Borrower shall not assign any of its rights under this Agreement.

8.2 Notices. All notices, requests, demands and consents to be made hereunder to the parties hereto shall be in writing and shall be delivered by hand or sent by registered mail or certified mail, postage prepaid, return receipt requested (except for any notice address which is a post office box, in which case notice may be given by first class mail), through the United States Postal Service to the addresses shown below, or such other address which the parties may provide to one another in accordance herewith. Such notices, requests, demands and consents, if sent by mail, shall be deemed given two (2) Business Days after deposit in the United States mail, and if delivered by hand, shall be deemed given when delivered.

To Lender	or Collateral Agent: 80 West Broadway, Suite 200 Salt Lake City, Utah 84101 Attn: Paul Sommer	JPMorgan Chase Bank, N.A.
with a copy to:	Snell & Wilmer L.L.P. Gateway Tower West 15 West South Temple, Suite 1200 Salt Lake City, Utah 84101 Attn: Brian D. Cunningham, Esq.	
To Borrower:	Franklin Covey Co. 2200 West Parkway Blvd. Salt Lake City, Utah 84119 Attn: Richard Putnam	
with a copy to:	Dorsey & Whitney LLP 170 South Main Street, Suite 900 Salt Lake City, Utah 84101 Attn: Nolan S. Taylor, Esq.	

8.3 Intentionally Omitted.

8.4 Inconsistencies with the Loan Documents. In the event of any inconsistencies between the terms of this Agreement and any terms of any of the Loan Documents, the terms of this Agreement shall govern and prevail.

8.5 No Waiver. No waiver by Lender of any Event of Default or conditions or covenants contained herein (including, without limitation, with respect to the making of Advances) shall extend to any subsequent or other Event of Default or conditions or covenants contained herein or impair any consequence of such subsequent Event of Default or conditions or covenants contained herein.

8.6 Lender Approval of Instruments and Parties. All proceedings taken in accordance with transactions provided for herein, and all surveys, appraisals, and documents required or contemplated by this Agreement and the persons responsible for the execution and preparation thereof shall be satisfactory to and subject to approval by Lender. Lender's counsel shall be provided with copies of all documents which they may reasonably request in connection with the Agreement.

8.7 Lender Determination of Facts. Lender shall at all times be free to establish independently, to its satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Agreement.

8.8 Incorporation of Preamble, Recitals and Exhibits. The preamble, recitals, and exhibits hereto are hereby incorporated into this Agreement.

8.9 Payment of Expenses. Borrower shall pay or cause to be paid all taxes and assessments and all expenses, charges, costs, and fees provided for in this Agreement or relating to the Loan or the Collateral, including, without limitation, any fees incurred for recording or filing any of the Loan Documents, fees of any consultants, reasonable fees and expenses of Lender's or Collateral Agent's counsel in negotiating, documenting, administering and enforcing the Loan, whether prior to or after the Closing Date, documentation and processing fees, printing, photostating and duplicating expenses, air freight charges, escrow fees, costs of inspections of the Collateral, and premiums of hazard insurance policies and surety bonds. Borrower hereby authorizes Lender to disburse the proceeds of the Loan to pay such expenses, charges, costs, and fees notwithstanding that Borrower may not have requested a disbursement of such amount. Lender may make such disbursements notwithstanding the fact that the Loan is not "in balance" or that Borrower is in default under the terms of this Agreement or any other Loan Document. Such disbursement shall be added to the outstanding principal balance of the Note. The authorization hereby granted shall be irrevocable, and no further direction or authorization from Borrower shall be necessary for Lender to make such disbursements. However, the provision of this **Section 8.9** shall not prevent Borrower from paying such expense, charges, costs, and fees from its own funds. All such expenses, charges, costs, and fees shall be Borrower's obligation regardless of whether or not Borrower has requested and met the conditions for an Advance. The obligations on the part of Borrower under this **Section 8.9** shall survive the closing of the Loan and the repayment thereof. Borrower hereby authorizes Lender, in its sole and absolute discretion, to pay such expenses, charges, costs, and fees at any time by a disbursement of the Loan.

8.10 Disclaimer by Lender. Lender shall not be liable to any contractor, subcontractor, supplier, laborer, architect, engineer, or any other party for services performed or materials supplied in connection with the Collateral. Neither Lender nor Collateral Agent shall be liable for any debts or claims accruing in favor of any such parties against Borrower or others or against the Collateral. Borrower is not and shall not be an agent of Lender or Collateral Agent for any purpose. Neither Lender nor Collateral Agent is a joint venture partner with Borrower in any manner whatsoever. Prior to default by Borrower under this Agreement and the exercise of remedies granted herein, neither Lender nor Collateral Agent shall be deemed to be in privity of contract with any contractor or provider of services to the Collateral, nor shall any payment of funds directly to a contractor, subcontractor, or provider of services be deemed to create any third party beneficiary status or recognition of same by Lender or Collateral Agent. Approvals granted by Lender or Collateral Agent for any matters covered under this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

8.11 Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER AGREES TO PROTECT, INDEMNIFY, DEFEND AND SAVE HARMLESS LENDER OR COLLATERAL AGENT, THEIR DIRECTORS, OFFICERS, AGENTS, ATTORNEYS, AND EMPLOYEES FOR, FROM, AND AGAINST ANY AND ALL LIABILITY, EXPENSE, OR DAMAGE OF ANY KIND OR NATURE AND FOR, FROM, AND AGAINST ANY SUITS, CLAIMS, OR DEMANDS, INCLUDING REASONABLE ATTORNEY'S FEES AND EXPENSES ON ACCOUNT OF ANY MATTER OR THING OR ACTION, WHETHER IN SUIT OR NOT, ARISING OUT OF THIS AGREEMENT, OR IN CONNECTION HERewith, EXCLUDING HOWEVER, ANY MATTERS ARISING OUT OF AN INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OR ANY MATTERS ARISING AFTER EITHER OF LENDER OR COLLATERAL AGENT HAS TAKEN TITLE TO OR POSSESSION OF THE COLLATERAL. Upon receiving knowledge of any suit, claim, or demand asserted by a third party that Lender or Collateral Agent believes is covered by this indemnity, Lender or Collateral Agent, as the case may be, shall give Borrower notice of the matter and an opportunity to defend it, at Borrower's sole cost and expense, with legal counsel satisfactory to Lender or Collateral Agent, as the case may be. Lender or Collateral Agent, as the case may be, may also require Borrower to so defend the matter. The obligations on the part of Borrower under this **Section 8.11** shall survive the closing of the Loan and the repayment thereof.

8.12 Titles and Headings. The headings at the beginning of each section of this Agreement are solely for convenience and are not part of this Agreement. Unless otherwise indicated, each reference in this Agreement to a section or an exhibit is a reference to the respective section herein or exhibit hereto.

8.13 Number and Gender. In this Agreement the singular shall include the plural and the masculine shall include the feminine and neuter gender and vice versa, if the context so requires.

8.14 Brokers. Borrower and Lender represent to each other that neither of them knows of any brokerage commissions or finders' fee due or claimed with respect to the transaction contemplated hereby. Borrower and Lender shall indemnify and hold harmless the other party for, from and against any and all loss, damage, liability, or expense, including costs and reasonable attorney fees, which such other party may incur or sustain by reason of or in connection with any misrepresentation by the indemnifying party with respect to the foregoing.

8.15 Change, Discharge, Termination, or Waiver. No provision of this Agreement may be changed, discharged, terminated, or waived except in writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of Lender to exercise, and no delay by Lender in exercising, any right or remedy under the Loan Documents or under the law shall operate as a waiver thereof.

8.16 Choice of Law. THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY BE TRIED AND LITIGATED IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH OR, IN ANY OTHER COURT IN WHICH A PARTY SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF BORROWER AND LENDER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ANY STATE OR FEDERAL COURT LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH.

8.17 Disbursements in Excess of Loan Amount. In the event the total disbursements by Lender exceed the amount of the Loan, to the extent permitted by the laws of the State of Utah, the total of all disbursements shall be secured by the Collateral. All other sums expended by Lender pursuant to this Agreement or any other Loan Documents shall be deemed to have been paid to Borrower and shall be secured by, among other things, the Collateral.

8.18 Participations; Assignments. Lender shall have the right at any time to sell, assign, transfer, negotiate, or grant participations in all or any part of the Loan or the Note to one or more participants. Borrower hereby acknowledges and agrees that any such disposition will give rise to a direct obligation of Borrower to each such participant. Lender may at any time, without the consent of Borrower, assign all or any portion of its rights under this Agreement and the Note to a Federal Reserve Bank. Borrower shall have the right, without any

obligation to pay the Early Termination Fee, to terminate the Loan prior to the Maturity Date within ninety (90) days after receiving written notice from Lender that it intends to assign or grant participations in the Loan, provided that Borrower otherwise complies with the requirements of **Section 2.6(c)** hereof.

8.19 **Counterparts.** This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all such counterparts together shall constitute but one agreement. Borrower and Lender agree and acknowledge that facsimile signature pages will be acceptable and shall be conclusive evidence of execution of any Loan Document, resolution or other agreement relating to the Loan.

8.20 **Time is of the Essence.** Time is of the essence of this Agreement.

8.21 **Attorneys' Fees.** Borrower agrees to pay all costs of administration, enforcement and collection and preparation for any Event of Default or any action taken by Lender or Collateral Agent (including, without limitation, reasonable attorney's fees), whether or not any action or proceeding is brought (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level)), together with interest thereon from the date of demand at the Default Interest Rate.

8.22 **Jury Waiver.** EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

8.23 **Waiver of Special Damages.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST LENDER, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

8.24 **MISCELLANEOUS WAIVERS.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY LENDER, WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS (EACH, A "PROCEEDING"), BORROWER IRREVOCABLY (A) SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF SALT LAKE, COUNTY OF SALT LAKE AND STATE OF UTAH, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS AGREEMENT SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. BORROWER FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY UTAH STATE OR UNITED STATES COURT SITTING IN THE CITY OF SALT LAKE AND COUNTY OF SALT LAKE MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO BORROWER AT THE ADDRESS INDICATED BELOW, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; **EXCEPT** THAT IF BORROWER SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

8.25 **Integration.** The Loan Documents contain the complete understanding and agreement of Borrower and Lender and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. **PURSUANT TO UTAH CODE ANNOTATED SECTION 25-5-4, BORROWER IS NOTIFIED THAT THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

8.26 **Binding Effect.** The Loan Documents will be binding upon, and inure to the benefit of, Borrower and Lender and their respective successors and assigns. Borrower may not delegate its obligations under the Loan Documents.

8.27 **Survival.** The representations, warranties, and covenants of Borrower and the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

8.28 **Exchange of Information.** Borrower agrees that Lender may exchange financial information about Borrower or Guarantor with its affiliates and other related entities and its participants and prospective participants. Borrower agrees that Lender may provide any information Lender may have about Borrower, Guarantor or about any matter relating to this Agreement or any of the Loan Documents to J.P. Morgan Chase & Co., or any of its subsidiaries or affiliates or their successors, or to any one or more purchasers or potential purchasers of the Loan. Borrower agrees that Lender may at any time sell, assign, or transfer one or more interests or participations in all or any part of its rights or obligations in and to this Agreement and the other Loan Documents to one or more purchasers whether or not related to or affiliated with Lender. Borrower hereby authorizes Lender, at its sole discretion and without notice to or consent of Borrower or Guarantor, to disclose to Zions or Collateral Agent on a confidential basis any information, financial or otherwise, which it may possess concerning Borrower or Guarantor.

8.29 **Regulation FD.** Lender acknowledges that it is aware, and Lender will advise its directors, officers, employees, agents and advisors (collectively, "Representatives") who are informed as to the matters which are the subject of this Agreement, that the United States securities laws prohibit any Person who has received from an issuer material, non-public information concerning such issuer from purchasing or selling securities of such issuer or from communicating such information to any other Person under circumstances in which it is reasonably foreseeable that such Person is likely to purchase or sell securities. Lender further agrees that it will keep, and it will advise its Representatives of its obligations to keep, confidential any material non-public information disclosed to Lender by Borrower or any Person acting on Borrower's behalf. This **Section 8.29** is a confidentiality agreement for purposes of Regulation FD promulgated under the Securities Exchange Act of 1934.

8.30 **USA PATRIOT ACT NOTIFICATION.** Required Notice:

USA PATRIOT ACT. The Lender hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Act.

8.31 **Exhibits and Schedules.** The following exhibits and schedules to this Agreement are fully incorporated herein as if set forth at length:

Exhibit A - Form of Covenant Compliance Certificate
Exhibit B - Form of Request for Advance
Schedule 5.2(d) - Subsidiaries
Schedule 5.5 - Litigation
Schedule 5.6 - Existing Liens and Encumbrances
Schedule 5.20 - Management Loan Program

ARTICLE 9

COLLATERAL RELEASES

9.1 **Full Release.** Unless either of Lender or Collateral Agent otherwise consents in writing, the Collateral or any part thereof shall not be released from the Lien and Encumbrance of the Security Agreement until all Indebtedness and Obligations of Borrower and Guarantor under the Loan Documents have been indefeasibly paid and performed in full.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Lender and Borrower have caused this Agreement to be duly executed and delivered as of the date first above written.

FRANKLIN COVEY CO.

a Utah corporation

By: /s/ RICHARD PUTNAM

Richard Putnam
Title: Treasurer and Vice President of Investor Relations
"**Borrower**"

JPMORGAN CHASE BANKK, N.A.

a national banking association

By: /s/ TONY C. NIELSEN

Title: Tony C. Nielsen
Title: Senior Vice President
"**Lender**"

EXHIBIT A

FORM OF COVENANT COMPLIANCE CERTIFICATE
COVENANT COMPLIANCE CERTIFICATE

To: **JPMORGAN CHASE BANK, N.A.**
80 West Broadway, Suite 200
Salt Lake City, Utah 84101

For the [Quarter/Fiscal Year] Ending: _____, 20__ (the "Reporting Period").

FRANKLIN COVEY CO., a Utah corporation ("**Borrower**"), makes this certification to **JPMORGAN CHASE BANK, N.A.**, a national banking association ("**Lender**"), under that certain Revolving Line of Credit Agreement dated March 14, 2007 (the "**Loan Agreement**") by and between Borrower and Lender. Capitalized terms used herein without definition shall have the meanings given to such terms in the Loan Agreement.

The undersigned hereby certifies to Lender that as reported on the most recent financial statements described below and submitted herewith to Lender, Borrower is in full and compliance with each and every financial covenant set forth in the Loan Agreement and each other covenant set forth in the Loan Agreement. The financial covenant requirements compared to the actual results are determined to be as follows, which results are further described on the Line of Credit Covenant Calculations set forth on **Schedule 1** attached hereto, each of which Borrower certifies to be true and correct:

Funded Debt to EBITDAR Ratio Covenant. The Consolidated Entities shall not permit its ratio of (A) total liabilities, plus the net present value of operating leases at a discount rate of seven percent (7%), but excluding (1) accounts arising from the purchase of goods and services in the ordinary course of business, (2) accrued expenses or losses, and (3) deferred revenues or gains, to (B) net income, plus amortization expense, depreciation expense, interest expense, income tax expense, and rents and operating lease payments, less extraordinary gains and losses (collectively, "**EBITDAR**"), for the twelve (12) month period then ending, to be greater than (x) 3.25 to 1.00 as of the end of the fiscal quarter of Borrower ending on March 3, 2007, (y) 3.00 to 1.00 as of the end of the fiscal quarter of Borrower ending on June 2, 2007, and (z) 2.75 to 1.00 as of the end of the fiscal quarter of Borrower ending on August 31, 2007 and each fiscal quarter thereafter.

Maximum Ratio for Reporting Period:

Actual Ratio for Reporting Period:

In Compliance: Yes No

Fixed Charge Coverage Ratio Covenant. The Consolidated Entities shall not permit its ratio of (A) net income before income tax expense, plus amortization expense, depreciation expense, interest expense, rent and operating lease payments, minus any distributions or dividends, for the twelve (12) month period then ending, to (B) prior period current maturities of long term debt and capital leases, interest expense, cash taxes paid, rent and operating lease payments, for the same such period, to be less than (x) 1.30 to 1.00 as of the end of the fiscal quarter of Borrower ending on March 3, 2007, (y) 1.35 to 1.00 as of the end of the fiscal quarter of Borrower ending on June 2, 2007, and (z) 1.50 to 1.00 as of the end of the fiscal quarter of Borrower ending on August 31, 2007 and each fiscal quarter thereafter.

Minimum Ratio for Reporting Period =

Actual Ratio for Reporting Period =

In Compliance: Yes No

Capital Expenditures Covenant. The Consolidated Entities shall not make Capital Expenditures, exclusive of curriculum development costs, in excess of (i) \$11,000,000.00 for Borrower's fiscal year ending on August 31, 2007 and (ii) \$8,000,000.00 for each fiscal year of Borrower thereafter.

Maximum Capital Expenditures for Reporting Period: \$

Actual Capital Expenditures for Reporting Period: \$

In Compliance: Yes No N/A

Minimum Net Worth Covenant. The Consolidated Entities shall not permit its Net Worth to be less than ONE HUNDRED THIRTY-THREE MILLION AND NO/100 DOLLARS (\$133,000,000.00); *provided, however*, the Consolidated Entities' Net Worth may be less than such amount if Lender determines that the Consolidated Entities' Net Worth has decreased to an amount less than \$133,000,000.00 as a result of Borrower's purchase of its outstanding common or preferred stock. As used in **Section 6.8(d)** of the Loan Agreement, the term "**Net Worth**" means the Consolidated Entities' total assets *less* total liabilities, in each case as determined in accordance with GAAP.

Minimum Net Worth as of End of Reporting Period: \$

Actual Net Worth as of End of Reporting Period: \$

In Compliance: Yes No

In addition, the undersigned certifies to Lender that, during the period covered by the financial statements and through the date of this Certification:

- A. No Event of Default has occurred and is continuing.
- B. Borrower has not pledged any of its assets except as permitted in the Loan Agreement.
- C. There has been no change in GAAP or in the application thereof to the Consolidated Entities' financial statements since the date of the audited financial statements referred to in **Section 6.7** of the Loan Agreement which were last delivered to Lender.

Dated as of _____, 20__.

Very truly yours,

FRANKLIN COVEY CO.
a Utah corporation

By: _____
Name
Title

**SCHEDULE 1
TO COVENANT COMPLIANCE CERTIFICATE**

LINE OF CREDIT COVENANT CALCULATIONS

EXHIBIT B

FORM OF REQUEST FOR ADVANCE

[insert date]

JPMORGAN CHASE BANK, N.A.

80 West Broadway, Suite 200
Salt Lake City, Utah 84101

Request for Advance No.: _____

Ladies/Gentlemen:

Reference is made to the Revolving Line of Credit Agreement dated as of March 14, 2007 (the "**Loan Agreement**") between **FRANKLIN COVEY CO.**, a Utah corporation ("**Borrower**"), and **JPMORGAN CHASE BANK, N.A.**, a national banking association ("**Lender**"). Capitalized terms used but not otherwise defined herein shall have the meaning given them in the Loan Agreement.

In accordance with **Section 2.2(a)** of the Loan Agreement, the undersigned Borrower hereby requests that Lender make an Advance to us in the amount of \$_____ [insert amount] by means of and to the account specified in Lender's Commercial Banking Funds Transfer Request Form attached hereto as **Schedule 1** [complete and execute form].

Borrower hereby certifies, as of the date hereof and as of the date the Advance requested hereby is made, that:

- (a) no Event of Default has occurred and is continuing nor will an Event of Default occur after giving effect to such Advance as a result of such Advance;
- (b) each of the representations and warranties made by Borrower in or pursuant to the Loan Documents is true and correct in all material respects on and as of such date as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date); and
- (c) Borrower has satisfied all conditions precedent and all other requirements for the Advance of the funds requested herein as provided in the Loan Agreement and other Loan Documents.

Very truly yours,

FRANKLIN COVEY CO.

a Utah corporation

By: _____

Name
Title

**SCHEDULE 1
TO REQUEST FOR ADVANCE**

**JPMORGAN CHASE BANK, N.A.
COMMERCIAL BANKING
FUNDS TRANSFER REQUEST FORM**

COMMERCIAL BANKING FUNDS TRANSFER REQUEST FORM	JPMorgan Chase Bank, N.A.
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Date of Funds Transfer: _____ Return Request to Fax # _____

From: Originating Party	Funds Transfer Debit Amount (U.S. Dollar)
Debit Account Number _____	\$ _____
Account Name _____	

INTERNAL (ACCOUNT-TO-ACCOUNT) TRANSFER

Credit Account Number _____
Account Name _____

WIRE TRANSFER

Foreign Currency Amount & Currency Type _____ Conversion Rate _____
Value Date _____ Contract # _____ Trader's Name _____

To: Receiving/Beneficiary Bank	For: Payee/Beneficiary Party
ABA Routing#/SWIFT#/CHIP# _____	Account Number _____
Name _____	Name _____
Address _____	Address _____

Payment Details/Special Instructions	For Further Credit To:
_____	Account Number _____
_____	Name _____
_____	Address _____

Originating Company: _____ Telephone Number: _____

AUTHORIZED SIGNER'S NAME (PRINTED)	AUTHORIZED SIGNER'S SIGNATURE
AUTHORIZED SIGNER'S NAME (PRINTED) – IF NECESSARY	AUTHORIZED SIGNER'S SIGNATURE

FOR BANK USE ONLY (Complete appropriate boxes)

SOURCE OF REQUEST <input checked="" type="checkbox"/> Fax <input type="checkbox"/> Phone <input type="checkbox"/> Mail <input type="checkbox"/> In-Person	RECEIVED BY & CUSTOMER SIGNATURE VERIFIED BY	LOG SEQUENCE NUMBER
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CALLBACK CONFIRMATION INFORMATION

CALLBACK COMPLETED BY:	SIGNATURE	PH. NO. CALL WAS MADE FROM
CALLBACK CONTACT NAME	CALLBACK TELEPHONE NUMBER	CALLBACK DATE
		CALLBACK TIME: <input type="checkbox"/> a.m. <input type="checkbox"/> p.m.

EXCEPTION APPROVAL

I certify that a callback was attempted and failed or the funds were released PRIOR TO callback or Other _____, and I have the proper authority level to approve this request per exception processing procedures.

AUTHORIZED APPROVAL (Print Name) _____ AUTHORIZED SIGNATURE _____

REASON _____

INTRA-DAY APPROVAL
(ATTACH COPY OF TRANSACTION)

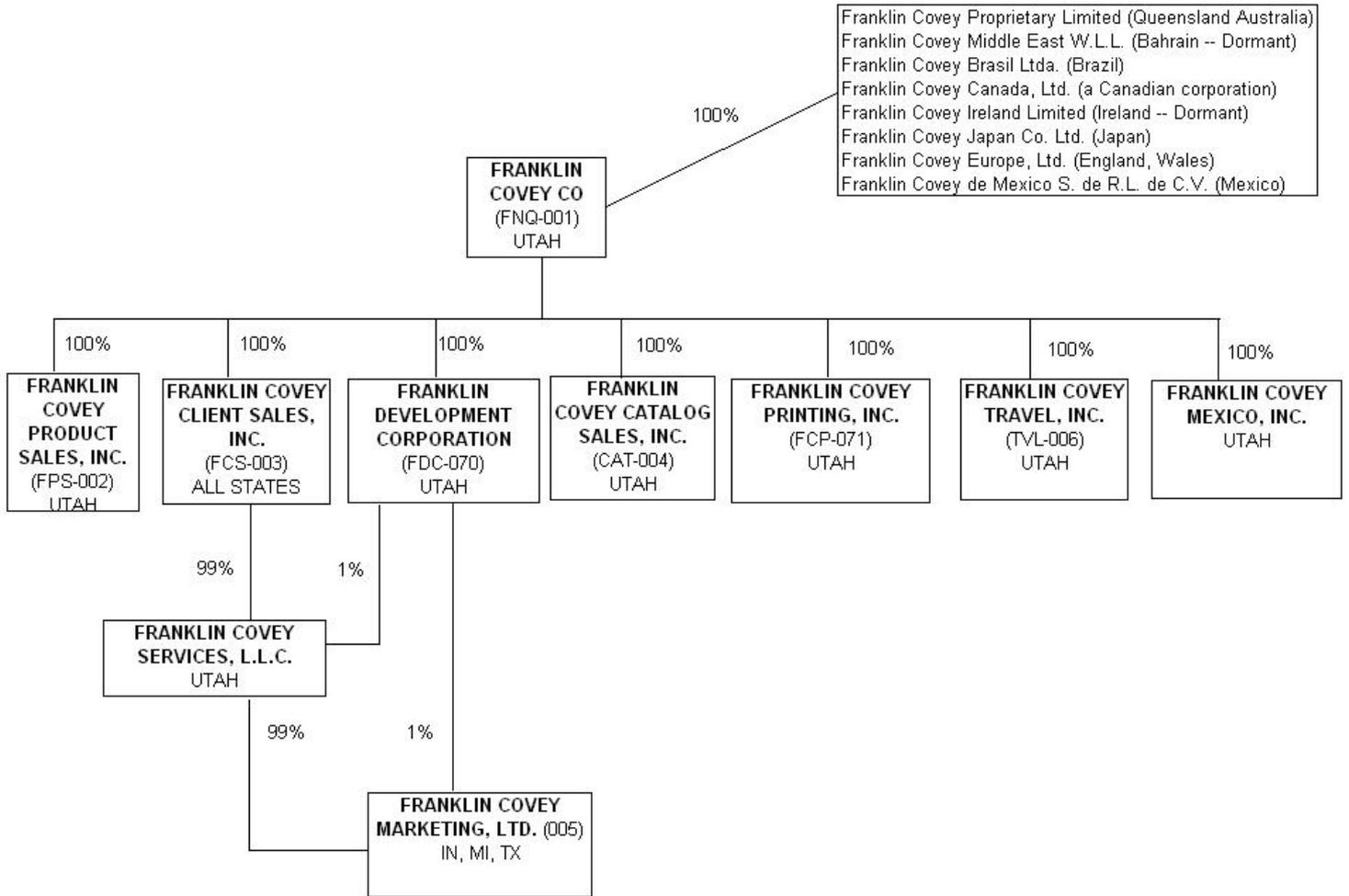
AVAILABLE BALANCE	\$ _____
INVESTMENT CREDIT	\$ _____
INTERNAL CREDIT	\$ _____
FED FUND CREDIT	\$ _____
DEPOSIT JPMC CHECKS	\$ _____
TOTAL AVAIL. BAL.	\$ _____
APPROVED BY: _____	

FUNDS TRANSFER INITIATION METHOD: Entered via Channel Product Phoned/Faxed to Wire Room

NAME OF WIRE TRANSFER OPERATOR (IF PHONED TO WIRE ROOM)	TIME PHONED/FAXED TO WIRE ROOM	WIRE ROOM CONFIRMATION NO.
	<input type="checkbox"/> a.m. <input type="checkbox"/> p.m.	
PREPARER / INITIATOR NAME (Print Name)	PREPARER / INITIATOR SIGNATURE	
FUNDS TRANSFER APPROVED & RELEASED BY (Print Name)	FUNDS TRANSFER APPROVED & RELEASED BY (Signature)	

SCHEDULE 5.2(d)

SUBSIDIARIES



SCHEDULE 5.5**LITIGATION**

epicRealm Licensing, LLC v. Franklin Covey Co., et al., Case No. 2:05-CV-00356-DF-CMC in the United States District Court for the Eastern District of Texas, Marshall Division (has been consolidated with Case No. 2:05-CV-00163-DF-CMC). In August 2005, epicRealm Licensing, LLC (epicRealm) filed an action against Borrower for patent infringement. The action alleges that Borrower infringed upon two of epicRealm's patents that cover systems and methods for managing dynamic Web page generation requests from clients to a Web server that in turn uses a page server to generate a dynamic Web page using content retrieved from a data source. Borrower denies the patent infringement and believes that the epicRealm claims are invalid. This litigation is currently in the discovery phase and Borrower intends to vigorously defend the matter.

SCHEDULE 5.6**EXISTING LIENS AND ENCUMBRANCES**

Debtor	Secured Party	Collateral	Jurisdiction	Filing Date	Filing No.
Franklin Covey Corporation	Lease Operations	Equipment	Utah	04/10/2002	184734200241
Franklin Covey Company	Inter-tel Leasing, Inc.	Equipment	Utah	06/27/2002	191497200239
Franklin Covey Printing, Inc.	Heidelberg USA, Inc.	Equipment	Utah	10/30/2006	306412200696
Franklin Covey Company, Inc.	IOS Capital, LLC	Leased Equipment	Utah	10/31/2002	201520200221
Franklin Covey Printing, Inc.	Komori America Corporation	Equipment	Utah	01/10/2007	311178200706
Franklin Covey Co.	Zions First National Bank	Account #2918002 with Zions First National Bank	Utah	01/24/2007	312076200702

SCHEDULE 5.20

MANAGEMENT COMMON STOCK LOAN PROGRAM

During fiscal 2000, certain of our management personnel borrowed funds from an external lender, on a full-recourse basis, to acquire shares of our common stock. The loan program closed during fiscal 2001 with 3.825 million shares of common stock purchased by the loan participants for a total cost of \$33.6 million, which was the market value of the shares acquired and distributed to loan participants. The Company initially participated on these management common stock loans as a guarantor to the lending institution. However, in connection with a new credit facility obtained during the fourth quarter of fiscal 2001, we acquired the loans from the external lender at fair value and are now the creditor for these loans. The loans in the management stock loan program historically accrued interest at 9.4 percent (compounded quarterly), are full-recourse to the participants, and were originally due in March 2005. Although interest accrues on the outstanding balance over the life of the loans, the Company ceased recording interest receivable (and related interest income) related to these loans during the third quarter of fiscal 2002. However, loan participants remain obligated to pay all accrued interest upon maturity of the loans.

In May 2004, our Board of Directors approved modifications to the terms of the management stock loans. While these changes had significant implications for most management stock loan program participants, the Company did not formally amend or modify the stock loan program notes. Rather, the Company chose to forego certain of its rights under the terms of the loans and granted participants the modifications described below in order to potentially improve their ability to pay, and the Company's ability to collect, the outstanding balances of the loans. These modifications to the management stock loan terms applied to all current and former employees whose loans do not fall under the provisions of the Sarbanes-Oxley Act of 2002. Loans to the Company's officers and directors (as defined by the Sarbanes-Oxley Act of 2002) were not affected by the approved modifications. During fiscal 2005 the Company collected \$0.8 million, which represented payment in full, from an officer and members of the Board of Directors that were required to repay their loans on the original due date of March 30, 2005.

The May 2004 modifications to the management stock loan terms included the following:

Waiver of Right to Collect - The Company will waive its right to collect the outstanding balance of the loans prior to the earlier of (a) March 30, 2008, or (b) the date after March 30, 2005 on which the closing price of the Company's stock multiplied by the number of shares purchased equals the outstanding principal and accrued interest on the management stock loans (the Breakeven Date).

Lower Interest Rate - Effective May 7, 2004, the Company prospectively waived collection of all interest on the loans in excess of 3.16 percent per annum, which was the "Mid-Term Applicable Federal Rate" for May 2004.

Use of the Company's Common Stock to Pay Loan Balances - The Company may consider receiving shares of our common stock as payment on the loans, which were previously only payable in cash.

Elimination of the Prepayment Penalty - The Company will waive its right to charge or collect any prepayment penalty on the management common stock loans.

These modifications, including the reduction of the loan program interest rate, were not applied retroactively and participants remain obligated to pay interest previously accrued using the original interest rate. Also during fiscal 2005, our Board of Directors approved loan modifications for a former executive officer and a former director substantially similar to loan modifications previously granted to other loan participants in the management stock loan program as described above.

Prior to the May 2004 modifications, the Company accounted for the loans and the corresponding shares using a loan-based accounting model that included guidance found in SAB 102, *Selected Loan Loss Allowance Methodology and Documentation Issues*; SFAS No. 114, *Accounting by Creditors for Impairment of A Loan - an Amendment of FASB Statements No. 5 and 15*; and SFAS No. 5, *Accounting for Contingencies*. However, due to the nature of the May 2004 modifications, the Company reevaluated its accounting for the management stock loan program. Based upon guidance found in EITF Issue 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*, and EITF Issue 95-16, *Accounting for Stock Compensation Agreements with Employer Loan Features under APB Opinion No. 25*, we determined that the management common stock loans should be accounted for as non-recourse stock compensation instruments. While this accounting treatment does not alter the legal rights associated with the loans to the employees as described above, the modifications to the terms of the loans were deemed significant enough to adopt the non-recourse accounting model as described in EITF 00-23. As a result of this accounting treatment, the remaining carrying value of the notes and interest receivable related to financing common stock purchases by related parties, which totaled \$7.6 million prior to the loan term modifications, was reduced to zero with a corresponding reduction in additional paid-in capital. Since the Company was unable to control the underlying management common stock loan shares, the loan program shares continued to be included in Basic earnings per share (EPS) following the May 2004 modifications.

We currently account for the management common stock loans as equity-classified stock option arrangements. Under the provisions of SFAS No. 123R, which we adopted on September 1, 2005, additional compensation expense will be recognized only if the Company takes action that constitutes a modification which increases the fair value of the arrangements. This accounting treatment also precludes us from reversing the amounts expensed as additions to the loan loss reserve, totaling \$29.7 million, which were recognized in prior periods.

During fiscal 2006, the Company offered participants in the management common stock loan program the opportunity to formally modify the terms of their loans in exchange for placing their shares of common stock purchased through the loan program in an escrow account that allows the Company to have a security interest in the loan program shares. The key modifications to the management common stock loans for the participants accepting the fiscal 2006 offer are as follows:

Modification of Promissory Note - The management stock loan due date was changed to be the earlier of (a) March 30, 2013, or (b) the Breakeven Date as defined by the May 2004 modifications. The interest rate on the loans will increase from 3.16 percent compounded annually to 4.72 percent compounded annually.

Redemption of Management Loan Program Shares - The Company will have the right to redeem the shares on the due date in satisfaction of the promissory notes as follows:

- On the Breakeven Date, the Company has the right to purchase and redeem from the loan participants the number of loan program shares necessary to satisfy the participant's obligation under the promissory note. The redemption price for each such loan program share will be equal to the closing price of the Company's common stock on the Breakeven Date.
- If the Company's stock has not closed at or above the breakeven price on or before March 30, 2013, the Company has the right to purchase and redeem from the participants all of their loan program shares at the closing price on that date as partial payment on the participant's obligation.

The fiscal 2006 modifications were intended to give the Company a measure of control of the outstanding loan program shares and to facilitate payment of the loans should the market value of the Company's stock equal the principal and accrued interest on the management stock loans. If a loan participant declines the offer to modify their management stock loan, their loan will continue to have the same terms and conditions that were previously approved in May 2004 by the Company's Board of Directors and their loans will be due at the earlier of March 30, 2008 or the Breakeven Date. Consistent with the May 2004 modifications, stock loan participants will be unable to realize a gain on the loan program shares unless they pay cash to satisfy the promissory note obligation prior to the due date. As of the closing date of the extension offer, which was substantially completed in June 2006, management stock loan participants holding approximately 3,508,000 shares, or 94 percent of the remaining loan shares, elected to accept the extension offer and placed their management stock loan shares into the escrow account.

As a result of this modification, the Company reevaluated its accounting treatment regarding the loan shares and their inclusion in Basic EPS. Since the management stock loan shares held in the escrow account continue to have the same income participation rights as other common shareholders, the Company has determined that the escrowed loan shares are participating securities as defined by EITF 03-06, *Participating Securities and the Two-Class Method under FASB Statement No. 128*. As a result, the management loan shares will be

included in the calculation of Basic EPS in periods of net income and excluded from Basic EPS in periods of net loss beginning in the fourth quarter of fiscal 2006, which was the completion of the escrow agreement modification.

As a result of these loan program modifications, the Company hopes to increase the total value received from loan participants; however, the inability of the Company to collect all, or a portion, of these receivables could have an adverse impact upon our financial position and future cash flows compared to full collection of the loans.

SECURED PROMISSORY NOTE

\$18,000,000.00

Salt Lake City, Utah
March 14, 2007**1. PROMISE TO PAY.**

FOR VALUE RECEIVED, FRANKLIN COVEY CO., a Utah corporation ("**Maker**"), with a business address of 2200 West Parkway Blvd., Salt Lake City, Utah 84119, promises to pay to the order of **JPMORGAN CHASE BANK, N.A.**, a national banking association ("**Holder**"), at its office at 80 West Broadway, Suite 200, Salt Lake City, Utah, 84101, or at such other place as Holder may from time to time designate in writing, the principal sum of up to EIGHTEEN MILLION AND NO/100 DOLLARS (\$18,000,000.00), or so much thereof as shall from time to time be disbursed under that certain Revolving Line of Credit Agreement (as it may be amended, modified, extended, and renewed from time to time, the "**Loan Agreement**") of even date herewith between Maker and Holder, together with accrued interest from the date of disbursement on the unpaid principal at the applicable rate as set forth in **Section 5** hereof. This Secured Promissory Note (as it may be amended, modified, extended, and renewed from time to time, the "**Note**") is issued pursuant to, entitled to the benefits of, and referred to as the "Note" in the Loan Agreement. In the event of any inconsistency between the provisions of this Note and the provisions of the Loan Agreement, the Loan Agreement shall control.

2. DEFINITIONS.

The following terms shall have the following meanings when used herein. Capitalized terms used herein without definition shall have the meanings set forth in the Loan Agreement.

"**Affiliate**" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. The term "Affiliate" does not include the officers, directors, or employees of a Person, if the Person is a corporation, and does not include the employees or members of a Person, if the Person is a limited liability company or limited partnership.

"**Business Day**" means a day other than a Saturday, Sunday or any other day on which Holder's branch located at 80 West Broadway, Salt Lake City, Utah is authorized or obligated to close.

"**Default Interest Rate**" means a rate of interest equal to the lesser of (a) the aggregate of THREE PERCENT (3.0%) per annum plus the Interest Rate and (b) the highest rate legally permissible under applicable law. The Default Interest Rate shall change from time to time as and when the Interest Rate changes.

"**Interest Rate**" means an interest rate equal to the Interest Rate, as defined in Section 1.1 of the Loan Agreement.

"**Loan Documents**" has the meaning given to such term in the Loan Agreement.

"**Maturity Date**" means March 14, 2010.

"**Payment Date**" means the first (1st) day of each calendar month.

3. MATURITY DATE.

Absent the occurrence and continuance of an Event of Default hereunder or under any of the Loan Documents, the unpaid principal balance hereof, together with all unpaid interest accrued thereon, and all other amounts payable by Maker under the terms of the Loan Documents, shall be due and payable on the Maturity Date. If the Maturity Date should fall (whether by acceleration or otherwise) on a day that is not a Business Day, payment of the outstanding principal shall be made on the next succeeding Business Day and such extension of time shall be included in computing the interest included in such payment.

4. REVOLVING LINE OF CREDIT.

The Loan evidenced hereby is a revolving line of credit and Maker shall be entitled to reborrow amounts prepaid prior to the Maturity Date. Although the outstanding principal balance of this Note may be zero from time to time, this Note and the other Loan Documents will remain in full force and effect until the Maturity Date or until all obligations of Maker or Guarantor relating to the Loan are indefeasibly paid and performed in full, whichever is later. Upon the occurrence, and continuance, of any Event of Default, Holder may suspend or terminate its commitment to make Advances of the proceeds hereof without notice to Maker or further act on the part of Holder.

5. INTEREST.

- (a) Absent a continuing Event of Default hereunder or under any of the Loan Documents, each Advance made hereunder shall bear interest at the Interest Rate in effect from time to time as determined in accordance with the Loan Agreement, subject to the limitations of **Section 15** of this Note. Interest on this Note shall be computed by applying the ratio of the annual Interest Rate over a year of three hundred sixty (360) days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding.
- (b) All payments of principal and interest due hereunder shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Maker, and (ii) without any other set off. Maker will pay the amounts necessary such that the gross amount of the principal and interest received by Holder is equal to that required by this Note.
- (c) Interest accruing hereunder shall be payable by Maker to Holder monthly, the first of which interest payments shall be payable on the Payment Date occurring in May 2007, and on each Payment Date thereafter as provided in the Loan Agreement. If any payment of interest to be made by Maker hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing the interest in such payment.

6. LAWFUL MONEY.

Principal and interest are payable in lawful money of the United States of America.

7. APPLICATION OF PAYMENTS; LATE CHARGE; DEFAULT RATE.

- (a) Unless otherwise agreed to, in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to any unpaid collection costs, late charges and other charges, and any remaining amount to principal; provided however, upon a continuing Event of Default, Holder reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its discretion. All prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Holder may from time to time determine in its reasonable discretion.
- (b) If any payment required under this Note is not paid within ten (10) days after such payment is due, then, at the option of Holder, Maker shall pay a late charge equal to five percent (5.0%) of the amount of such payment or Twenty-Five and No/100 Dollars (\$25.00), whichever is greater, up to the maximum amount of One Thousand Five Hundred and No/100 Dollars (\$1,500.00) per late charge to compensate Holder for administrative expenses and other costs of delinquent payments. This late charge may be assessed without notice, shall be immediately due and payable and shall be in addition to all other rights and remedies available to Holder.
- (c) Upon a continuing Event of Default or upon maturity by acceleration, Holder, at its option, may also, if permitted under applicable law, do one or both of the following, in addition to any other right or remedy available to Holder: (i) increase the applicable interest rate on this Note to the Default Interest Rate, and (ii) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). The interest rate hereunder will not exceed the maximum rate permitted by applicable law. Application of the Default Interest Rate will not cure any Event of Default.

8. SECURITY; GUARANTY.

This Note is secured by one or more liens and security interests upon the Collateral, as more particularly set forth in the Loan Agreement and other Loan Documents, and payments hereunder are unconditionally guaranteed by Guarantor pursuant to the Guaranty.

9. EVENT OF DEFAULT.

The occurrence of any of the following shall be deemed to be an event of default (“**Event of Default**”) hereunder:

- (a) Failure by Maker to pay any monetary amount within ten (10) days of when due under any Loan Document; or
- (b) The occurrence of any event of default under any of the other Loan Documents.

10. REMEDIES.

Upon the occurrence, and during the continuance, of an Event of Default, then at the option of Holder, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by Maker under the Loan Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), without notice or demand, the entire balance of principal hereof, together with all accrued interest thereon, all other amounts due under the Loan Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate. Maker may also, at its election, add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the Default Interest Rate. The Interest Rate under this Note will not exceed the maximum rate permitted by applicable law under any circumstances. No delay or omission on the part of Holder in exercising any right under this Note or under any of the other Loan Documents hereof shall operate as a waiver of such right and no application of the Default Interest Rate or addition of interest to principal shall constitute an election of remedies by Holder nor shall any such exercise of any right cure any Event of Default under the Loan Documents.

11. WAIVER.

- (a) Maker, endorsers, guarantors, and sureties of this Note hereby waive diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Loan Documents) and expressly agree that, without in any way affecting the liability of Maker, endorsers, guarantors, or sureties, Holder may extend any maturity date or the time for payment of any installment due hereunder, otherwise modify the Loan Documents, accept additional security, release any Person liable, and release any security or guaranty. Maker, endorsers, guarantors, and sureties waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.
- (b) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, MAKER SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST HOLDER, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF THIS NOTE OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

12. CHANGE, DISCHARGE, TERMINATION, OR WAIVER.

No provision of this Note may be changed, discharged, terminated, or waived except in a writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of Holder to exercise and no delay by Holder in exercising any right or remedy under this Note or under the law shall operate as a waiver thereof.

13. ATTORNEYS' FEES.

If this Note is not paid when due or if any Event of Default occurs, Maker promises to pay all costs of enforcement and collection and preparation therefor, including, but not limited to, reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level)) or with regard to any arbitration or other dispute resolution proceeding.

14. SEVERABILITY.

If any provision of this Note is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

15. INTEREST RATE LIMITATION.

Maker hereby agrees to pay an effective rate of interest that is the sum of the interest rate provided for herein, together with any additional rate of interest resulting from any other charges of interest or in the nature of interest paid or to be paid in connection with the Loan, including without limitation, the Origination Fee and any other fees to be paid by Maker pursuant to the provisions of the Loan Documents. Holder and Maker agree that none of the terms and provisions contained herein or in any of the Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of Utah. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of Utah, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of Holder, be credited to the payment of other amounts payable under the Loan Documents or returned to Maker.

16. NUMBER AND GENDER.

In this Note the singular shall include the plural and the masculine shall include the feminine and neuter gender, and vice versa.

17. HEADINGS.

Headings at the beginning of each numbered section of this Note are intended solely for convenience and are not part of this Note.

18. CHOICE OF LAW.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS NOTE AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH OR, AT THE SOLE OPTION OF HOLDER, IN ANY OTHER COURT IN WHICH HOLDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF MAKER AND HOLDER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 18.

19. INTEGRATION.

The Loan Documents contain the complete understanding and agreement of Holder and Maker and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. **PURSUANT TO UTAH CODE ANNOTATED SECTION 25-5-4, MAKER IS NOTIFIED THAT THIS NOTE AND OTHER WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

20. COUNTERPARTS.

This document may be executed and acknowledged in counterparts, all of which executed and acknowledged counterparts shall together constitute a single document.

21. BINDING EFFECT.

The Loan Documents will be binding upon, and inure to the benefit of, Holder, Maker, and their respective successors and assigns. Maker may not delegate its obligations hereunder or under the Loan Documents.

22. TIME OF THE ESSENCE.

Time is of the essence with regard to each provision of the Loan Documents as to which time is a factor.

22. SURVIVAL.

The representations, warranties, and covenants of Maker in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Maker has executed and delivered this Note as of the day and year first above written.

FRANKLIN COVEY CO.
a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer and Vice President of Investor Relations
"Maker"

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (“**Agreement**”) is made as of March 14, 2007, by and among **FRANKLIN COVEY CO.**, a Utah corporation (“**Borrower**”), **FRANKLIN COVEY PRINTING, INC.**, a Utah corporation, **FRANKLIN DEVELOPMENT CORPORATION**, a Utah corporation (“**Development**”), **FRANKLIN COVEY TRAVEL, INC.**, a Utah corporation, **FRANKLIN COVEY CATALOG SALES, INC.**, a Utah corporation, **FRANKLIN COVEY CLIENT SALES, INC.**, a Utah corporation (“**Client**”), **FRANKLIN COVEY PRODUCT SALES, INC.**, a Utah corporation, **FRANKLIN COVEY SERVICES, L.L.C.**, a Utah limited liability company (“**Services**”), and **FRANKLIN COVEY MARKETING, LTD.**, a Utah limited partnership (“**Marketing**”) (individually and collectively, as the context requires, “**Guarantor**” and, together with Borrower, individually and collectively, as the context requires, “**Debtor**”), **JPMORGAN CHASE BANK, N.A.**, a national banking association (“**Collateral Agent**”), not in its individual capacity, but solely as collateral agent for **JPMORGAN CHASE BANK, N.A.**, a national banking association (“**Chase**”), and **ZIONS FIRST NATIONAL BANK**, a national banking association (“**Zions**”) and, together with Chase, individually and collectively, as the context requires, the “**Secured Party**”), in conjunction with the Guaranty made by Guarantor in favor of Secured Party and the Loan made to Borrower by Secured Party pursuant to the Loan Agreement.

WHEREAS, Guarantor has executed the Guaranty in favor of Secured Party, pursuant to which Guarantor has agreed to guaranty repayment of the Loan;

WHEREAS, Borrower and Secured Party, as lender, have entered into the Loan Agreement, pursuant to which Secured Party, subject to the terms and conditions contained therein, is to make the Loan to Borrower;

WHEREAS, it is a condition precedent to Secured Party’s making any loans or otherwise extending credit to Borrower under the Loan Agreement that Debtor execute and deliver to Secured Party a security agreement in substantially the form hereof encumbering all of the personal property assets of Debtor; and

WHEREAS, Debtor wishes to grant a security interest in favor of Collateral Agent in all of Debtor’s personal property assets as herein provided.

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions.** All capitalized terms used herein without definitions shall have the respective meanings provided therefor in the Chase Loan Agreement. All terms defined in the Utah Uniform Commercial Code, *Utah Code Annotated Sections 70A-9a-101 et seq.*, and used herein shall have the same definitions herein as specified therein. However, if a term is defined in Article 9a of the Utah Uniform Commercial Code differently than in another Article of the Utah Uniform Commercial Code, the term has the meaning specified in Article 9a. In addition to the foregoing, the following terms as used herein (including, without limitation, in the Recitals to this Agreement) are defined as follows:

1.1 “**Chase Guaranty**” means that certain Repayment Guaranty of even date herewith from Guarantor in favor of Chase, as the same may be amended or modified from time to time.

1.2 “**Chase Loan**” means the revolving line of credit extended by Chase to Borrower pursuant and subject to the Chase Note, the Chase Loan Agreement and the other Chase Loan Documents.

1.3 “**Chase Loan Agreement**” means that certain Revolving Line of Credit Agreement of even date herewith by and between Borrower and Chase, as the same may be amended or modified from time to time.

1.4 “**Chase Loan Documents**” means, collectively, the Chase Loan Agreement, the Chase Note, the Security Documents, the Intercreditor Agreement and all other documents that from time to time govern or evidence the Chase Obligations or secure payment or performance thereof, as such documents may be amended or modified from time to time.

1.5 “**Chase Note**” means that certain Secured Promissory Note of even date herewith executed by Borrower and payable to Chase in the maximum principal amount of \$18,000,000, as the same may be amended or modified from time to time.

1.6 “**Chase Obligations**” means, collectively, (a) payment of the Chase Loan; (b) with respect to Guarantor, the payment of the Guarantor Obligations (as defined in the Chase Guaranty); (c) all of the terms, conditions, agreements, stipulations, covenants, and provisions of this Agreement, all other Chase Loan Documents, and any other agreement, document or instrument (and any and all renewals, replacements, amendments, modifications or extensions thereof), given by Debtor to Chase to evidence or to secure the indebtedness secured hereby; (d) all late charges, default interest, prepayment charges or premiums, loan fees, commitment fees and extension fees described in this Agreement and all other Chase Loan Documents and all costs of collecting the indebtedness or other amounts evidenced by this Agreement and all other Chase Loan Documents, including any and all costs and expenditures of a receiver in possession and reasonable attorneys’ fees; (e) payment of all sums advanced by Chase to protect the Personal Property, with interest thereon equal to the highest default interest rate as provided by the Chase Note; and (f) all modifications, extensions and renewals of any of the obligations secured hereby, however evidenced. This Agreement shall also secure the payment and performance of any additional loans that may hereafter be made by Chase to Debtor which are evidenced by a promissory note or notes or other writings stating that they are secured by this Agreement. This Agreement shall also secure all amounts, including costs of collection, payable under any guarantee(s) now or hereafter relating to the obligations secured hereby.

1.7 “**Event of Default**” means the failure of Debtor to pay or perform any of the Obligations as and when due to be paid or performed under the terms of the Loan Documents.

1.8 “**Guaranty**” means, individually and collectively, as the context requires, the Chase Guaranty and the Zions Guaranty.

1.9 “**Intercreditor Agreement**” means that certain Intercreditor Agreement of even date herewith by and among Collateral Agent and Secured Party, as the same may be amended or modified from time to time.

1.10 “**Loan**” means, individually and collectively, as the context requires, the Chase Loan and the Zions Loan.

1.11 “**Loan Agreement**” means, individually and collectively, as the context requires, the Chase Loan Agreement and the Zions Loan Agreement.

1.12 “**Loan Documents**” means, individually and collectively, as the context requires, the Chase Loan Documents and the Zions Loan Documents.

1.13 “**Note**” means, individually and collectively, as the context requires, the Chase Note and the Zions Note.

1.14 “**Obligations**” means, individually and collectively, as the context requires, the Chase Obligations and the Zions Obligations.

1.15 **"Personal Property"** means all right, title, and interest of Debtor in (i) all personal property now or hereafter owned by Debtor, (ii) all other rights and interests of Debtor now or hereafter held in personal property, including, without limiting the foregoing, all of Debtor's present and future "Accounts," "Cash Proceeds," "Chattel Paper," "Collateral," "Deposit Accounts," "Electronic Chattel Paper," "Equipment," "Fixtures," "General Intangibles," "Goods," "Instruments," "Inventory," "Investment Property," "Letter-of-Credit Rights," "Noncash Proceeds," and "Tangible Chattel Paper" (as such terms are defined in the Uniform Commercial Code as in effect from time to time in the State of Utah, or any other jurisdiction, as applicable (the **"Uniform Commercial Code"**)), (iii) all personal property and rights and interests in personal property of similar type or kind hereafter acquired by Debtor, (iv) all of Debtor's right, title and interest in and to all deposit accounts maintained with Secured Party or any affiliate of Secured Party, (v) all appurtenances and additions thereto and substitutions or replacements thereof, and (vi) all proceeds thereof (as hereinafter provided).

1.16 **"Zions Guaranty"** means that certain Repayment Guaranty of even date herewith from Guarantor in favor of Zions, as the same may be amended or modified from time to time.

1.17 **"Zions Loan"** means the revolving line of credit extended by Zions to Borrower pursuant and subject to the Zions Note, the Zions Loan Agreement and the other Zions Loan Documents.

1.18 **"Zions Loan Agreement"** means that certain Revolving Line of Credit Agreement of even date herewith by and between Borrower and Zions, as the same may be amended or modified from time to time.

1.19 **"Zions Loan Documents"** means, collectively, the Zions Loan Agreement, the Zions Note, the Security Documents, the Intercreditor Agreement and all other documents that from time to time govern or evidence the Zions Obligations or secure payment of performance thereof, as such documents may be amended or modified from time to time.

1.20 **"Zions Note"** means that certain Secured Promissory Note of even date herewith executed by Borrower and payable to Zions in the maximum principal amount of \$7,000,000, as the same may be amended or modified from time to time.

1.21 **"Zions Obligations"** means, collectively, (a) payment of the Zions Loan; (b) with respect to Guarantor, the payment of the Guarantor Obligations (as defined in the Zions Guaranty); (c) all of the terms, conditions, agreements, stipulations, covenants, and provisions of this Agreement, all other Zions Loan Documents, and any other agreement, document or instrument (and any and all renewals, replacements, amendments, modifications or extensions thereof), given by Debtor to Zions to evidence or to secure the indebtedness secured hereby; (d) all late charges, default interest, prepayment charges or premiums, loan fees, commitment fees and extension fees described in this Agreement and all other Zions Loan Documents and all costs of collecting the indebtedness or other amounts evidenced by this Agreement and all other Zions Loan Documents, including any and all costs and expenditures of a receiver in possession and reasonable attorneys' fees; (e) payment of all sums advanced by Zions to protect the Personal Property, with interest thereon equal to the highest default interest rate as provided by the Zions Note; and (f) all modifications, extensions and renewals of any of the obligations secured hereby, however evidenced. This Agreement shall also secure the payment and performance of any additional loans that may hereafter be made by Zions to Debtor which are evidenced by a promissory note or notes or other writings stating that they are secured by this Agreement. This Agreement shall also secure all amounts, including costs of collection, payable under any guarantee(s) now or hereafter relating to the obligations secured hereby.

2. **Grant of Security Interest.** Debtor hereby grants to Collateral Agent, to secure the payment and performance in full of all of the Obligations, a security interest in and so pledges and assigns to Collateral Agent all of the "Collateral" as described in the Loan Agreement, together with all of Debtor's Personal Property and all other personal property assets of Debtor, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof (all of the same being hereinafter called the **"Collateral"**), including, without limitation, "Accounts," "Cash Proceeds," "Chattel Paper," "Collateral," "Deposit Accounts," "Electronic Chattel Paper," "Equipment," "Fixtures," "General Intangibles," "Goods," "Instruments," "Inventory," "Investment Property," "Letter-of-Credit Rights," "Noncash Proceeds," and "Tangible Chattel Paper," as defined in the Uniform Commercial Code, as more particularly described on **Exhibit A** hereto, and all insurance claims and other proceeds or products thereof, whether now owned or existing or hereafter acquired or arising, wherever located and whether in Debtor's possession and control or in the possession and control of a third party. Collateral Agent acknowledges that the attachment of its security interest in any additional commercial tort claim as original collateral is subject to Debtor's compliance with **Section 4.7**.

3. **Authorization to File Financing Statements.** Debtor hereby irrevocably authorizes Collateral Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9a of the Uniform Commercial Code, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9a of the Uniform Commercial Code, for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether Debtor is an organization, the type of organization and any organizational identification number issued to Debtor and, (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Debtor agrees to furnish any such information to Collateral Agent promptly upon Collateral Agent's request. Debtor also ratifies its authorization for Collateral Agent to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

4. **Other Actions.** To further the attachment, perfection and first priority of, and the ability of Collateral Agent to enforce, Collateral Agent's security interest in the Collateral, and without limitation on Debtor's other obligations in this Agreement, Debtor agrees, in each case at Debtor's expense, to take the following actions with respect to the following Collateral:

4.1 **Promissory Notes and Tangible Chattel Paper.** If Debtor shall at any time hold or acquire any promissory notes or tangible chattel paper having an original principal amount of \$100,000 or more (but excluding loans made pursuant to Borrower's management common stock loan program (as described on Schedule 5.20 to the Chase Loan Agreement)), Debtor shall forthwith endorse, assign and deliver such promissory notes or tangible chattel paper to Collateral Agent, accompanied by such instruments of transfer or assignment duly executed in blank as Collateral Agent may from time to time specify.

4.2 **Deposit Accounts.** For each deposit account that Debtor at any time opens or maintains, Debtor shall, at Collateral Agent's request and option, pursuant to an agreement in form and substance satisfactory to Collateral Agent, either (a) cause the depository bank to comply at any time with instructions from Collateral Agent to such depository bank directing the disposition of funds from time to time credited to such deposit account, without further consent of Debtor, or (b) arrange for Collateral Agent to become the customer of the depository bank with respect to the deposit account, with Debtor being permitted, only with the consent of Collateral Agent, to exercise rights to withdraw funds from such deposit account. Collateral Agent agrees with Debtor that Collateral Agent shall not give any such instructions or withhold any withdrawal rights from Debtor, unless an Event of Default has occurred and is continuing, or would occur, if effect were given to any withdrawal not otherwise permitted by the Loan Documents. The provisions of this paragraph shall not apply to (i) any deposit account for which Debtor, the depository bank and Collateral Agent have entered into a cash collateral agreement specially negotiated among Debtor, the depository bank and Collateral Agent for the specific purpose set forth therein, (ii) a deposit account for which Collateral Agent is the depository bank and is in automatic control, and (iii) deposit accounts specially and exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Debtor's salaried employees.

4.3 **Investment Property.** If Debtor shall at any time hold or acquire any certificated securities in any Guarantor, Debtor shall forthwith endorse, assign and deliver the same to Collateral Agent, accompanied by such instruments of transfer or assignment duly executed in blank as Collateral Agent may from time to time specify. If any securities now or hereafter acquired by Debtor are uncertificated and are issued to Debtor or its nominee directly by the issuer thereof, Debtor shall promptly notify Collateral Agent thereof and, at Collateral Agent's request and option, pursuant to an agreement in form and substance satisfactory to Collateral Agent, either (a) cause the issuer to agree to comply with instructions from Collateral Agent as to such securities, without further consent of Debtor or such nominee, or (b) arrange for Collateral Agent to become the registered owner of the securities. If any securities, whether certificated or uncertificated, or other investment property now or hereafter acquired by Debtor are held by Debtor or its nominee through a securities intermediary or commodity intermediary, Debtor shall promptly notify Collateral Agent thereof and, at Collateral Agent's request and option, pursuant to an agreement in form and substance satisfactory to Collateral Agent, either (i) cause such securities intermediary or (as the case may be) commodity intermediary to agree to comply with entitlement orders or other instructions from Collateral Agent to such securities intermediary as to such securities or other investment property, or (as the case may be) to apply any value distributed on account of any commodity contract as directed by Collateral Agent to such commodity intermediary, in each case without further consent of Debtor or such nominee, or (ii) in the case of financial assets or other investment property held through a securities intermediary, arrange for Collateral Agent to

become the entitlement holder with respect to such investment property, with Debtor being permitted, only with the consent of Collateral Agent, to exercise rights to withdraw or otherwise deal with such investment property. Collateral Agent agrees with Debtor that Collateral Agent shall not give any such entitlement orders or instructions or directions to any such issuer, securities intermediary or commodity intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by Debtor, unless an Event of Default has occurred and is continuing, or, after giving effect to any such investment and withdrawal rights not otherwise permitted by the Loan Documents, would occur. Without the prior written consent of Lender, neither Borrower, Development, Client, Services nor Marketing shall (x) amend or cause to be amended the Guarantor Operating Documents of Services or Marketing to provide that the membership interests of Services or the partnership interests of Marketing are a security and are governed by Article 8 of the Uniform Commercial Code or (y) issue certificates evidencing the ownership of the membership or partnership interests of Services or Marketing, respectively. The provisions of this paragraph shall not apply to any financial assets credited to a securities account for which Collateral Agent is the securities intermediary.

4.4 Collateral in the Possession of a Bailee. If any Collateral is at any time in the possession of a bailee, Debtor shall promptly notify Collateral Agent thereof and, at Collateral Agent's request and option, shall promptly obtain an acknowledgement from the bailee, in form and substance satisfactory to Collateral Agent, that the bailee holds such Collateral for the benefit of Collateral Agent, and that such bailee agrees to comply, without further consent of Debtor, with instructions from Collateral Agent as to such Collateral. Collateral Agent agrees with Debtor that Collateral Agent shall not give any such instructions unless an Event of Default has occurred and is continuing or would occur after taking into account any action by Debtor with respect to the bailee.

4.5 Electronic Chattel Paper and Transferable Records. If Debtor at any time holds or acquires an interest in any electronic chattel paper or any "transferable record," as that term is defined in Section 201 of the federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction, Debtor shall promptly notify Collateral Agent thereof and, at the request and option of Collateral Agent, shall take such action as Collateral Agent may reasonably request to vest in Collateral Agent control, under Section 9a-105 of the Uniform Commercial Code, of such electronic chattel paper or control under Section 201 of the federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record. Collateral Agent agrees with Debtor that Collateral Agent will arrange, pursuant to procedures satisfactory to Collateral Agent and so long as such procedures will not result in Collateral Agent's loss of control, for Debtor to make alterations to the electronic chattel paper or transferable record permitted under Section 9a-105 of the Uniform Commercial Code or, as the case may be, Section 201 of the federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to make without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by Debtor with respect to such electronic chattel paper or transferable record.

4.6 Letter-of-Credit Rights. If Debtor is at any time a beneficiary under a letter of credit, Debtor shall promptly notify Collateral Agent thereof and, at the request and option of Collateral Agent, Debtor shall, pursuant to an agreement in form and substance satisfactory to Collateral Agent, either (i) arrange for the issuer and any confirmer or other nominated person of such letter of credit to consent to an assignment to Collateral Agent of the proceeds of the letter of credit, or (ii) arrange for Collateral Agent to become the transferee beneficiary of the letter of credit.

4.7 Commercial Tort Claims. If Debtor shall at any time hold or acquire a commercial tort claim, Debtor shall promptly notify Collateral Agent in a writing signed by Debtor of the particulars thereof and grant to Collateral Agent in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to Collateral Agent.

4.8 Other Actions as to Any and All Collateral. Debtor further agrees, at the request and option of Collateral Agent, to take any and all other actions Collateral Agent may determine to be necessary or useful for the attachment, perfection and first priority of, and the ability of Collateral Agent to enforce, Collateral Agent's security interest in any and all of the Collateral, including, without limitation, (a) executing, delivering and, where appropriate, filing financing statements and amendments relating thereto under the Uniform Commercial Code, to the extent, if any, that Debtor's signature thereon is required therefor, (b) causing Collateral Agent's name to be noted as secured party on any certificate of title for a titled good if such notation is a condition to attachment, perfection or priority of, or ability of Collateral Agent to enforce, Collateral Agent's security interest in such Collateral, (c) complying with any provision of any statute, regulation or treaty of the United States as to any Collateral if compliance with such provision is a condition to attachment, perfection or priority of, or ability of Collateral Agent to enforce, Collateral Agent's security interest in such Collateral, (d) using commercially reasonable efforts to obtain governmental and other third party waivers, consents and approvals in form and substance satisfactory to Collateral Agent, including, without limitation, any consent of any licensor, lessor or other person obligated on Collateral, (e) using commercially reasonable efforts to obtain waivers from mortgagees in form and substance satisfactory to Collateral Agent, (f) taking all actions under any earlier versions of the Uniform Commercial Code or under any other law, as reasonably determined by Collateral Agent to be applicable in any relevant Uniform Commercial Code or other jurisdiction, including any foreign jurisdiction, and (g) acknowledging the Intercreditor Agreement (but not any amendments or other modifications of the Intercreditor Agreement). Borrower shall use commercially reasonable efforts to cause to be delivered to Collateral Agent, within sixty (60) days after the Closing Date, a landlord waiver and consent in a form reasonably acceptable to Collateral Agent, from each of (a) Franklin SaltLake LLC, the landlord of the premises leased by Development pursuant to that certain Master Lease Agreement dated June 12, 2005, and (b) (i) CB Richard Ellis Investors, L.L.C. ("CBREI"), the master landlord of the premises leased by EDS Information Services L.L.C. ("EDS") pursuant to that certain Lease Agreement dated as of June 26, 2001 with Development, the landlord's interest under which was assigned to CBREI by Development pursuant to that certain Assignment of Lease dated as of June 26, 2001, and (ii) EDS, the sublandlord of the premises subleased by Borrower pursuant to that certain Sublease Agreement dated as of June 26, 2001. Upon the execution of each other real property lease to which Borrower or Guarantor is a party as a tenant, Borrower shall use commercially reasonable efforts to cause to be delivered to Collateral Agent a landlord waiver and consent from the landlord under each such lease, in a form reasonably acceptable to Collateral Agent.

4.9 Contesting Liens. Borrower shall promptly discharge, or cause to be discharged, any liens or claims of lien filed or otherwise asserted in writing against the Collateral other than the Permitted Exceptions. If Borrower fails either to promptly discharge or contest any such liens or claims of lien, then Collateral Agent may, in its sole and absolute discretion, but shall not be required to, procure the release and discharge of any such lien and any judgment or decree thereon, and in furtherance thereof may, in its sole and absolute discretion, effect any settlement or compromise. All amounts expended by Collateral Agent in connection with the provisions of this Section shall be deemed to constitute an Advance under a Loan Agreement. In settling, compromising or arranging for the discharge of any liens under this Section, Collateral Agent shall not be required to establish or confirm the validity or amount of the lien.

5. Relation to Other Loan Documents. The provisions of this Agreement supplement the provisions of any other Loan Documents granted by Debtor to Collateral Agent which secures the payment or performance of any of the Obligations. Nothing contained in the other Loan Documents shall derogate from any of the rights or remedies of Collateral Agent hereunder.

6. Intentionally Omitted.

7. Representations and Warranties Concerning Debtor's Legal Status. If requested by Collateral Agent, Debtor shall complete and deliver to Collateral Agent a certificate signed by Debtor and entitled "Perfection Certificate" (the "Perfection Certificate"). Debtor represents and warrants to Collateral Agent as follows: (a) Debtor's exact legal name is that indicated in the introductory paragraph hereto and in the Perfection Certificate, if any, and on **Exhibit B** attached hereto, (b) Debtor is an organization of the type, and is organized in the jurisdiction set forth in the introductory paragraph hereto and in the Perfection Certificate, if any, and on **Exhibit B** attached hereto, (c) the Perfection Certificate, if any, and **Exhibit B** attached hereto accurately set forth Debtor's organizational identification number or accurately state that Debtor has none, (d) the Perfection Certificate, if any, and **Exhibit B** attached hereto accurately set forth Debtor's place of business or, if more than one, its chief executive office, as well as Debtor's mailing address, if different, (e) all other information set forth on the Perfection Certificate, if any, pertaining to Debtor is accurate and complete as of the date on which it was executed by Debtor, and (f) Borrower will promptly notify Lender in writing of a change in any information provided in the Perfection Certificate since the date on which it was executed by Debtor.

8. Covenants Concerning Debtor's Legal Status. Debtor covenants with Collateral Agent as follows: (a) without providing at least thirty (30) days' prior written notice to Collateral Agent, Debtor will not change its name, its place of business or, if more than one, chief executive office, or its mailing address or organizational identification number if it has one, (b) if Debtor does not have an organizational identification number and later obtains one, Debtor shall forthwith notify Collateral Agent of such organizational identification number, and (c) Debtor will not change its type of organization, jurisdiction of organization or other legal structure.

9. Representations and Warranties Concerning Collateral, etc. Debtor further represents and warrants to Collateral Agent as follows: (a) Debtor is the owner of or has other rights in or power to transfer the Collateral, free from any right or claim or any person or any adverse Lien or Encumbrance or security interest, except for Liens or Encumbrances and

security interests in favor of Collateral Agent, Permitted Exceptions and other Liens or Encumbrances permitted by the Loan Agreement, (b) none of the Collateral constitutes, or is the proceeds of, "farm products" as defined in Section 9-102(a)(34) of the Uniform Commercial Code, (c) Debtor holds no commercial tort claim except as indicated on the Perfection Certificate, or as Debtor has notified Collateral Agent in writing, (d) Debtor has at all times operated its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances except, in each case where failure to comply would not result in a Material Adverse Change, (e) all other information set forth on the Perfection Certificate, if any, pertaining to the Collateral is accurate and complete in all material respects as of the date of such certificate, and (f) the security interests granted herein are perfected and are of first priority, except to the extent of the Permitted Exceptions.

10. Covenants Concerning Collateral, etc. Debtor further covenants with Collateral Agent as follows except to the extent that failure to do so would not cause a Material Adverse Change: (a) the Collateral, to the extent not delivered to Collateral Agent pursuant to **Section 4**, will be kept at those locations listed on the Perfection Certificate, if any, and on **Exhibit B** attached hereto and Debtor will not remove the Collateral from such locations, other than in the ordinary course of business or as permitted under the Loan Agreement or the Guaranty, without providing at least thirty (30) days' prior written notice to Collateral Agent, (b) except for the security interest herein granted and liens permitted by the Loan Documents, including without limitation the Permitted Exceptions, Debtor shall be the owner of or have other rights in the Collateral free from any right or claim of any other person, lien, security interest or other encumbrance, and Debtor shall defend the same against all claims and demands of all persons at any time claiming the same or any interests therein adverse to Collateral Agent, (c) Debtor shall not pledge, mortgage or create, or suffer to exist any right of any person in or claim by any person to the Collateral, or any security interest, lien or encumbrance in the Collateral in favor of any person, other than Collateral Agent, except for liens permitted by the Loan Documents, including without limitation the Permitted Exceptions, (d) Debtor will keep the Collateral in good order and repair, normal wear and tear excepted, and will not use the same in violation of law, (e) Debtor will permit Collateral Agent, or its designee, upon reasonable prior notice, to enter upon any portion of the premises where any Collateral may be located for purposes of inspection of the Collateral; provided, however, that inspection by Collateral Agent (or by Collateral Agent's inspector) of the Collateral or any portion thereof is for the sole purpose of protecting the security of Collateral Agent and is not to be construed as a representation by Collateral Agent that there has been compliance with applicable law or any other requirement or condition and Debtor may make or cause to be made such other independent inspections as Debtor may desire for its own protection, and nothing contained herein shall be construed as requiring Collateral Agent to oversee or supervise the Collateral, (f) Debtor will pay promptly when due all taxes, assessments, governmental charges and levies upon the Collateral or incurred in connection with the use or operation of such Collateral or incurred in connection with this Agreement, (g) Debtor will continue to operate its business in compliance with all applicable provisions of the federal Fair Labor Standards Act, as amended, and with all applicable provisions of federal, state and local statutes and ordinances dealing with the control, shipment, storage or disposal of hazardous materials or substances, and (h) unless such action would result in a Material Adverse Change (without taking into consideration subsections (iii) and (iv) of the definition of Material Adverse Change), Debtor may sell or otherwise dispose, or offer to sell or otherwise dispose, of the Collateral or any interest therein except that Debtor shall not sell or otherwise dispose of, or offer to sell or otherwise dispose of, all or a substantial part of the Collateral other than to Borrower or a Guarantor.

11. Insurance.

11.1 Maintenance of Insurance. Debtor will maintain with financially sound and reputable insurers insurance with respect to its properties and business against such casualties and contingencies as shall be in accordance with general practices of businesses engaged in similar activities in similar geographic areas. All such insurance policies shall (a) be in such minimum amounts that Debtor will not be deemed a co-insurer under applicable insurance laws, regulations and policies, (b) be issued by an insurance company licensed to do business in the state where the property is located having a rating of "A-" VIII or better by A.M. Best Co., in Best's Rating Guide, (c) name "JPMorgan Chase Bank, N.A., any and all subsidiaries as their interest may appear" as additional insureds on all liability insurance, (d) be endorsed to show that Borrower's insurance shall be primary and all insurance carried by Collateral Agent is strictly excess and secondary and shall not contribute with Borrower's insurance, (e) be evidenced by a certificate of insurance to be provided to Collateral, (f) include either policy or binder numbers on the Accord form, and (g) otherwise shall be in such amounts, contain such terms, be in such forms and be for such periods as may be reasonably satisfactory to Collateral Agent. In addition, all such insurance shall be payable to Collateral Agent as loss payee. Without limiting the foregoing, Debtor will (x) keep all of its physical property insured with casualty or physical hazard insurance on an "all risks" basis, with broad form flood and earthquake coverages and electronic data processing coverage, with a full replacement cost endorsement and an "agreed amount" clause in an amount equal to 100% of the full replacement cost of such property, (y) maintain all such workers' compensation or similar insurance as may be required by law, and (z) maintain, in amounts and with deductibles equal to those generally maintained by businesses engaged in similar activities in similar geographic areas, general public liability insurance against claims of bodily injury, death or property damage occurring, on, in or about the properties of Debtor; and business interruption insurance.

11.2 Insurance Proceeds. The proceeds of any casualty insurance in respect of any casualty loss of any of the Collateral shall, subject to the rights, if any, of other parties with an interest having priority in the property covered thereby, (a) so long as no Event of Default has occurred and is continuing, be disbursed to Debtor for direct application by Debtor solely to the repair or replacement of Debtor's property so damaged or destroyed, and (b) in all other circumstances, be held by Collateral Agent as cash collateral for the Obligations. Collateral Agent may, at its reasonable option which option shall be exercised within ten (10) Business Days of receipt of such proceeds, disburse from time to time all or any part of such proceeds so held as cash collateral, upon such terms and conditions as Collateral Agent may reasonably prescribe, for direct application by Debtor solely to the repair or replacement of Debtor's property so damaged or destroyed, or Collateral Agent may ratably distribute to each Secured Party all or any part of such proceeds for application to the Obligations.

11.3 Continuation of Insurance. All policies of insurance shall provide for at least thirty (30) days' prior written cancellation notice to Collateral Agent. In the event of failure by Debtor to provide and maintain insurance as herein provided, Collateral Agent may, at its option, provide such insurance and charge the amount thereof to Debtor. Debtor shall furnish Collateral Agent with certificates of insurance and policies evidencing compliance with the foregoing insurance provision.

12. Collateral Protection Expenses: Preservation of Collateral.

12.1 Expenses Incurred by Collateral Agent or Secured Party. In Collateral Agent's or any Secured Party's sole and absolute discretion, if Debtor fails to do so, Collateral Agent or such Secured Party may discharge taxes and other encumbrances (other than Permitted Exceptions) at any time levied or placed on any of the Collateral, unless such taxes and encumbrances are being contested in good faith, maintain any of the Collateral, make repairs thereto and pay any necessary filing fees or insurance premiums. Debtor agrees to reimburse Collateral Agent or such Secured Party on demand for all expenditures so made. Neither Collateral Agent nor any Secured Party shall have any obligation to Debtor to make any such expenditures, nor shall the making thereof be construed as the waiver or cure of any Default or Event of Default.

12.2 Collateral Agent's Obligations and Duties. Anything herein to the contrary notwithstanding, Debtor shall remain obligated and liable under each contract or agreement comprised in the Collateral to be observed or performed by Debtor thereunder. Collateral Agent shall not have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by Collateral Agent of any payment relating to any of the Collateral, nor shall Collateral Agent be obligated in any manner to perform any of the obligations of Debtor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by Collateral Agent in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to Collateral Agent or to which Collateral Agent may be entitled at any time or times. Collateral Agent's sole duty with respect to the custody, safe keeping and physical preservation of the Collateral in its possession, under Section 9a-207 of the Uniform Commercial Code or otherwise, shall be to deal with such Collateral in the same manner as Collateral Agent deals with similar property for its own account.

13. Securities and Deposits. Collateral Agent may at any time following and during the continuance of an Event of Default, at its sole option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. Whether or not any Obligations are due, Collateral Agent may following and during the continuance of an Event of Default, demand, sue for, collect, or make any settlement or compromise which it deems desirable with respect to the Collateral. Regardless of the adequacy of Collateral or any other security for the Obligations and during the continuance of an Event of Default, any deposits or other sums at any time credited by or due from Collateral Agent to Debtor may at any time be applied to or set off against any of the Obligations. If Collateral Agent exercises such setoff right, Collateral Agent exercising such right agrees promptly to notify Debtor after any such setoff and application made by Collateral Agent; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application.

14. Notification to Account Debtors and Other Persons Obligated on Collateral. If an Event of Default shall have occurred and be continuing, Debtor shall, at the request and option of Collateral Agent, notify account debtors and other persons obligated on any of the Collateral of the security interest of Collateral Agent in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to Collateral Agent or to any financial institution designated by Collateral Agent as Collateral

Agent's agent therefor, and Collateral Agent may itself, if an Event of Default shall have occurred and be continuing, without notice to or demand upon Debtor, so notify account debtors and other persons obligated on Collateral. After the making of such a request or the giving of any such notification, Debtor shall hold any proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral received by Debtor as trustee for Collateral Agent without commingling the same with other funds of Debtor and shall turn the same over to Collateral Agent in the identical form received, together with any necessary endorsements or assignments. Collateral Agent shall ratably distribute to each Secured Party the proceeds of collection of accounts, chattel paper, general intangibles, instruments and other Collateral received by Collateral Agent, for application by each Secured Party to the Obligations, such proceeds to be immediately credited after final payment in cash or other immediately available funds of the items giving rise to them.

15. Power of Attorney.

15.1 Appointment and Powers of Collateral Agent. Debtor hereby irrevocably constitutes and appoints Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor or in Collateral Agent's own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or useful to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, hereby gives said attorneys the power and right, on behalf of Debtor, without notice to or assent by Debtor, to do the following:

(a) upon the occurrence and during the continuance of an Event of Default, generally to sell, transfer, pledge, make any agreement with respect to or otherwise dispose of or deal with any of the Collateral in such manner as is consistent with the Uniform Commercial Code and as fully and completely as though Collateral Agent were the absolute owner thereof for all purposes, and to do, at Debtor's expense, at any time, or from time to time, all acts and things which Collateral Agent deems necessary or useful to protect, preserve or realize upon the Collateral and Collateral Agent's security interest therein, in order to effect the intent of this Agreement, all at least as fully and effectively as Debtor might do, including, without limitation, (i) the filing and prosecuting of registration and transfer applications with the appropriate federal, state, local or other agencies or authorities with respect to trademarks, copyrights and patentable inventions and processes, (ii) upon written notice to Debtor, the exercise of voting rights with respect to voting securities, which rights may be exercised, if Collateral Agent so elects, with a view to causing the liquidation of assets of the issuer of any such securities, and (iii) the execution, delivery and recording, in connection with any sale or other disposition of any Collateral, of the endorsements, assignments or other instruments of conveyance or transfer with respect to such Collateral;

(b) to the extent that Debtor's authorization given in **Section 3** is not sufficient, to file such financing statements with respect hereto, with or without Debtor's signature, or a photocopy of this Agreement in substitution for a financing statement, as Collateral Agent may deem appropriate and to execute in Debtor's name such financing statements and amendments thereto and continuation statements which may require Debtor's signature; and

(c) to file for record, at Borrower's cost and expense and in Borrower's name, any notices that Collateral Agent considers necessary or desirable to protect the Collateral.

15.2 Ratification by Debtor. To the extent permitted by law, Debtor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and is irrevocable.

15.3 No Duty on Collateral Agent. The powers conferred on Collateral Agent hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Collateral Agent shall be accountable only for the amounts that it actually receives as a result of the exercise of such powers, and neither it nor any of its officers, directors, employees or agents shall be responsible to Debtor for any act or failure to act, except for Collateral Agent's own gross negligence or willful misconduct.

16. Rights and Remedies. If an Event of Default shall have occurred and be continuing, Collateral Agent, without any other notice to or demand upon Debtor, shall have in any jurisdiction in which enforcement hereof is sought, in addition to all other rights and remedies, the rights and remedies of a secured party under the Uniform Commercial Code and any additional rights and remedies which may be provided to a secured party in any jurisdiction in which Collateral is located, including, without limitation, the right to take possession of the Collateral, and for that purpose Collateral Agent may, so far as Debtor can give authority therefor, enter upon any premises on which the Collateral may be situated and remove the same therefrom. During continuance of an Event of Default, Collateral Agent may in its discretion require Debtor to assemble all or any part of the Collateral at such location or locations within the jurisdiction(s) of Debtor's principal office(s) or at such other locations as Collateral Agent may reasonably designate. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Collateral Agent shall give to Debtor at least ten Business Days prior written notice of the time and place of any public sale of Collateral or of the time after which any private sale or any other intended disposition is to be made. Debtor hereby acknowledges that ten Business Days prior written notice of such sale or sales shall be reasonable notice. In addition, Debtor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of Collateral Agent's rights and remedies hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

17. Standards for Exercising Rights and Remedies. To the extent that applicable law imposes duties on Collateral Agent to exercise remedies in a commercially reasonable manner, Debtor acknowledges and agrees that it is not commercially unreasonable for Collateral Agent (a) to fail to incur expenses reasonably deemed significant by Collateral Agent to prepare Collateral for disposition or otherwise to fail to complete raw material or work in process into finished goods or other finished products for disposition, (b) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (c) to fail to exercise collection remedies against account debtors or other persons obligated on Collateral or to fail to remove liens or encumbrances on or any adverse claims against Collateral, (d) to exercise collection remedies against account debtors and other persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (e) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (f) to contact other persons, whether or not in the same business as Debtor, for expressions of interest in acquiring all or any portion of the Collateral, (g) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the collateral is of a specialized nature, (h) to dispose of Collateral by utilizing Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets, (i) to dispose of assets in wholesale rather than retail markets, (j) to disclaim disposition warranties, (k) to purchase insurance or credit enhancements to insure Collateral Agent against risks of loss, collection or disposition of Collateral or to provide to Collateral Agent a guaranteed return from the collection or disposition of Collateral, or (l) to the extent deemed appropriate by Collateral Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist Collateral Agent in the collection or disposition of any of the Collateral. Debtor acknowledges that the purpose of this **Section 17** is to provide non-exhaustive indications of what actions or omissions by Collateral Agent would fulfill Collateral Agent's duties under the Uniform Commercial Code or other law of the State of Utah or any other relevant jurisdiction in Collateral Agent's exercise of remedies against the Collateral and that other actions or omissions by Collateral Agent shall not be deemed to fail to fulfill such duties solely on account of not being indicated in this **Section 17**. Without limitation upon the foregoing, nothing contained in this **Section 17** shall be construed to grant any rights to Debtor or to impose any duties on Collateral Agent that would not have been granted or imposed by this Agreement or by applicable law in the absence of this **Section 17**.

18. No Waiver by Collateral Agent, etc. Collateral Agent shall not be deemed to have waived any of its rights or remedies in respect of the Obligations or the Collateral unless such waiver shall be in writing and signed by Collateral Agent. No delay or omission on the part of Collateral Agent in exercising any right or remedy shall operate as a waiver of such right or remedy or any other right or remedy. A waiver on any one occasion shall not be construed as a bar to or waiver of any right or remedy on any future occasion. All rights and remedies of Collateral Agent with respect to the Obligations or the Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly, alternatively, successively or concurrently at such time or at such times as Collateral Agent deems expedient.

19. Suretyship Waivers by Debtor. Debtor waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, Debtor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as Collateral Agent may deem advisable. Collateral Agent shall have no duty as to the collection or protection of the Collateral or any income therefrom, the preservation of rights against prior parties, or the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in **Section 12.2**. Debtor further waives any and all other suretyship defenses.

20. Marshalling. Collateral Agent shall not be required to marshal any present or future collateral security (including but not limited to the Collateral) for, or other assurances of payment of, the Obligations or any of them or to resort to such collateral security or other assurances of payment in any particular order, and all of its rights and remedies hereunder and in respect of such collateral security and other assurances of payment shall be cumulative and in addition to all other rights and remedies, however existing or arising. To the extent that it lawfully may, Debtor hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of Collateral Agent's rights and remedies under this Agreement or under any other instrument creating or evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or payment thereof is otherwise assured, and, to the extent that it lawfully may, Debtor hereby irrevocably waives the benefits of all such laws.

21. Proceeds of Dispositions; Expenses. Debtor shall pay to Collateral Agent on demand any and all expenses, including reasonable attorneys' fees and disbursements, incurred or paid by Collateral Agent in protecting, preserving or enforcing Collateral Agent's rights and remedies under or in respect of any of the Obligations or any of the Collateral. After deducting all of said expenses, the residue of any proceeds of collection or sale or other disposition of the Collateral shall, to the extent actually received in cash, be distributed ratably to each Secured Party, which shall be applied to the payment of the Obligations in such order or preference as each Secured Party may determine, proper allowance and provision being made for any Obligations not then due. Upon the final payment and satisfaction in full of all of the Obligations and after making any payments required by Sections 9-608(a)(1)(C) or 9a-615(a)(3) of the Uniform Commercial Code, any excess shall be returned to Debtor. In the absence of final payment and satisfaction in full of all of the Obligations, Debtor shall remain liable for any deficiency.

22. Overdue Amounts. Until paid, all amounts due and payable by Debtor hereunder shall be a debt secured by the Collateral and shall bear, whether before or after judgment, interest at the rate of interest for overdue principal set forth in the Loan Documents.

23. CHOICE OF LAW. THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY BE TRIED AND LITIGATED IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH OR, IN ANY OTHER COURT IN WHICH A PARTY SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF DEBTOR AND COLLATERAL AGENT WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ANY STATE OR FEDERAL COURT LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH.

24. WAIVER OF JURY TRIAL. EACH OF DEBTOR AND COLLATERAL AGENT HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED UPON CONTRACT, TORT OR ANY OTHER THEORY). EACH OF DEBTOR AND COLLATERAL AGENT (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

25. WAIVER OF SPECIAL DAMAGES. TO THE EXTENT PERMITTED BY APPLICABLE LAW, DEBTOR SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST COLLATERAL AGENT, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

26. MISCELLANEOUS WAIVERS. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT (EACH, A "PROCEEDING"), DEBTOR IRREVOCABLY (A) SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF SALT LAKE, COUNTY OF SALT LAKE AND STATE OF UTAH, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS AGREEMENT SHALL PRECLUDE COLLATERAL AGENT FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. DEBTOR FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY UTAH STATE OR UNITED STATES COURT SITTING IN THE CITY OF SALT LAKE AND COUNTY OF SALT LAKE MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO DEBTOR AT THE ADDRESS INDICATED IN THE GUARANTY OR THE LOAN AGREEMENT, AS THE CASE MAY BE, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; EXCEPT THAT IF DEBTOR SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

27. Miscellaneous. The headings of each section of this Agreement are for convenience only and shall not define or limit the provisions thereof. This Agreement and all rights and obligations hereunder shall be binding upon Debtor and its respective successors and assigns, and shall inure to the benefit of Collateral Agent and its successors and assigns. If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of all other terms hereof shall in no way be affected thereby, and this Agreement shall be construed and be enforceable as if such invalid, illegal or unenforceable term had not been included herein. Debtor acknowledges receipt of a copy of this Agreement. All notices required or permitted hereunder shall be made in the manner required or permitted by the Uniform Commercial Code and otherwise in accordance with the terms and at the addresses set forth in the Chase Loan Agreement and the Chase Guaranty. Debtor hereby authorizes Collateral Agent, at its sole discretion and without notice to or consent of Debtor, to disclose to Zions or Chase on a confidential basis any information, financial or otherwise, which it may possess concerning Debtor. Collateral Agent acknowledges that it is aware, and Collateral Agent will advise its directors, officers, employees, agents and advisors (collectively, "Representatives") who are informed as to the matters which are the subject of this Agreement, that the United States securities laws prohibit any Person who has received from an issuer material, non-public information concerning such issuer from purchasing or selling securities of such issuer or from communicating such information to any other Person under circumstances in which it is reasonably foreseeable that such Person is likely to purchase or sell securities. Lender further agrees that it will keep, and it will advise its Representatives of its obligations to keep, confidential any material non-public information disclosed to Collateral Agent by Borrower or any Person acting on Borrower's behalf. This Section is a confidentiality agreement for purposes of Regulation FD promulgated under the Securities Exchange Act of 1934.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, intending to be legally bound, Debtor has caused this Agreement to be duly executed as of the date first above written.

FRANKLIN COVEY CO.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer and Vice President of Investor Relations

FRANKLIN COVEY PRINTING, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN DEVELOPMENT CORPORATION

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President

FRANKLIN COVEY TRAVEL, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY CATALOG SALES, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY CLIENT SALES, INC

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY PRODUCT SALES, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY SERVICES, L.L.C.
a Utah liability company

By: **FRANKLIN COVEY SERVICES, L.L.C.**
a Utah corporation, its member

/s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY CO.
a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer and Vice President of Investor Relations

By: **FRANKLIN COVEY DEVELOPMENT CORPORATION**
a Utah corporation, its member

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President

FRANKLIN COVEY CO.
a Utah corporation

By: **FRANKLIN DEVELOPMENT CORPORATION**
a Utah corporation, its general partner

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President
"Debtor"

JPMORGAN CHASE BANK, N.A.
a national banking association

By: /s/ TONY C. NIELSEN

Name: Tony C. Nielsen
Title: Senior Vice President
"Collateral Agent"

EXHIBIT A

DESCRIPTION OF PERSONAL PROPERTY

All of Debtor's assets, including, without limitation, "Accounts," "Cash Proceeds," "Chattel Paper," "Collateral," "Deposit Accounts," "Electronic Chattel Paper," "Equipment," "Fixtures," "General Intangibles," "Goods," "Instruments," "Inventory," "Investment Property," "Letter-of-credit Rights," "Noncash Proceeds," and "Tangible Chattel Paper," as defined in the Uniform Commercial Code. Such assets include, without limitation:

- (a) All personal property, (including, without limitation, all goods, supplies, equipment, furniture, furnishings, fixtures, machinery, inventory, construction materials and software embedded in any of the foregoing) in which Debtor now or hereafter acquires an interest or right, together with any interest of Debtor in and to personal property which is leased or subject to any superior security interest, and all books, records, leases and other agreements, documents, and instruments of whatever kind or character, relating to such personal property;
- (b) All fees, income, rents, issues, profits, earnings, receipts, royalties, and revenues which, after the date hereof and while any portion of the Obligations remains unpaid or unperformed, may accrue from such personal property or any part thereof, or which may be received or receivable by Debtor from any hiring, using, letting, leasing, subhiring, subletting, subleasing, occupancy, operation, or use thereof;
- (c) All of Debtor's present and future rights to receive payments of money, services, or property, including, without limitation, rights to receive capital contributions or subscriptions from Debtor's partners or shareholders, amounts payable on account of the sale of partnership interests in Debtor or the capital stock of Debtor, accounts and other accounts receivable, deposit accounts, chattel paper (whether tangible or electronic), notes, drafts, contract rights, instruments, general intangibles, and principal, interest, and payments due on account of goods sold or leased, services rendered, loans made or credit extended, together with title to or interest in all agreements, documents, and instruments evidencing securing or guarantying the same;
- (d) All other intangible property (and related software) and rights relating to the personal property described in **Paragraph (a)** above or the operation or use thereof, including, without limitation, all governmental and private contracts, agreements, permits, licenses, and approvals relating thereto, all names under or by which such property may at any time be sold, marketed, operated or known, all rights to carry on business under any such names, or any variant thereof, all trade names and trademarks, copyrights, patents, trademark, patent and copyright applications and registrations, patterns, designs, drawings, plans and specifications, other proprietary information and intellectual property, and royalties relating in any way thereto, and all goodwill and software in any way relating thereto;
- (e) Debtor's rights under all insurance policies covering the Personal Property, or any other part of the Collateral, and any and all proceeds, loss payments, and premium refunds payable regarding the same;
- (f) All causes of action, claims, compensation, and recoveries for any damage to, destruction of, or condemnation or taking of the Personal Property, or any other part of the Collateral, or for any conveyance in lieu thereof, whether direct or consequential, or for any damage or injury to the Personal Property, or any other part of the Collateral, or for any loss or diminution in value of the Personal Property, or any other part of the Collateral;
- (g) All Debtor's rights in proceeds of the Loan evidenced by the Note;
- (h) All of Debtor's rights under any agreements affecting the Personal Property, whether now existing or hereafter arising; and
- (i) All proceeds from sale or disposition of any of the aforesaid collateral.

As used in this **Exhibit A** the terms "Obligations," "Note," "Collateral," and "Personal Property" shall have the meanings set forth in the Security Agreement to which this **Exhibit A** is attached.

EXHIBIT B

FINANCING STATEMENT INFORMATION

The Collateral Agent is:

JPMorgan Chase Bank, N.A.
80 West Broadway, Suite 200
Salt Lake City, Utah 84101

The Debtor is:

Name, Type of Organization and Jurisdiction	Address	Organizational Identification No.	Employer Identification No.
FRANKLIN COVEY CO., a Utah corporation	2200 West Parkway Blvd. Salt Lake City, Utah 84119	852657-0142	87-0401551
FRANKLIN COVEY PRINTING, INC., a Utah corporation	2200 West Parkway Blvd. Salt Lake City, Utah 84119	848770-0142	87-0401876
FRANKLIN DEVELOPMENT CORPORATION, a Utah corporation	2200 West Parkway Blvd. Salt Lake City, Utah 84119	976652-0142	87-0448924
FRANKLIN COVEY TRAVEL, INC., a Utah corporation	2200 West Parkway Blvd. Salt Lake City, Utah 84119	1303276-0142	87-0555873
FRANKLIN COVEY CATALOG SALES, INC., a Utah corporation	2200 West Parkway Blvd. Salt Lake City, Utah 84119	1318674-0142	87-0561599
FRANKLIN COVEY CLIENT SALES, INC., a Utah corporation	2200 West Parkway Blvd. Salt Lake City, Utah 84119	1318682-0142	87-0561601
FRANKLIN COVEY PRODUCT SALES, INC., a Utah corporation	2200 West Parkway Blvd. Salt Lake City, Utah 84119	1318690-0142	87-0561600
FRANKLIN COVEY SERVICES, L.L.C., a Utah limited liability company	2200 West Parkway Blvd. Salt Lake City, Utah 84119	2028086-0160	87-0563642
FRANKLIN COVEY MARKETING, LTD., a Utah limited partnership	2200 West Parkway Blvd. Salt Lake City, Utah 84119	2115011-0180	87-0563643

The Collateral is the Personal Property described on **Exhibit A** to the Security Agreement.

REPAYMENT GUARANTY

THIS REPAYMENT GUARANTY (as amended, modified, extended, and renewed from time to time, the "**Guaranty**"), dated as of March 14, 2007, is made by **FRANKLIN COVEY PRINTING, INC.**, a Utah corporation, **FRANKLIN DEVELOPMENT CORPORATION**, a Utah corporation, **FRANKLIN COVEY TRAVEL, INC.**, a Utah corporation, **FRANKLIN COVEY CATALOG SALES, INC.**, a Utah corporation, **FRANKLIN COVEY CLIENT SALES, INC.**, a Utah corporation, **FRANKLIN COVEY PRODUCT SALES**, a Utah corporation, **FRANKLIN COVEY SERVICES, L.L.C.**, a Utah limited liability company, and **FRANKLIN COVEY MARKETING, LTD.**, a Utah limited partnership (individually and collectively, as the context requires, and jointly and severally, "**Guarantor**"), in favor of **JPMORGAN CHASE BANK, N.A.**, a national banking association ("**Lender**"), in conjunction with the Loan made to **FRANKLIN COVEY CO.**, a Utah corporation ("**Borrower**"), by Lender pursuant to the Loan Agreement.

1. **DEFINITIONS.** Except as otherwise provided in this Guaranty, all terms defined in the Loan Agreement shall have the same meaning when used in this Guaranty. In addition, the following terms shall have the following meanings:

(a) "**Change of Control**" (a) means the closing of a sale or other disposition of all or substantially all of Guarantor's assets; (b) shall be deemed to have occurred at such time as a "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), becomes the "beneficial owner" (as defined in Rule 13d3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than fifty percent (50%) of the total voting power of all classes of stock then outstanding of Guarantor entitled to vote in the election of directors; or (c) Guarantor's merger into or consolidation with any other entity, or any other reorganization or transfer, directly or indirectly, of the ownership interests in Guarantor, in which the holders of the outstanding ownership interests in Guarantor immediately prior to such transaction receive or retain, in connection with such transaction on account of their ownership interests, ownership interests representing less than fifty percent (50%) of the voting power of the entity surviving such transaction; *provided, however*, that a Change of Control shall not include a merger effected exclusively for the purpose of changing the domicile of Guarantor or a merger of a Guarantor into Borrower or another Guarantor.

(b) "**Guarantor Loan Documents**" means this Guaranty and any other guaranties, agreements, documents, or instruments now or hereafter executed by Guarantor evidencing, guarantying, securing or otherwise related to the Guarantor Obligations or the Loan, as this Guaranty and such other guaranties, agreements, documents, and instruments may be amended, modified, extended, renewed, or supplemented from time to time.

(c) "**Guaranty**" means this Guaranty, as it may be amended, modified, extended, and renewed, from time to time.

(d) "**Loan**" means a revolving line of credit in the maximum principal amount of EIGHTEEN MILLION AND NO/100 DOLLARS (\$18,000,000.00) made to Borrower by Lender pursuant to the Loan Agreement.

(e) "**Loan Agreement**" means that certain Revolving Line of Credit Agreement of approximate even date herewith between Borrower and Lender, as amended, modified, extended or renewed from time to time.

(f) "**Loan Party**" means Borrower, Guarantor, and each other person that from time to time is obligated to Lender under any Loan Document or grants any of the Collateral.

(g) "**Obligations**" means the following:

(i) Payment of principal, interest, costs, expenses, fees, and other amounts under the Note or other Loan Documents;

(ii) Payment of all other amounts payable from time to time by Borrower under the Loan Documents; and

(iii) The prompt and complete performance of the obligations of Borrower, as set forth in the Loan Agreement and other Loan

Documents.

(h) **Actions by Lender.** Unless otherwise expressly provided in this Guaranty, all determinations, consents, approvals, disapprovals, calculations, requirements, requests, acts, actions, elections, selections, opinions, judgments, options, exercise of rights, remedies or indemnities, satisfaction of conditions or other decisions of or to be made by Lender under this Guaranty shall be made in the reasonable discretion of Lender. Any reference to Lender's "sole and absolute discretion" or similar phrases has the meaning represented by the phrase "sole and absolute discretion, acting in good faith".

2. **GUARANTY.** FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH GUARANTOR ACKNOWLEDGES, GUARANTOR UNCONDITIONALLY AND IRREVOCABLY, AND JOINTLY AND SEVERALLY, GUARANTEES THE FULL PAYMENT AND PERFORMANCE WHEN DUE, BY ACCELERATION OR OTHERWISE, OF EACH AND ALL OBLIGATIONS. GUARANTOR AGREES THAT IMMEDIATELY UPON A FAILURE IN PAYMENT OR PERFORMANCE WHEN DUE OF ANY OR ALL OBLIGATIONS, GUARANTOR WILL PAY TO LENDER THE FULL AMOUNT OF, OR PERFORM IN FULL, SUCH OBLIGATIONS. ALL PAYMENTS UNDER THIS GUARANTY SHALL BE MADE TO LENDER IN LAWFUL MONEY OF THE UNITED STATES OF AMERICA AT THE ADDRESS OF LENDER DESIGNATED IN THE LOAN AGREEMENT OR SUCH OTHER LOCATION AS LENDER MAY DESIGNATE IN WRITING. ANY AMOUNT PAYABLE UNDER THIS GUARANTY NOT PAID WHEN DUE, AND ANY JUDGMENT FOR SUCH AN AMOUNT AND INTEREST THEREON, SHALL BEAR INTEREST AT THE DEFAULT INTEREST RATE FROM THE DUE DATE OR SUCH JUDGMENT DATE, RESPECTIVELY, UNTIL SUCH AMOUNT AND INTEREST THEREON ARE PAID IN FULL. GUARANTOR AGREES TO PAY SUCH INTEREST ON DEMAND. ALL OF GUARANTOR'S OBLIGATIONS HEREUNDER WILL BE PAID AND PERFORMED BY GUARANTOR WITHOUT COUNTERCLAIM, DEDUCTION, DEFENSE, DEFERMENT, REDUCTION, OR SET-OFF (all of the foregoing obligations of Guarantor and any and all other obligations, duties and responsibilities of Guarantor hereunder shall be referred to herein collectively as the "**Guarantor Obligations**").

3. **SECURITY.** Payment and performance of the Guarantor Obligations by Guarantor shall be secured by a Security Agreement of even date herewith by and between Guarantor and Lender, creating a first priority security interest in all personal property assets of each Guarantor.

4. **GUARANTOR REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender as of the date of this Guaranty:

(a) **Organization and Powers.** Guarantor is either a corporation, a limited liability company, or a limited partnership duly organized and validly existing under the laws of the State of Utah. Guarantor has all requisite power and authority, rights and franchises to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, and to enter into and perform this Guaranty and the other Loan Documents to which it is a party. The address of Guarantor's chief executive office and principal place of business is c/o Franklin Covey Co, 2200 West Parkway Blvd., Salt Lake City, Utah 84119.

(b) **Good Standing.** Guarantor has made all filings and is in good standing in the State of Utah, and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary and where failure to make such filings would result in a Material Adverse Change.

(c) Authorization. The execution, delivery and performance of the Guarantor Loan Documents by Guarantor are within Guarantor's corporate, limited liability company or partnership powers and have been duly authorized by all necessary action by Guarantor and its directors, shareholders, members, managers and partners, as applicable.

(d) No Conflict. The execution, delivery and performance of the Guarantor Loan Documents by Guarantor will not violate (1) any provision of the Guarantor Operating Documents; (2) any legal requirement affecting Guarantor or any of Guarantor's respective properties except where a violation of such requirement would not result in a Material Adverse Change; or (3) any agreement to which Guarantor is bound or to which Guarantor is a party, except where a violation of any such agreement would not result in a Material Adverse Change, and will not result in or require the creation (except as provided in or contemplated by this Guaranty and the Loan Agreement) of any Lien or Encumbrance upon any of such properties.

(e) No Approvals, etc. All governmental or regulatory orders, consents, permits, authorizations and approvals required for the present use and operation of the Guarantor's business and the Collateral pledged by Guarantor have been obtained and are in full force and effect, except where failure to obtain such orders, consents, permits, authorizations or approvals would not result in a Material Adverse Change. To the knowledge of Guarantor, no additional governmental or regulatory actions, filings or registrations with respect to the Guarantor's business and the Collateral pledged by Guarantor, and no approvals, authorizations or consents of any trustee or holder of any Indebtedness or obligation of Guarantor are required for the due execution, delivery and performance by Guarantor of their respective duties and obligations under the Guarantor Loan Documents.

(f) Binding Obligations. This Guaranty and the other Guarantor Loan Documents have been duly executed by Guarantor, and are the legally valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Requirements of Laws affecting creditors' rights generally and by general principles of equity.

(g) Solvency. After giving effect to this Guaranty, Guarantor is solvent. As used in the preceding sentence, "**solvent**" means, with respect to any person, that at the time of determination:

- (i) the fair value of its assets, both at fair valuation and at present fair saleable value, is in excess of the total amount of its liabilities, including, without limitation, contingent claims; and
- (ii) it is then able and expects to be able to pay its debts as they mature; and
- (iii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

Contingent liabilities (such as litigation, guaranties, including but not limited to this Guaranty, and pension plan liabilities) shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can reasonably be expected to become an actual or matured liability.

(h) Inducement. Guarantor acknowledges and agrees that this Guaranty is being executed and delivered in connection with, and as an inducement for Lender to extend, various credit accommodations to Borrower that are beneficial to the ongoing business and operations of Borrower and Guarantor.

5. **GUARANTOR COVENANTS**. Until the Obligations are paid and performed in full, Guarantor agrees that, unless Lender otherwise agrees in writing in Lender's absolute and sole discretion:

(a) Keeping Informed About Borrower and Transaction. Guarantor understands the Obligations and the Guarantor Obligations and has had access to information about the financial condition of Borrower and the ability of Borrower to perform the Obligations. Guarantor assumes responsibility for acquiring and maintaining all necessary information concerning the financial condition of the Borrower, and any and all endorsers and other guarantors of any instrument or document evidencing all or any part of the Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Obligations or any part thereof that diligent inquiry would reveal, and Guarantor hereby agrees that Lender shall have no duty to advise Guarantor of information known to Lender regarding such condition or circumstances.

(b) Transfer of Assets. Unless such action would result in a Material Adverse Change (without taking into consideration subsections (iii) and (iv) of the definition of Material Adverse Change), Guarantor may sell, convey, transfer, assign or dispose of Guarantor's properties or assets, or any right, title or interest, or any part thereof, or enter into any lease covering all or any portion thereof or an undivided interest therein, either voluntarily, involuntarily, or otherwise; provided, however, that Guarantor shall not sell, transfer, lease, or otherwise dispose of all or any substantial part of its properties or assets other than such a sale, transfer, lease or disposition to Borrower or another Guarantor.

(c) Change of Control. Without the prior written consent of Lender, which consent will not be unreasonably withheld or delayed, Guarantor shall not cause, permit, or suffer any Change of Control to occur.

6. **SPECIAL PROVISIONS**.

(a) Nature of Guaranty. This Guaranty is absolute, continuing, irrevocable, and unconditional. This Guaranty is a guaranty of payment and performance when due and not of collection. This Guaranty shall be effective and remain in full force and effect until all Obligations are paid and performed in full, regardless of (i) the genuineness, regularity, legality, validity, or enforceability of any or all of the liens and encumbrances securing the Obligations, the Loan Documents, or the Obligations, (ii) any law, regulation, or rule (federal, state, or local) or any action by any Governmental Authority discharging, reducing, varying the terms of payment, or otherwise modifying any of the Obligations or any of the liens and encumbrances securing the Obligations, or (iii) the death, dissolution, or liquidation of Borrower or any Guarantor.

(b) Enforcement Against Guarantor Without Other Action. Lender, in its sole and absolute discretion, may enforce this Guaranty against any Guarantor without first having sought enforcement of any Loan Documents against Borrower, any other Guarantor, or any collateral.

(c) Events Not Affecting Guarantor Obligations. The following shall not affect, impair, or delay the enforcement of this Guaranty, regardless of the impact upon any contribution, exoneration, indemnification, reimbursement, subrogation, and other rights of Guarantor:

- (i) The bankruptcy, death, disability, dissolution, incompetence, insolvency, liquidation, or reorganization of Borrower.
- (ii) Any defense of Borrower to payment or performance of any or all Obligations, or enforcement of any or all liens and encumbrances securing the Obligations on this Guaranty.
- (iii) The disallowance, discharge, modification of the terms of, reduction in the amount of, or stay of enforcement of any or all Obligations, or any or all liens and encumbrances securing the Obligations, in any bankruptcy, insolvency, reorganization, or other legal proceeding or by any law, ordinance, regulation, or rule (federal, state, or local).
- (iv) The cessation of liability of Borrower for any or all Obligations without full satisfaction of such Obligations.

(d) Acts and Omissions of Lender Not Affecting this Guaranty. The following acts and omissions of Lender, in each case in its sole and absolute discretion, shall not affect, delay, or impair this Guaranty, regardless of the impact upon any contribution, exoneration, indemnification, reimbursement, subrogation, or other rights of Guarantor:

- (i) Lender may compromise, delay enforcement, fail to enforce, release, settle, or waive any or all Obligations of Borrower or any or all rights and remedies of Lender against Borrower.
- (ii) Lender may make advances, issue letters of credit, or grant other financial accommodations for Borrower without requiring satisfaction of all conditions precedent in the Loan Documents.
- (iii) Lender may obtain, substitute, and release collateral or additional collateral for the Obligations or this Guaranty.
- (iv) Lender may fail to perfect, fail to protect the priority of, and fail to insure any or all liens and encumbrances in such collateral.
- (v) Lender may fail to inspect, insure, maintain, preserve, or protect any or all such collateral.
- (vi) Lender may enforce, compromise, delay enforcement, fail to enforce, settle, or waive any rights and remedies of Lender as to any or all such collateral.
- (vii) Lender may assemble, sell, or otherwise dispose of any collateral in any manner and order Lender determines in its absolute and sole discretion, and disposition may be for no value, or for less than fair market value, of the collateral in the absolute and sole discretion of Lender. With respect to any collateral that is personal property, Lender shall give Guarantor ten (10) days' prior written notice of any sale or other disposition, except for personal property collateral that is perishable, threatens to decline speedily in value, is of a type customarily sold on a recognized market, or is cash, cash equivalents, certificates of deposit or the like, and except as to Lender's right of set-off. Guarantor's sole right with respect to all collateral shall be to bid at a sale thereof in accordance with applicable law.
- (viii) Lender may obtain additional obligors for any or all Obligations, and may substitute or release Borrower or any other obligor.
- (ix) Lender may fail to file or pursue a claim in any bankruptcy, insolvency, probate, reorganization, or other proceeding as to any or all Obligations or any or all liens and encumbrances securing the Obligations.
- (x) Lender may subordinate (A) any or all liens and encumbrances securing the Obligations or this Guaranty, or (B) any or all Obligations.
- (xi) Lender may amend, modify, extend, renew, restate, supplement, or terminate in whole or in part any or all Loan Documents.
- (xii) Lender may assign any or all of its rights and delegate its obligations under the Loan Documents, in whole or in part (including, without limitation, by participation).
- (xiii) Lender may do any other act or make any other omission that might otherwise constitute an extinguishment or a legal or equitable discharge of, or defense by, Guarantor.

7. **GUARANTOR WAIVERS.**

(a) Note and Notice Waivers. Guarantor waives, to the full extent permitted by law, presentment, notice of dishonor, protest, notice of protest, notice of intent to accelerate, notice of acceleration, and all other notices or demands of any kind (including, without limitation, notice of the acceptance by Lender of this Guaranty, notice of the existence, creation, non-payment, or non-performance of any or all Obligations, and notice of the acts or omissions described in **Sections 6(c)** and **6(d)**), excepting only notices specifically provided for in this Guaranty).

(b) Waiver of Acts and Omissions of Lender. Guarantor waives any defense to enforcement of the Guarantor Obligations or any liens and encumbrances granted by Guarantor based on acts and omissions of Lender described in **Sections 6(c)** and **6(d)**.

(c) Waiver of Statutory Provisions. Guarantor waives any and all rights and benefits under *Utah Code Annotated* § 78-37-1, *Utah Code Annotated* § 57-1-32 and any other similar or replacement statutes or rules now or hereafter in effect and any other statutes or rules now or hereafter in effect that purport to confer specific rights upon, or make specific defenses or procedures available to, guarantors, or limit the right of Lender to recover a deficiency judgment, or to otherwise proceed, against any person or entity obligated for payment of the Loan, after any trustee's sale, any judicial foreclosure sale or any personal property sale of any collateral securing the Loan.

(d) Waiver of Statute of Limitations. To the full extent permitted by law, Guarantor waives any and all statutes of limitations as a defense to any or all Obligations.

(e) Waiver of Law and Equitable Principles Conflicting With This Guaranty. Guarantor waives any and all provisions of law and equitable principles that conflict with this Guaranty.

(f) Waiver of Any Obligation of Lender to Inform Guarantor. Guarantor waives any right to require Lender, and Lender shall have no obligation, to provide to Guarantor any information concerning performance of the Obligations, the ability of Borrower to perform the Obligations, or any other matter, regardless of what information Lender may have from time to time.

(g) Waiver of Contribution, Exoneration, Indemnification, Reimbursement, Subrogation, and Other Rights Against Borrower and Other Loan Parties. Until such time as the Obligations have been fully satisfied, Guarantor waives any and all present and future claims, remedies, and rights of Guarantor against Borrower or any other guarantor, any collateral, and any other property, interests in property, or rights to property of Borrower or any other guarantor (i) arising from any performance by Guarantor hereunder, (ii) arising from any application of any collateral or any other property, interests in property, or rights to property of Guarantor to payment or performance of the Obligations, or (iii) otherwise arising in respect of the Loan Documents, regardless of whether such claims, remedies, and rights arise under any present or future agreement, document, or instrument or are provided by any law, ordinance, regulation, or rule (federal, state, or local) (including, without limitation, (A) any and all rights of contribution, exoneration, indemnity, reimbursement, and subrogation, and (B) any and all rights to participate in the rights and remedies of Lender against Borrower, any other guarantor, and any collateral).

(h) WAIVER OF JURY TRIAL. EACH OF GUARANTOR AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR

INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED UPON CONTRACT, TORT OR ANY OTHER THEORY). EACH OF GUARANTOR AND LENDER (BY ITS ACCEPTANCE HEREOF) (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(i) **WAIVER OF SPECIAL DAMAGES.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, GUARANTOR SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST LENDER, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS GUARANTY OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

(j) **MISCELLANEOUS WAIVERS.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, GUARANTOR HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY LENDER. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS GUARANTY OR THE OTHER GUARANTOR LOAN DOCUMENTS (EACH, A "PROCEEDING"), GUARANTOR IRREVOCABLY (A) SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF SALT LAKE, COUNTY OF SALT LAKE AND STATE OF UTAH, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS GUARANTY SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. GUARANTOR FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY UTAH STATE OR UNITED STATES COURT SITTING IN THE CITY OF SALT LAKE AND COUNTY OF SALT LAKE MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO GUARANTOR AT THE ADDRESS INDICATED BELOW, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; EXCEPT THAT IF GUARANTOR SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

8. **SUBORDINATION.** If from time to time Borrower shall have liabilities or obligations to Guarantor, such liabilities and obligations and any and all assignments as security, grants in trust, liens, mortgages, security interests, other encumbrances, and other interests and rights securing such liabilities and obligations shall at all times be fully subordinate with respect to (a) assignment as security, grant in trust, lien, mortgage, security interest, other encumbrance, and other interest and right (if any), (b) time and right of payment and performance, and (c) rights against any collateral therefor (if any), to payment and performance in full of the Obligations and the right of Lender to realize upon any or all Collateral. Guarantor agrees that such liabilities and obligations of Borrower to Guarantor shall not be secured by any assignment as security, grant in trust, lien, mortgage, security interest, other encumbrance or other interest or right in any property, interests in property, or rights to property of Borrower and that during the continuance of an Event of Default, Borrower shall not pay, and Guarantor shall not receive, payments of any or all liabilities or obligations of Borrower to Guarantor until after payment and performance of the Obligations in full, unless Lender consents thereto in writing. If, notwithstanding the foregoing, during the continuance of an Event of Default, Guarantor receives any payment from Borrower, such payment shall be held in trust by Guarantor for the benefit of Lender, shall be segregated from the other funds of Guarantor, and shall forthwith be paid by Guarantor to Lender and applied to payment of the Obligations, whether or not then due. To secure this Guaranty, Guarantor grants to Lender a lien and security interest in all liabilities and obligations of Borrower to Guarantor, in any assignments as security, grants in trust, liens, mortgages, security interests, other encumbrances, other interests or rights securing such liabilities and obligations, and in all of Guarantor's right, title, and interest in and to any payments, property, interests in property, or rights to property acquired or received by Guarantor from Borrower in respect of any liabilities or obligations of Borrower to Guarantor.

9. **LIMITATION ON OBLIGATIONS.** The provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by Guarantor or Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being Guarantor's "Maximum Liability"). This Section 9 with respect to the Maximum Liability of Guarantor is intended solely to preserve the rights of Lender hereunder to the maximum extent not subject to avoidance under applicable law, and neither Guarantor nor any other person or entity shall have any right or claim under this Section 9 with respect to the Maximum Liability, except to the extent necessary so that the obligations of Guarantor hereunder shall not be rendered voidable under applicable law.

10. **RIGHTS AND REMEDIES OF LENDER.** The rights and remedies of Lender shall be cumulative and non-exclusive. Delay, discontinuance, or failure to exercise any right or remedy of Lender shall not be a waiver thereof, of any other right or remedy of Lender, or of the time of the essence provision. Exercise of any right or remedy of Lender shall not cure or waive any Event of Default or invalidate any act done in response to any Event of Default.

11. **SURVIVAL.** The representations, warranties, and covenants of Guarantor in this Guaranty shall survive the execution and delivery of this Guaranty.

12. **INTEGRATION, ENTIRE AGREEMENT, CHANGE, DISCHARGE, TERMINATION, WAIVER, APPROVAL, CONSENT, ETC.** This Guaranty contains the complete understanding and agreement of Guarantor and Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations. No provision of this Guaranty may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the parties thereto. Delay or failure by Lender to insist on performance of any obligation when due or compliance with any other term or condition in this Guaranty shall not operate as a waiver thereof or of any other obligation, term, or condition or of the time of the essence provision. Acceptance of late payments or performance shall not be a waiver of the time of the essence provision, the right of Lender to require that subsequent payments or performance be made when due, or the right of Lender to declare an Event of Default if subsequent payments or performance are not made when due. Any approval, consent, or statement that a matter is satisfactory by Lender under this Guaranty must be in writing executed by Lender and shall apply only to the person(s) and facts specifically set forth in the writing.

13. **BINDING EFFECT.** This Guaranty shall be binding upon Guarantor and shall inure to the benefit of Lender and their successors and assigns, and the executors, legal administrators, personal representatives, heirs, devisees, and beneficiaries of Guarantor, *provided, however,* that Guarantor may not delegate any of its obligations under this Guaranty and any purported delegation shall be void. Lender may from time to time in its absolute and sole discretion assign its rights and delegate its obligations under the Loan Documents, in whole or in part, without notice to or consent by Guarantor (including, without limitation, participation). In addition to any greater or lesser limitation provided by law, Guarantor shall not assert against any assignee of Lender any claims or defenses Guarantor may have against Lender, except claims and defenses, if any, arising under this Guaranty.

14. **COSTS, EXPENSES, AND FEES.** Guarantor shall promptly pay to Lender, upon demand, with interest thereon at the Default Interest Rate, reasonable attorneys' fees and all costs and other expenses paid or incurred by Lender in enforcing or exercising its rights or remedies created by, connected with or provided for in this Guaranty.

15. **SEVERABILITY.** If any provision or any part of any provision of this Guaranty is unenforceable, the enforceability of the other provisions or the other provisions and the remainder of the subject provision, respectively, shall not be affected and they shall remain in full force and effect.

16. **CHOICE OF LAW.** THIS GUARANTY AND THE TRANSACTIONS CONTEMPLATED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS GUARANTY AND THE OTHER GUARANTOR LOAN DOCUMENTS MAY BE TRIED AND LITIGATED IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH OR, IN ANY OTHER COURT IN WHICH A PARTY SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF GUARANTOR, AND BY ACCEPTANCE HEREOF, LENDER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO

17. **TIME OF THE ESSENCE.** Time is of the essence with regard to each provision of this Guaranty as to which time is a factor.

18. **NOTICES AND DEMANDS.** All notices, requests, demands and consents to be made hereunder to the parties hereto shall be in writing and shall be delivered by hand or sent by registered mail or certified mail, postage prepaid, return receipt requested (except for any notice address which is a post office box, in which case notice may be given by first class mail), through the United States Postal Service to the addresses shown below, or such other address which the parties may provide to one another in accordance herewith. Such notices, requests, demands and consents, if sent by mail, shall be deemed given two (2) Business Days after deposit in the United States mail, and if delivered by hand, shall be deemed given when delivered.

To Lender: JPMorgan Chase Bank, N.A.
80 West Broadway, Suite 200
Salt Lake City, Utah 84101
Attn: Paul Sommer

with a copy to: Snell & Wilmer L.L.P.
Gateway Tower West
15 West South Temple, Suite 1200
Salt Lake City, Utah 84101
Attn: Brian D. Cunningham, Esq.

To Guarantor: c/o Franklin Covey Co.
2200 West Parkway Blvd.
Salt Lake City, Utah 84110
Attn: Richard Putnam

with a copy to: Dorsey & Whitney LLP
170 South Main Street, Suite 900
Salt Lake City, Utah 84101
Attn: Nolan S. Taylor, Esq.

19. **JOINT AND SEVERAL OBLIGATIONS.** This Guaranty may be executed by more than one person, and in such event the obligations hereunder shall be the joint and several obligations of each such person. Each reference to Guarantor shall be a reference to each person executing this Guaranty individually and to all such persons collectively. Each Guarantor's liability is independent of the obligations of the other Guarantors. Lender may bring an action against any Guarantor to enforce this Guaranty, whether an action is brought against the other Guarantors.

20. **PARTIAL PERFORMANCE.** Guarantor's performance of a portion, but not all, of the Obligations shall in no way limit, affect, modify or abridge Guarantor's liability for the Obligations which are not performed. Without in any way limiting the generality of the foregoing, in the event that Lender is awarded a judgment in any suit brought to enforce Guarantor's covenant to perform a portion of the Obligations, such judgment shall in no way be deemed to release Guarantor from its covenant to perform any portion of the Obligations which is not the subject of the suit.

21. **INDEMNIFICATION OF LENDER.** TO THE FULLEST EXTENT PERMITTED BY LAW, GUARANTOR AGREES TO PROTECT, INDEMNIFY, DEFEND AND SAVE HARMLESS LENDER, ITS DIRECTORS, OFFICERS, AGENTS, ATTORNEYS, AND EMPLOYEES FOR, FROM, AND AGAINST ANY AND ALL LIABILITY, EXPENSE, OR DAMAGE OF ANY KIND OR NATURE AND FOR, FROM, AND AGAINST ANY SUITS, CLAIMS, OR DEMANDS, INCLUDING REASONABLE ATTORNEY'S FEES AND EXPENSES ON ACCOUNT OF ANY MATTER OR THING OR ACTION, WHETHER IN SUIT OR NOT, ARISING OUT OF THIS GUARANTY, OR IN CONNECTION HEREWITH, EXCLUDING HOWEVER, ANY MATTERS ARISING OUT OF AN INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OR ANY MATTERS ARISING AFTER LENDER HAS TAKEN TITLE TO OR POSSESSION OF THE COLLATERAL PLEDGED BY ANY GUARANTOR DOCUMENT. Upon receiving knowledge of any suit, claim, or demand asserted by a third party that Lender believes is covered by this indemnity, Lender shall give Guarantor notice of the matter and an opportunity to defend it, at Guarantor's sole cost and expense, with legal counsel satisfactory to Lender. Lender may also require Guarantor to so defend the matter. The obligations on the part of Guarantor under this **Section 21** shall survive the payment and performance of the Obligations.

22. **RESCISSION OR RETURN OF PAYMENTS.** If at any time or from time to time, whether before or after payment and performance of the Obligations in full, all or any part of any amount received by Lender in payment of, or on account of, any Obligation is or must be, or is claimed to be, avoided, rescinded, or returned by Lender to Guarantor or any other person for any reason whatsoever (including, without limitation, bankruptcy, insolvency, or reorganization of Guarantor or any other person), such Obligation and any liens and encumbrances that secured such Obligation at the time such avoided, rescinded, or returned payment was received by Lender shall be deemed to have continued in existence or shall be reinstated, as the case may be, all as though such payment had not been received.

23. **COUNTERPART EXECUTION.** This Guaranty may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Guaranty to physically form one document. Facsimile signature pages will be acceptable, provided originally signed signature pages are provided to each of the other parties by overnight courier.

24. **RIGHT OF SET-OFF.** In addition to any other rights and remedies of Lender, upon the occurrence of an Event of Default, including the failure of Guarantor to timely perform any obligation hereunder, Lender is authorized at any time and from time to time during the continuance of such default or Event of Default, without prior notice to Guarantor (any such notice being waived by Guarantor to the fullest extent permitted by law) to set-off and apply any and all deposits or deposit accounts (general or special, time or demand, provisional or final) at any time held by Lender to or for the credit or the account of Guarantor against any and all obligations of Guarantor under the Loan Documents, now or hereafter existing, irrespective of whether or not Lender shall have made demand under this Guaranty or any other Loan Document and although such amounts owed may be contingent or unmatured.

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IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed as of the date first above written.

FRANKLIN COVEY PRINTING, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN DEVELOPMENT CORPORATION

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President

FRANKLIN COVEY TRAVEL, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY CATALOG SALES, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY CLIENT SALES, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY PRODUCT SALES, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY SERVICES, L.L.C.

a Utah limited liability company

By: **FRANKLIN COVEY CLIENT SALES, INC.**

a Utah corporation, its member

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

By: **FRANKLIN DEVELOPMENT CORPORATION**

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President

FRANKLIN COVEY MARKETING, LTD.
a Utah limited partnership

By: **FRANKLIN COVEY DEVELOPMENT CORPORATION**
a Utah corporation, its general partner

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President
"Guarantor"

PLEDGE AND SECURITY AGREEMENT

This **PLEDGE AND SECURITY AGREEMENT** (as the same may be amended, restated or otherwise modified, this “**Agreement**”) is made as of March 14, 2007, between **FRANKLIN COVEY CO.**, a Utah corporation with a place of business at 2200 West Parkway Blvd., Salt Lake City, Utah 84119 (“**Pledgor**”), and **JPMORGAN CHASE BANK, N.A.**, a national banking association with offices at 80 West Broadway, Suite 200, Salt Lake City, Utah, 84101 (“**Collateral Agent**”), not in its individual capacity, but solely as collateral agent for **JPMORGAN CHASE BANK, N.A.**, a national banking association (“**Chase**”), and **ZIONS FIRST NATIONAL BANK**, a national banking association (“**Zions**”) and, together with Chase, individually and collectively, as the context requires, the “**Lender**”), in conjunction with the Loan made to Pledgor by Lender pursuant to the Loan Agreement.

Pledgor understands that Lender is willing to grant the Loan to Pledgor only upon certain conditions, one of which is that Pledgor execute and deliver this Agreement and this Agreement is being executed and delivered in consideration of each of the Obligations (as defined below) granted to Pledgor by Lender and for other valuable considerations.

For good and valuable consideration, receipt of which is hereby acknowledged, Pledgor and Collateral Agent hereby agree as follows:

1. **Definitions.** Except as otherwise provided herein, terms defined in the Chase Loan Agreement shall have the same meanings when used herein. Terms defined in the singular shall have the same meaning when used in the plural and vice versa. Terms defined in the Uniform Commercial Code which are used herein shall have the meanings set forth in the Uniform Commercial Code, except as expressly defined otherwise. As used herein, the term:

“**Chase Loan**” means the revolving line of credit extended by Chase to Pledgor pursuant and subject to the Chase Note, the Chase Loan Agreement and the other Chase Loan Documents.

“**Chase Loan Documents**” means, collectively, the Chase Loan Agreement, the Chase Note, and all other documents that from time to time govern or evidence the Chase Obligations or secure payment or performance thereof, as such documents may be amended or modified from time to time.

“**Chase Loan Agreement**” means that certain Revolving Line of Credit Agreement of even date herewith by and between Pledgor and Chase, as the same may be amended or modified from time to time.

“**Chase Note**” means that certain Secured Promissory Note of even date herewith executed by Pledgor and payable to Chase in the maximum principal amount of \$18,000,000, as the same may be amended or modified from time to time.

“**Chase Obligations**” means: (a) the Obligations, as such term is defined in the Chase Loan Agreement; (b) transactions in which the documents evidencing the indebtedness refer to this grant of security interest as providing security therefor; (c) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Agreement; and (d) the performance of the covenants and agreements of Pledgor contained in this Agreement.

“**Collateral**” means the following, wherever located, now owned or existing or hereafter acquired or created: (a) THREE THOUSAND FOUR HUNDRED NINETY-TWO (3,492) common shares of **FRANKLIN COVEY PRINTING, INC.**, a Utah corporation (“**Printing**”), evidenced by Certificate No. 33, and all other equity interests of Pledgor in Printing now owned or acquired in the future; (b) ONE HUNDRED SEVENTY-SIX THOUSAND TWO HUNDRED FIFTY (176,250) common shares of **FRANKLIN DEVELOPMENT CORPORATION** (“**Development**”), evidenced by Certificate No. 42, and all other equity interests of Pledgor in Development now owned or acquired in the future; (c) ONE HUNDRED THOUSAND (100,000) common shares of **FRANKLIN COVEY TRAVEL, INC.**, a Utah corporation (“**Travel**”), evidenced by Certificate No. 2, and all other equity interests of Pledgor in Travel now owned or acquired in the future; (d) ONE HUNDRED THOUSAND (100,000) common shares of **FRANKLIN COVEY CATALOG SALES, INC.**, a Utah corporation (“**Catalog**”), evidenced by Certificate No. 2, and all other equity interests of Pledgor in Catalog now owned or acquired in the future; (e) ONE HUNDRED THOUSAND (100,000) common shares of **FRANKLIN COVEY CLIENT SALES, INC.**, a Utah corporation (“**Client**”), evidenced by Certificate No. 2, and all other equity interests of Pledgor in Client now owned or acquired in the future; (f) ONE HUNDRED THOUSAND (100,000) common shares of **FRANKLIN COVEY PRODUCT SALES, INC.**, a Utah corporation (“**Product**”), evidenced by Certificate No. 2, and all other equity interests of Pledgor in Product now owned or acquired in the future; (Printing, Development, Travel, Catalog, Client and Product are collectively referred to as the “**Issuer**”); (g) all proceeds of the foregoing, including, without limitation, (i) any and all equity interests of the Issuer issued in replacement thereof; (ii) any and all equity interests of the Issuer issued as a dividend or issued in connection with any increase or decrease of capital, reclassification, merger, consolidation, sale of assets, combination of shares, split, spin-off or split-off; (iii) any and all options, warrants, or rights applicable to the equity interests of the Issuer, whether as an addition to, or in substitution or exchange for any of said shares and equity interests or otherwise; and (iv) any and all dividends or distributions on the foregoing described equity interests, whether payable in cash or in property, excluding those made with Collateral Agent’s or Lender’s consent or those that are not inconsistent with any restrictions imposed by Collateral Agent or Lender.

“**Default Rate**” means the default interest rate provided in the Note.

“**Event of Default**” means the failure of Debtor to pay or perform any of the Obligations as and when due to be paid or performed under the terms of the Loan Documents.

“**Intercreditor Agreement**” means that certain Intercreditor Agreement of even date herewith by and among Collateral Agent and Lender, as the same may be amended or modified from time to time.

“**Loan**” means, individually and collectively, as the context requires, the Chase Loan and the Zions Loan.

“**Loan Agreement**” means, individually and collectively, as the context requires, the Chase Loan Agreement and the Zions Loan Agreement.

“**Loan Documents**” means, individually and collectively, as the context requires, the Chase Loan Documents and the Zions Loan Documents.

“**Note**” means, individually and collectively, as the context requires, the Chase Note and the Zions Note.

“**Obligations**” means, individually and collectively, as the context requires, the Chase Obligations and the Zions Obligations.

“**Organizational Documents**” means the Articles of Incorporation of Pledgor, as filed with the predecessor filing office to the Utah Department of Commerce, Division of Corporations and Commercial Code on December 2, 1983, and the Amended and Restated Bylaws of Pledgor, dated effective as of January 11, 2002, and all modifications and amendments to those documents, pursuant to which Pledgor has been formed and exists.

“**Security Agreement**” means that certain Security Agreement of even date herewith among Pledgor, Guarantors, and Collateral Agent, as the same may be amended or modified from time to time.

“**Uniform Commercial Code**” means the Uniform Commercial Code as adopted now or in the future in the State of Utah.

“**Zions Loan**” means the revolving line of credit extended by Zions to Pledgor pursuant and subject to the Zions Note, the Zions Loan Agreement and the other Zions Loan Documents.

“Zions Loan Agreement” means that certain Revolving Line of Credit Agreement of even date herewith by and between Pledgor and Zions, as the same may be amended or modified from time to time.

“Zions Loan Documents” means, collectively, the Zions Loan Agreement, the Zions Note, and all other documents that from time to time govern or evidence the Zions Obligations or secure payment or performance thereof, as such documents may be amended or modified from time to time.

“Zions Note” means that certain Secured Promissory Note of even date herewith executed by Pledgor and payable to Zions in the maximum principal amount of \$7,000,000, as the same may be amended or modified from time to time.

“Zions Obligations” means: (a) the Obligations, as such term is defined in the Zions Loan Agreement; (b) transactions in which the documents evidencing the indebtedness refer to this grant of security interest as providing security therefor; (c) the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Agreement; and (d) the performance of the covenants and agreements of Pledgor contained in this Agreement.

2. **Grant of Security Interest.** Pledgor hereby grants to Collateral Agent a security interest in the Collateral. Pledgor and Collateral Agent acknowledge their mutual intent that all security interests contemplated herein are given as a contemporaneous exchange for new value to Pledgor, regardless of when advances to Pledgor are actually made or when the Collateral is created or acquired.

3. **Debts Secured.** The security interest granted by this Agreement shall secure all of Pledgor’s present and future debts, obligations, and liabilities of whatever nature to Lender or Collateral Agent, including, without limitation, the Obligations.

4. **Representations, Warranties and Covenants.** Pledgor represents and warrants to Collateral Agent as follows: (a) Pledgor is a corporation duly organized under the laws of the State of Utah, (b) Pledgor is duly qualified to do business in each jurisdiction where the conduct of its business requires qualification and where failure to so qualify would result in a Material Adverse Change, (c) Pledgor has the full power and authority to own its properties and to conduct the business in which it engages and to enter into and perform its obligations under this Agreement, (d) the execution, delivery, and performance by Pledgor of this Agreement have been duly authorized by all necessary action on the part of Pledgor and are not inconsistent with Pledgor’s Organizational Documents or any resolution of Pledgor, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract, or other instrument to which Pledgor is a party or by which it is bound except to the extent that any such contravention or default would not cause a Material Adverse Change, and that upon execution and delivery hereof and thereof, this Agreement will constitute legal, valid, and binding agreements and obligations of Pledgor, enforceable in accordance with their respective terms except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Requirements of Laws affecting creditors’ rights generally and by principles of equity, and (e) the organizational identification number assigned to Pledgor by its state of organization is set forth in the Security Agreement.

5. **Representations and Warranties Concerning Collateral.** Pledgor further represents and warrants to Collateral Agent as follows: (a) the Collateral is not subject to any purchase agreement, voting trust or other agreement affecting, restricting, or limiting the sale, transfer, disposition or voting rights concerning said shares and equity interests, other than as provided in the Organizational Documents of Pledgor and as permitted under the Loan Agreement, (b) Pledgor is the sole owner of the Collateral, (c) as of the date of this Agreement, Pledgor is the owner of (i) THREE THOUSAND FOUR HUNDRED NINETY-TWO (3,492) common shares of Printing, which constitute one hundred percent (100%) of the issued and outstanding common shares of Printing; (ii) ONE HUNDRED SEVENTY-SIX THOUSAND TWO HUNDRED FIFTY (176,250) common shares of Development, which constitute one hundred percent (100%) of the issued and outstanding common shares of Development; (iii) ONE HUNDRED THOUSAND (100,000) common shares of Travel, which constitute one hundred percent (100%) of the issued and outstanding common shares of Travel; (iv) ONE HUNDRED THOUSAND (100,000) common shares of Catalog, which constitute one hundred percent (100%) of the issued and outstanding common shares of Catalog; (v) ONE HUNDRED THOUSAND (100,000) common shares of Client, which constitute one hundred percent (100%) of the issued and outstanding common shares of Client; and (vi) ONE HUNDRED THOUSAND (100,000) common shares of Product, which constitute one hundred percent (100%) of the issued and outstanding common shares of Product, and (d) the Collateral is not subject to any security interest, lien, prior assignment or other encumbrance of any nature whatsoever except Permitted Exceptions.

6. **Covenants Concerning Collateral.** Pledgor covenants that: (a) Pledgor will keep the Collateral free and clear of any and all security interests, liens, assignments or other encumbrances, except Permitted Exceptions, as provided in the Loan Agreement and as provided in the Organizational Documents of Pledgor, (b) Pledgor will not sell or transfer the Collateral without the prior written consent of Collateral Agent unless such sale or transfer does not cause a Material Adverse Change, (c) Pledgor hereby authorizes Collateral Agent to file financing statements concerning the Collateral, (d) Pledgor will execute and deliver any documents (properly endorsed, if necessary) reasonably requested by Collateral Agent for perfection or enforcement of any security interest or lien in the Collateral, give good faith, diligent cooperation to Collateral Agent, and perform such other acts reasonably requested by Collateral Agent for perfection and enforcement of any security interest or lien in the Collateral, including, without limitation, obtaining control for purposes of perfection; Collateral Agent is authorized to file, record, or otherwise utilize such documents as it deems necessary to perfect and/or enforce any security interest or lien granted hereunder, (e) Pledgor will deliver any and all stock certificates or similar instruments evidencing the Collateral to Collateral Agent at the time of execution of this Agreement, and (f) during the continuance of an Event of Default and except as otherwise expressly provided herein, Pledgor will promptly deliver to Collateral Agent all written notices, dividends, certificates, and other documents constituting or relating to the Collateral, which are received during the continuance of such Event of Default and will promptly give Collateral Agent written notice of any other notices which are received during the continuance of such Event of Default by Pledgor with respect to the Collateral.

7. **Transfer of Ownership.** Pledgor agrees to execute and deliver to Collateral Agent, at the time of execution of this Agreement, Transfer Powers in a form reasonably acceptable to Collateral Agent. The Transfer Powers may contain blanks or otherwise be incomplete but shall nonetheless be binding and effective. Collateral Agent is hereby irrevocably authorized, and Pledgor hereby irrevocably makes, constitutes and appoints Collateral Agent as its true and lawful attorney in fact, with full power of substitution, to fill in such blanks and otherwise complete the Transfer Powers, now or at any time in the future, such power to be exercised only upon the occurrence and during the continuance of an Event of Default. Collateral Agent may deliver the Transfer Powers as Collateral Agent deems appropriate in connection with any transfer of the Collateral pursuant to this Agreement.

Pledgor hereby makes, constitutes and appoints Collateral Agent as its true and lawful attorney in fact, with full power of substitution, to transfer the Collateral on the books of the issuing entity or any transfer agent to the name of any transferee upon foreclosure of this security interest.

Collateral Agent shall not be under any obligation to exercise any of such rights or privileges.

Pledgor agrees to give full cooperation and to use its best efforts to cause any issuer, transfer agent, or registrar of the Collateral to take all such actions and to execute all such documents as may be necessary or appropriate to effect any sale, transfer or other disposition of the Collateral upon the occurrence of and during the continuance of an Event of Default.

Pledgor acknowledges that a breach of any of the covenants contained in this Section may cause irreparable injury to Collateral Agent, that Collateral Agent will have no adequate remedy at law with respect to such breach, and, as a consequence, that the covenants in this Section shall be specifically enforceable.

8. **Collection of Dividends.** During the term of this Agreement, Pledgor is authorized to collect all dividends, distributions, payments and other amounts that may be or become payable on any of the Collateral so long as no Event of Default has occurred and is continuing. Upon occurrence of an Event of Default and during the continuance of an Event of Default, Collateral Agent is authorized to collect all dividends, distributions, payments or other amounts that may be or become payable on any of the Collateral. Such amounts collected shall be distributed ratably to each Lender and applied by each Lender to the indebtedness secured hereby. Collateral Agent shall be under no obligation to collect any such amounts.

9. **Voting Rights.** So long as no Event of Default has occurred and is continuing, Pledgor shall have the right, where applicable, to vote the Collateral on all corporate questions, or otherwise exercise such similar rights as may arise from the Collateral. Upon the occurrence of an Event of Default and during the continuance of an Event of Default, such right shall, at the sole option of Collateral Agent, terminate whereupon Collateral Agent may exercise all such rights. Pledgor agrees to appoint Collateral Agent as its proxy, and to execute such additional documents as are necessary to effect the same, pursuant to the Organizational Documents of Pledgor.

10. Exercise of Options. In the event that during the term of this Agreement subscription warrants or any other rights or options shall be issued in connection with the Collateral, such warrants, rights and options shall constitute part of the Collateral. If such subscription warrants or other rights or options shall expire during the term of this Agreement and Pledgor has not elected to exercise such warrants or options, Collateral Agent may elect (without any duty to do so) to exercise such warrants, rights and options at its own expense and to the extent assignable, Pledgor will assign its rights thereunder. All new shares or other equity interests so acquired shall be subject to and held under the terms hereof as Collateral.

11. Duty of Collateral Agent. Beyond the exercise of reasonable care to assure safe custody of the certificates evidencing the Collateral while held hereunder, Collateral Agent shall have no duty or liability to preserve rights pertaining to the Collateral.

12. Right to Perform for Pledgor. Collateral Agent may, in its sole discretion and without any duty to do so, elect to discharge taxes, tax liens, security interests, or any other encumbrance upon the Collateral (other than Permitted Exceptions), perform any duty or obligation of Pledgor and pay filing, recording, insurance and other charges payable by Pledgor provided herein if Pledgor fails to do so. Any such payments advanced by Collateral Agent shall be repaid by Pledgor upon demand, together with interest thereon from the date of the advance until repaid, both before and after judgment, at the Default Rate.

13. Default. Time is of the essence of this Agreement. No course of dealing or any delay or failure to assert any Event of Default shall constitute a waiver of that Event of Default or of any prior or subsequent Event of Default.

14. Remedies. Upon the occurrence of an Event of Default and during the continuance of an Event of Default, Collateral Agent shall have the following rights and remedies, in addition to all other rights and remedies existing at law, in equity, or by statute or provided in the Loan Documents: (a) Collateral Agent shall have all the rights and remedies available under the Uniform Commercial Code; and (b) Collateral Agent may sell or otherwise dispose of any or all of the Collateral and, after deducting any costs or expenses incurred by Collateral Agent in connection with such sale or disposition, including, without limitation, attorneys' fees, ratably distribute the remainder to each Lender to pay, or to hold as a reserve against, the obligations secured by this Agreement.

Pledgor shall be liable for all deficiencies owing on any obligation secured by this Agreement after liquidation of the Collateral. Collateral Agent shall not have any obligation to prepare any Collateral for sale or other disposition.

The rights and remedies herein conferred are cumulative and not exclusive of any other rights and remedies and shall be in addition to every other right, power and remedy herein specifically granted or hereafter existing at law, in equity, or by statute which Collateral Agent might otherwise have, and any and all such rights and remedies may be exercised from time to time and as often and in such order as Collateral Agent may deem expedient. No delay or omission in the exercise of any such right, power or remedy or in the pursuance of any remedy shall impair any such right, power or remedy or be construed to be a waiver thereof or of any default or to be an acquiescence therein.

Regardless of the occurrence of any Event of Default, Pledgor agrees to pay all expenses, including reasonable attorneys fees and legal expenses, incurred by Collateral Agent in any bankruptcy proceeding of any type involving Pledgor, the Collateral, or this Agreement, including, without limitation, expenses incurred in modifying or lifting the automatic stay, determining adequate protection, use of cash collateral, or relating to any plan of reorganization.

15. Suretyship Waivers by Pledgor. Pledgor waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. With respect to both the Obligations and the Collateral, Pledgor assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of or failure to perfect any security interest in any Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payment thereon and the settlement, compromising or adjusting of any thereof, all in such manner and at such time or times as Collateral Agent may deem advisable. Collateral Agent shall have no duty as to the collection or protection of the Collateral or any income therefrom, the preservation of rights against prior parties, or the preservation of any rights pertaining thereto beyond the safe custody thereof as set forth in **Section 11** above. Pledgor further waives any and all other suretyship defenses.

16. CHOICE OF LAW. THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY BE TRIED AND LITIGATED IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH OR, IN ANY OTHER COURT IN WHICH A PARTY SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF PLEDGOR AND COLLATERAL AGENT WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ANY STATE OR FEDERAL COURT LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH.

17. WAIVER OF JURY TRIAL. EACH OF PLEDGOR AND COLLATERAL AGENT HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED UPON CONTRACT, TORT OR ANY OTHER THEORY). EACH OF PLEDGOR AND COLLATERAL AGENT (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

18. WAIVER OF SPECIAL DAMAGES. TO THE EXTENT PERMITTED BY APPLICABLE LAW, PLEDGOR SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST COLLATERAL AGENT ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

19. MISCELLANEOUS WAIVERS. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT (EACH, A "PROCEEDING"), PLEDGOR IRREVOCABLY (A) SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF SALT LAKE, COUNTY OF SALT LAKE AND STATE OF UTAH, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS AGREEMENT SHALL PRECLUDE COLLATERAL AGENT FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. PLEDGOR FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY UTAH STATE OR UNITED STATES COURT SITTING IN THE CITY OF SALT LAKE AND COUNTY OF SALT LAKE MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO PLEDGOR AT THE ADDRESS INDICATED IN THE GUARANTY, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; EXCEPT THAT IF PLEDGOR SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

20. Indemnification. Pledgor shall indemnify Collateral Agent for any and all claims and liabilities, and for damages which may be awarded or incurred by Collateral Agent, and for all reasonable attorneys fees, legal expenses, and other out-of-pocket expenses incurred in defending such claims, arising from or related in any manner to the negotiation, execution, or performance by Collateral Agent of this Agreement, but excluding any such claim based upon breach or default by Collateral Agent or gross negligence or willful misconduct of Collateral Agent.

Collateral Agent shall have the sole and complete control of the defense of any such claims. Collateral Agent is hereby authorized to settle or otherwise compromise any such claims as Collateral Agent in good faith determines shall be in Collateral Agent's best interest.

21. Notices. All notices or demands by any party hereto shall be in writing and shall be sent as provided in the Chase Loan Agreement.

22. General. This Agreement is made for the sole and exclusive benefit of Pledgor, Lender and Collateral Agent and is not intended to benefit any other third party, other than Lender. No such third party may claim any right or benefit or seek to enforce any term or provision of this Agreement.

If the incurring of any debt by Pledgor, or the payment of any money or transfer of property to Collateral Agent or Lender by or on behalf of Pledgor should for any reason subsequently be determined to be “voidable” or “avoidable” in whole or in part within the meaning of any state or federal law (collectively “voidable transfers”), including, without limitation, fraudulent conveyances or preferential transfers under the United States Bankruptcy Code or any other federal or state law, and Collateral Agent or Lender is required to repay or restore any voidable transfers or the amount or any portion thereof, or upon the advice of Collateral Agent’s or Lender’s counsel is advised to do so, then, as to any such amount or property repaid or restored, including all reasonable costs, expenses, and attorneys fees of Collateral Agent or Lender related thereto, the liability of Pledgor, and each of them, and this Agreement, shall automatically be revived, reinstated and restored and shall exist as though the voidable transfers had never been made.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction only, 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 not invalidate or render unenforceable such provision in any other jurisdiction.

All references in this Agreement to the singular shall be deemed to include the plural if the context so requires and vice versa. References in the collective or conjunctive shall also include the disjunctive unless the context otherwise clearly requires a different interpretation.

All agreements, representations, warranties and covenants made by Pledgor shall survive the execution and delivery of this Agreement, the filing and consummation of any bankruptcy proceedings, and shall continue in effect so long as any Obligation or any obligation to Collateral Agent contemplated by this Agreement is outstanding and unpaid. All agreements, representations, warranties and covenants in this Agreement shall bind the party making the same and its heirs and successors, and shall be to the benefit of and be enforceable by each party for whom made and their respective heirs, successors and assigns.

This Agreement may be executed in several counterparts, without the requirement that all parties sign each counterpart. Each of the counterparts shall be an original but all of which together shall constitute one and the same instrument.

This Agreement constitutes the entire agreement between Pledgor and Collateral Agent as to the subject matter hereof and may not be altered or amended except by written agreement signed by Pledgor and Collateral Agent. All other prior and contemporaneous agreements, arrangements, and understandings between the parties hereto as to the subject matter hereof are, except as otherwise expressly provided herein, rescinded.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

FRANKLIN COVEY CO.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam

Title: Treasurer and Vice President of Investor Relations

"Pledgor"

JPMORGAN CHASE BANK, N.A.

a national banking association

By: /s/ TONY C. NIELSEN

Name: Tony C. Nielsen

Title: Senior Vice President

"Collateral Agent"

REVOLVING LINE OF CREDIT AGREEMENT

by and between

ZIONS FIRST NATIONAL BANK,
a national banking association,

as Lender,

and

FRANKLIN COVEY CO.,
a Utah corporation,

as Borrower

Dated as of March 14, 2007

REVOLVING LINE OF CREDIT AGREEMENT

THIS REVOLVING LINE OF CREDIT AGREEMENT is made as of March 14, 2007, by and between FRANKLIN COVEY CO., a Utah corporation (“**Borrower**”), whose address is 2200 West Parkway Blvd., Salt Lake City, Utah 84119, and ZIONS FIRST NATIONAL BANK, a national banking association (“**Lender**”), whose mailing address is 10 East South Temple, Suite 200, Salt Lake City, Utah 84133.

RECITALS:

A. Borrower has applied to Lender for a revolving line of credit loan to finance Borrower’s general corporate purposes, including Borrower’s working capital needs, the redemption of Borrower’s common or preferred stock, or other Borrower purposes, and for other uses approved by Lender, upon the terms and subject to the conditions set forth herein.

B. Based on the foregoing and upon the terms and subject to the conditions set forth herein, Lender is willing to extend the requested revolving line of credit loan to Borrower.

NOW, THEREFORE, in consideration of the covenants and conditions herein contained, the parties agree as follows:

ARTICLE 1

DEFINITIONS

1.1 Definitions. As used herein, the following terms shall have the meanings set forth below:

“**Account Control Agreement**” means that certain Account Control Agreement of even date herewith by and among Borrower, Guarantor, Collateral Agent and Chase.

“**Advance**” means a disbursement of Loan proceeds.

“**Affiliate**” of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, “control,” when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. The term “Affiliate” does not include the officers, directors, or employees of a Person, if the Person is a corporation, and does not include the employees or managers of a Person, if the Person is a limited liability company or limited partnership.

“**Agreement**” means this Revolving Line of Credit Agreement, as the same may be amended and supplemented from time to time.

“**Authorized Representative**” means, for any Person, the person or persons designated by that Person to take any and all actions on the part of that Person under any of the Loan Documents or in connection with the Loan.

“**Average Quarterly Outstanding Balance**” means the aggregate sum of the outstanding and unpaid balance of the Loan for each day during a calendar quarter (or portion thereof) with respect to which the Unused Commitment Fee is being computed, divided by the number of days in that calendar quarter (or portion thereof).

“**Borrower**” has the meaning set forth in the introductory paragraph of this Agreement, together with its successors and permitted assigns.

“**Borrower Operating Documents**” means the Articles of Incorporation of Borrower, as filed with the predecessor filing office to the Utah Department of Commerce, Division of Corporations and Commercial Code on December 2, 1983, and the Amended and Restated Bylaws of Borrower, dated effective as of January 11, 2002, and all modifications and amendments to those documents, pursuant to which Borrower has been formed and exists.

“**Business Day**” means a day other than a Saturday, Sunday or any other day on which Lender’s branch located at 80 West Broadway, Salt Lake City, Utah is authorized or obligated to close.

“**Capital Expenditures**” means expenditures for fixed or capital assets as determined in accordance with GAAP.

“**Change of Control**” (a) means the closing of a sale or other disposition of all or substantially all of Borrower’s or Guarantor’s assets; (b) shall be deemed to have occurred at such time as a “person” or “group” (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the “beneficial owner” (as defined in Rule 13d3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than fifty percent (50%) of the total voting power of all classes of stock then outstanding of Borrower entitled to vote in the election of directors; or (c) Borrower’s or Guarantor’s merger into or consolidation with any other entity, or any other reorganization or transfer, directly or indirectly, of the ownership interests in Borrower or Guarantor, in which the holders of the outstanding ownership interests in Borrower or Guarantor immediately prior to such transaction receive or retain, in connection with such transaction on account of their ownership interests, ownership interests representing less than fifty percent (50%) of the voting power of the entity surviving such transaction; *provided, however*, that a Change of Control shall not include a merger effected exclusively for the purpose of changing the domicile of Borrower or Guarantor or a merger of a Guarantor into Borrower or another Guarantor.

“**Chase**” means JPMorgan Chase Bank, N.A.

“**Chase Loan**” means that certain revolving line of credit in the maximum principal amount of up to EIGHTEEN MILLION AND NO/100 DOLLARS (\$18,000,000.00).

“**Chase Loan Documents**” means any agreements, documents, instruments or guaranties, now or hereafter governing, evidencing, guarantying or securing the obligations of Borrower with respect to the Chase Loan, as such agreements, documents, instruments and guaranties may be amended, modified, extended, renewed, or supplemented from time to time.

“**Closing Date**” means the date upon which Borrower, Guarantor and Lender have executed and delivered each of the Loan Documents and each of the conditions precedent and other requirements in **Article 4** have been satisfied or waived, as determined by Lender in its sole and absolute discretion.

“**Code**” means the Internal Revenue Code of 1986, as amended, and any successor statute promulgated in replacement thereof, together with all temporary, final and other Treasury Regulations promulgated under the Code.

“**Collateral**” means all of Borrower’s and Guarantor’s assets and proceeds thereof, including, without limitation, the personal property subject to the Security Agreement, including proceeds, products, interest on and investments thereof from time to time, and all other property, interests in property, and rights to property securing any or all of Borrower’s and Guarantor’s payment and other obligations under the Loan Documents from time to time.

“**Collateral Agent**” means JPMORGAN CHASE BANK, N.A., a national banking association, not in its individual capacity, but solely as collateral agent for Lender and Chase.

“**Consolidated Entities**” means Borrower and any Subsidiaries thereof, including, without limitation, Guarantor.

“**Covenant Compliance Certificate**” means a Covenant Compliance Certificate in form and substance satisfactory to Lender, which shall be in substantially the form attached hereto as **Exhibit A** from Borrower to Lender certifying compliance with the financial covenants set forth in **Section 6.8** of this Agreement, together with such other supporting documents and information as Lender may require from time to time in accordance herewith.

“**Default Interest Rate**” means a rate of interest equal to the lesser of (a) the aggregate of THREE PERCENT (3%) per annum plus the Interest Rate, or (b) the highest rate legally permissible under applicable Requirements of Law. The Default Interest Rate shall change from time to time as and when the Interest Rate changes.

“**Early Termination Fee**” means, as of the date of any early termination of the Loan by Borrower pursuant to **Section 2.6(c)**, an amount equal to the sum of (a) the Unused Commitment Fee for the portion of the calendar quarter that has passed as of such date and (b) using a discount rate of seven percent (7%), the net present value of the aggregate amount of future Unused Commitment Fees which would have been due (assuming an Average Quarterly Outstanding Balance of \$0.00) for each calendar quarter (or portion thereof) remaining in the term of the Loan after the date Borrower terminates the Loan.

“**EBITDAR**” shall have the meaning given in **Section 6.8(a)**.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

“**ERISA Affiliate**” means any corporation, partnership, or other trade or business (whether or not incorporated) that is, along with Borrower or Guarantor, a member of a controlled group of corporations or a controlled group of trades or businesses, as described in sections 414(b) and 414(c), respectively, of the Code or section 4001 of ERISA, or a member of the same affiliated service group within the meaning of section 414(m) of the Code.

“**Event of Default**” means the occurrence of any of the events listed in **Section 7.1** and the expiration of any applicable notice and cure period provided in said section.

“**Financing Statement**” means one or more UCC financing statements and/or addenda thereto, to be prepared by Collateral Agent, naming Borrower and/or Guarantor, as applicable, as debtor, in favor of Collateral Agent, as secured party, and perfecting Collateral Agent’s security interest in the Collateral now owned or hereafter acquired by Borrower and Guarantor, in form and substance satisfactory to Collateral Agent, to be filed with the Utah Department of Commerce, Division of Corporations and Commercial Code and in such other offices for recording or filing such statements in such jurisdictions as Collateral Agent shall desire to perfect Collateral Agent’s liens and security interest or reflect such interest in appropriate public records.

“**Franklin Covey Mexico**” means **FRANKLIN COVEY MEXICO, INC.**, a Utah corporation.

“**GAAP**” shall have the meaning given in **Section 1.3**.

“**Governmental Authority**” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“**Guarantor**” means, individually and collectively, as the context requires, and jointly and severally, all present and future domestic Subsidiaries of Borrower, including, without limitation, **FRANKLIN COVEY PRINTING, INC.**, a Utah corporation (“**Printing**”), **FRANKLIN DEVELOPMENT CORPORATION**, a Utah corporation (“**Development**”), **FRANKLIN COVEY TRAVEL, INC.**, a Utah corporation (“**Travel**”), **FRANKLIN COVEY CATALOG SALES, INC.**, a Utah corporation (“**Catalog**”), **FRANKLIN COVEY CLIENT SALES, INC.**, a Utah corporation (“**Client**”), **FRANKLIN COVEY PRODUCT SALES**, a Utah corporation (“**Product**”), **FRANKLIN COVEY SERVICES, L.L.C.**, a Utah limited liability company (“**Services**”), and **FRANKLIN COVEY MARKETING, LTD.**, a Utah limited partnership (“**Marketing**”).

“**Guarantor Loan Documents**” means the Guaranty and any other guaranties, agreements, documents, or instruments now or hereafter executed by Guarantor evidencing, guarantying, securing or otherwise related to the obligations of Guarantor or the Loan, as the Guaranty and such other guaranties, agreements, documents, and instruments may be amended, modified, extended, renewed, or supplemented from time to time.

“**Guarantor Operating Documents**” means the articles of incorporation, articles of organization, certificate of partnership, bylaws, operating agreements and limited partnership agreements of Guarantor, as applicable, and all modifications and amendments to those documents, pursuant to which Guarantor has been formed and exists.

“**Guaranty**” means that certain Repayment Guaranty executed by Guarantor, as the same may be amended, modified, supplemented and restated from time to time.

“**Indebtedness**” means, as to any Person (a) indebtedness created, issued, incurred or assumed by such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (b) all obligations of such Person to pay the deferred purchase price of property or services; (c) all indebtedness secured by a lien on any asset of such Person whether or not such indebtedness is assumed by such Person; (d) all obligations, contingent or otherwise, of such Person directly or indirectly guaranteeing any indebtedness or other obligation of any other Person or in any manner providing for the payment of any indebtedness or other obligation of any other Person or otherwise protecting the holder of such indebtedness against loss (excluding endorsements for collection or deposit in the ordinary course of business); (e) the amount of all reimbursement obligations and other obligations of such Person (whether due or to become due, contingent or otherwise) in respect of letters of credit, bankers’ acceptances, surety or other bonds (but excluding surety or other bonds in favor of Governmental Authorities) and similar instruments; (f) all obligations under leases capitalized in accordance with GAAP; and (g) all other obligations that would be included as liabilities on a balance sheet prepared in accordance with GAAP.

“**Intercreditor Agreement**” means that certain Intercreditor Agreement of approximately even date herewith by and among Collateral Agent, Lender and Chase, as the same may be amended, modified, supplemented or restated from time to time.

“**Interest Period**” means each period commencing on the first day of a calendar month and ending on the first day of the next succeeding calendar month; *provided, however*, that (i) the first Interest Period shall commence on the Closing Date; and (ii) any Interest Period that would otherwise extend past the Maturity Date shall end on the Maturity Date.

“**Interest Rate**” means a variable rate equal to the LIBO Rate in effect from time to time plus One and One-Tenth Percent (1.10%) per annum.

“**Lender**” means **ZIONS FIRST NATIONAL BANK**, a national banking association whose address is as set forth in the introductory paragraph of this Agreement, its successors and assigns.

“**Letter of Credit**” means a written agreement by Lender to honor drafts or other demands for payment in compliance with the conditions specified in a letter of credit extended by Lender pursuant to this Agreement, on such form(s) of letter of credit as customarily issued by Lender and on such terms as Lender shall require in its reasonable discretion.

“**Letter of Credit Limit**” means the aggregate issued and committed amount of SEVEN MILLION AND NO/100 DOLLARS (\$7,000,000.00).

“**LIBO Rate**” means, with respect to any Interest Period, the rate per annum quoted by Lender as Lender’s LIBOR rate based upon quotes from the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, as quoted for U.S. Dollars by Bloomberg or other comparable pricing services selected by Lender. This definition of Lender’s LIBOR rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the Interest Rate. Lender’s LIBOR rate may not necessarily be the same as the quoted offer side in the Eurodollar time deposit market by any particular institution or service applicable to any interest period. It is not the lowest rate at which Lender may make loans to any of its customers, either now or in the future.

“**Lien or Encumbrance**” and “**Liens and Encumbrances**” means any assignment as security, conditional sale for security purposes, grant in trust, lien, mortgage, pledge, security interest, title retention arrangement, other encumbrance, or other interest or right securing the payment of money or the performance of any other liability or obligation, whether voluntarily or involuntarily created and whether arising by agreement, document, or instrument, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise.

“**Loan**” means the revolving line of credit loan from Lender to Borrower described in this Agreement.

“**Loan Amount**” means the amount of up to SEVEN MILLION AND NO/100 DOLLARS (\$7,000,000.00), plus any sum in addition thereto advanced by Lender in its sole and absolute discretion in accordance with the Loan Documents, to be disbursed pursuant to the terms and conditions of this Agreement.

“**Loan Documents**” means the documents described in **Section 4.1(i)**, any International Swap and Derivatives Association Master Agreement (and any confirmation related thereto and any other Swap Agreement), and any other guaranties, agreements, documents, or instruments now or hereafter evidencing, guarantying or securing the Obligations of Borrower hereunder, as this Agreement, the other documents described in **Section 4.1**, and such other agreements, documents, and instruments may be amended, modified, extended, renewed, or supplemented from time to time.

“**Loan Party**” means Borrower, Guarantor and each other Person that from time to time is or becomes obligated to Lender or Collateral Agent under any Loan Document or grants any Lien or Encumbrance to Lender or Collateral Agent with respect to any Collateral.

“**Material Adverse Change**” means any change in the assets, liabilities, financial condition, or results of operations of Borrower or Borrower and Guarantor on an aggregate basis, or any other event or condition with respect to Borrower or Borrower and Guarantor together, that materially and adversely affects any of the following: (i) the likelihood of performance by Borrower or Borrower and Guarantor together of any Obligations or the ability of Borrower or Borrower and Guarantor together to perform such Obligations, (ii) the legality, validity or binding nature of any of the Obligations of Borrower or Guarantor, (iii) any Lien or Encumbrance securing any of such Obligations, or (iv) the priority of any Lien or Encumbrance securing any of such Obligations.

“**Maturity Date**” means the date which is exactly thirty-six (36) months from the date of the Note.

“**Multiemployer Plan**” means a “multiemployer plan” as defined in Section 4001(a)(3) of ERISA which is maintained for employees of Borrower or Guarantor.

“**Note**” means the Secured Promissory Note of approximately even date herewith executed by Borrower and payable to Lender, as such note may be amended, modified, extended, renewed, supplemented or restated from time to time.

“**Obligations**” means, as the context requires, the duties and obligations of Borrower and/or Guarantor under the Loan Documents from time to time, including without limitation, any and all obligations, contingent or otherwise, whether now existing or hereafter arising, of Borrower to Lender arising under or in connection with Swap Agreements.

“**Occupational Safety and Health Law**” means the Occupational Safety and Health Act of 1970, as amended, and any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning employee health and/or safety.

“**Other Loans**” means any loan, financing arrangement or extension of credit to Borrower or its Subsidiaries, including, without limitation, Guarantor, from Lender, any Affiliate of Lender, or from Chase or J.P. Morgan Chase & Co. or any of their Affiliates.

“**Payment Date**” means the first (1st) day of each calendar month after the Closing Date.

“**PBGC**” means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

“**Permitted Exceptions**” means the following: (a) the sale, transfer, or other disposition of any Collateral that is (i) consumed or worn out in ordinary usage and that is promptly replaced with similar items of equal or greater value or (ii) sold in the ordinary course of business; (b) the Loan Documents; (c) purchase money liens on items of the Collateral; (d) Liens or Encumbrances granted to Chase or Collateral Agent pursuant to the Chase Loan Documents in respect of which Lender or Collateral Agent shares or is otherwise granted a first priority security interest with Chase on *pari passu* basis pursuant to and as set forth in the Intercreditor Agreement; (e) Liens and Encumbrances against Borrower or Guarantor set forth on **Schedule 5.6** in effect on the Closing Date; (f) covenants, restrictions, rights, rights-of-way, easements and minor irregularities and encumbrances in title which do not materially interfere with the business or operations of Borrower or Guarantor as presently conducted; (g) Liens and Encumbrances arising by statute in connection with worker’s compensation and unemployment insurance (other than Liens and Encumbrances arising under ERISA), good faith cash deposits in connection with tenders, contracts or leases to which Borrower or Guarantor is a party or other cash deposits required to be made in the ordinary course of business (provided in each case that the obligation is not for borrowed money and that the obligation secured is not overdue or, if overdue, is being contested in good faith); (h) mechanics’, workmen’s, materialmen’s, landlords’, carriers’ or other similar Liens and Encumbrances arising in the ordinary course of Borrower’s or Guarantor’s business with respect to obligations which are not due or which are being contested in good faith; (i) the pledge of assets for the purpose of securing an appeal, stay or discharge in the course of any legal proceeding, provided that the aggregate amount of liabilities of Borrower and Guarantor secured by a pledge of Collateral, including interest and penalties thereon, if any, shall not be in excess of \$2,000,000 at any one time outstanding; and (j) any interest or title of a lessor under any operating lease to Borrower or Guarantor.

“**Person**” means any natural person, any unincorporated association, any corporation, any partnership, any joint venture, any limited liability company, any trust, any other legal entity, or any Governmental Authority.

“**Pledged Securities**” means all of the shares of the common stock of Guarantor (other than Services and Marketing) owned and pledged by Borrower, together with all dividends therefrom (whether in cash or in equity securities), all stock splits or reissuances thereof, all distributions thereon or in respect thereof, all rights with respect thereto, including voting and appraisal rights, all investments thereof, interest thereon and proceeds thereof, all securities, cash or other assets in replacement thereof.

“**Quarterly Payment Date**” means the last day of each of March, June, September and December of each calendar year until the Maturity Date, unless any such day is not a Business Day, in which case the Quarterly Payment Date shall be the next succeeding Business Day.

“**Reimbursement Obligations**” shall have the meaning given in **Section 3.2(a)**.

“**Reportable Event**” has the meaning given to such term in ERISA, but shall not include any event for which the thirty (30) day reporting requirement has been waived by the PBGC.

“**Request for Advance**” means a completed, written Request for Advance and Pledge in form and substance satisfactory to Lender, which shall be in substantially the form attached hereto as **Exhibit B** from Borrower to Lender requesting an Advance from Lender, together with such other documents and information as Lender may require from time to time in accordance herewith.

“**Requirements of Law**” means (a) the organizational documents of an entity and (b) any law, regulation, ordinance, code, decree, treaty, ruling or determination of an arbitrator, court or other Governmental Authority, or any Executive Order issued by the President of the United States, in each case applicable to or binding upon such Person or to which such Person, any of its property or the conduct of its business is subject.

“**Security Agreement**” means that certain Security Agreement of even date herewith by and between Borrower and Guarantor, as debtor, and Collateral Agent, as secured party, with respect to all of the assets of Borrower and Guarantor.

“**Stock Pledge Agreement**” means that certain Pledge and Security Agreement of even date herewith by and between Borrower, as pledgor, and Collateral Agent, pledging all of the shares of each Guarantor other than Services and Marketing.

“**Subsidiary**” means, with respect to any Person (the “**parent**”) at any date, any corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise controlled, directly or indirectly, by the parent or one or more subsidiaries of the parent. As used in this definition, “**control**” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise.

“**Swap Agreement**” means any interest rate swap, cap, collar, foreign exchange, or similar hedging agreement between Lender or its Affiliate and Borrower.

“**Transfer**” means (a) the granting of any Lien or Encumbrance on the Collateral or any part thereof to any Person, except the security interests in favor of Lender or Collateral Agent, the Permitted Exceptions and other matters which have been approved in writing by Lender; (b) any sale, transfer, conveyance, lease or vesting of the Collateral or any part thereof or interest therein to or in any Person, whether voluntary, involuntary, by operation of law, or otherwise, except the Permitted Exceptions, which would result in a Material Adverse Change (without taking into consideration subsections (iii) and (iv) of the definition of Material Adverse Change); (c) any Change of Control; or (d) the execution of any agreements to do any of the foregoing, except the Permitted Exceptions.

“**Unused Commitment Fee**” means, with respect to each calendar quarter (or portion thereof) during the term of the Loan, an amount equal to (i) the Loan Amount *minus* (ii) the Average Quarterly Outstanding Balance for such calendar quarter (or portion thereof) with respect to which the Unused Commitment is being computed, with the resulting number being *multiplied* by ONE QUARTER OF ONE PERCENT (0.25%) per annum (i.e., 0.0625% per quarter). If the Unused Commitment Fee is being computed for less than a full calendar quarter, the percentage used in the preceding sentence will be computed on a daily basis for the number of days for which the fee is being computed.

“**Zions Account**” means an account established by Borrower with Lender into which Lender and Chase shall advance proceeds of the Loan and the Chase Loan, respectively.

1.2 **Interpretation.** Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

(a) **Number; Inclusion.** References to the plural include the singular, the plural, the part and the whole; “or” has the inclusive meaning represented by the phrase “and/or”; and “including” has the meaning represented by the phrase “including without limitation”.

(b) **Documents Taken as a Whole.** The words “hereof,” “herein,” “hereunder,” “hereto” and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document.

(c) **Headings.** The section and other headings contained in this Agreement or the other Loan Documents and the Table of Contents (if any) preceding this Agreement or the other Loan Documents are for reference purposes only and shall not control or affect the construction of this Agreement or the other Loan Documents or the interpretation thereof in any respect.

(d) **Implied References to This Agreement.** Article, section, subsection, clause, schedule and exhibit references are to this Agreement unless otherwise specified.

(e) **Persons.** Reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or the other Loan Documents, as the case may be.

(f) **Modifications to Documents.** Reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated.

1.3 **Accounting Terms.** For purposes of this Agreement, all accounting terms not otherwise defined herein or in the Recitals shall have the meanings assigned to them in conformity with generally accepted accounting practices and principles (“**GAAP**”), consistently applied. In the event that GAAP changes during the term of this Agreement such that the covenants contained in **Section 6.8** would then be calculated in a different manner or with different components, (a) Borrower and Lender agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating the Consolidated Entities’ financial condition to substantially the same criteria as were effective prior to such change in GAAP and (b) the Consolidated Entities shall be deemed to be in compliance with the covenants contained in **Section 6.8** following any such change in GAAP if and to the extent that the Consolidated Entities would have been (and would continue to be) in compliance therewith under GAAP as in effect immediately prior to such change.

1.4 **Actions by Lender.** Unless otherwise expressly provided in this Agreement, all determinations, consents, approvals, disapprovals, calculations, requirements, requests, acts, actions, elections, selections, opinions, judgments, options, exercise of rights, remedies or indemnities, satisfaction of conditions or other decisions of or to be made by Lender under this Agreement or any of the other Loan Documents shall be made in the reasonable discretion of Lender. Any reference to Lender’s “sole and absolute discretion” or similar phrases has the meaning represented by the phrase “sole and absolute discretion, acting in good faith”.

1.5 **Knowledge of Borrower.** As used herein and in any other Loan Document, the phrase “to the knowledge of Borrower;” “to the knowledge of Guarantor” or such similar phrases shall mean to the actual, conscious knowledge of Borrower’s Chief Executive Officer, Chief Financial Officer or Treasurer.

ARTICLE 2

THE LOAN

2.1 **Agreement to Lend and Borrow.**

(a) **Agreement to Lend and Borrow.** Subject to the terms and conditions of this Agreement and the other Loan Documents, Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender from time to time prior to the Maturity Date, Advances of the proceeds of the Loan up to the Loan Amount. Lender’s commitment to make Advances shall be decreased at the same time and in the same amount as the aggregate stated amount of any outstanding Letters of Credit.

(b) **Revolving Nature of Loan.** Prior to the Maturity Date, the Loan Amount may be drawn, repaid, and drawn again, on a revolving basis, in unlimited repetition so long as (i) the aggregate of all outstanding Advances does not exceed, at any time, the Loan Amount, and (ii) no Event of Default has occurred and is continuing. Although the outstanding principal balance of the Note may be zero from time to time, the Loan Documents will remain in full force and effect until the Maturity Date or all obligations of Borrower or Guarantor relating to the Loan are indefeasibly paid and performed in full, whichever is later. Borrower shall have the right to terminate the Loan upon Borrower’s specific written direction and attendant payment in full to Lender of all Obligations with respect to the Loan, including, without limitation, the Early Termination Fee. Upon the occurrence and during the continuance of any Event of Default, Lender may suspend or terminate its commitment to make Advances of the proceeds of the Loan without notice to Borrower or further act on the part of Lender.

(c) Use of Proceeds. The proceeds of the Loan may be used by Borrower for its general working capital purposes or other Borrower purposes and to repurchase shares of Borrower's preferred and common stock.

2.2 Procedures for Advances.

(a) Requests for Advances. Each request for an Advance shall be in writing and in the form of a Request for Advance. Lender, at its option, may set a cutoff time, after which all requests for Advances will be treated as having been requested on the next succeeding Business Day. In addition to complying with the other requirements of this Agreement, each Request for Advance shall specify the date (which shall be a Business Day) and the amount of the requested Advance.

(b) Timing of Disbursement of Advances. Provided the conditions for the making of Advances contained herein are satisfied, Lender shall disburse each Advance no later than the first Business Day following the date of the receipt by Lender of a valid Request for Advance. Upon acceptance of a Request for Advance made hereunder, Lender will make the amount of each Advance available to Borrower by depositing immediately available funds into the Zions Account designated by Borrower in the Request for Advance.

(c) Authorized Persons. The persons initially authorized to request Advances are all Authorized Representatives of Borrower. At Lender's request, Borrower shall provide Lender with documentation satisfactory to Lender indicating the names of those employees of Borrower authorized by Borrower to sign a Request for Advance and other documents, and Lender shall be entitled to rely upon such documentation until notified in writing by Borrower of any change(s) in the names of the employees so authorized.

2.3 Conditions Precedent to Advances. The obligation of Lender to make Advances is subject to the fulfillment, to the satisfaction of Lender in its sole and absolute discretion, of each of the following conditions; *provided, however*, that Lender, in its sole and absolute discretion, may waive any of the following conditions:

- (a) Lender shall have received a Request for Advance pursuant to **Section 2.2**;
- (b) No Event of Default shall exist and be continuing or shall result from such Advance;
- (c) The amount of the requested Advance, together with the amount of all prior Advances then outstanding and the aggregate stated amount of all Letters of Credit then outstanding, shall not exceed the Loan Amount;
- (d) The representations and warranties made by Borrower contained herein and in the other Loan Documents shall be true and correct in all material respects on and as of the date of such Advance with the same effect as if made on and as of the date of such Advance (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date); and
- (e) Borrower shall have provided such additional information and documents as Lender may reasonably request.

Each Request for Advance submitted by Borrower hereunder shall constitute a representation and warranty by Borrower hereunder, as of the date of each such request and as of the date of each Advance, that the conditions in this **Section 2.3** are satisfied.

2.4 Evidence of Indebtedness. The Loan shall be evidenced by the Note. Disbursements of the Loan shall be charged and funded under the Note. If there is any inconsistency between the Note and this Agreement, the provisions of this Agreement shall prevail.

2.5 Interest.

(a) Rate. The advanced and unpaid balance of the Loan shall bear interest at the Interest Rate in effect from time to time. Each change in the Interest Rate will become effective for each Interest Period, without notice, on the date set forth in the definition of the term LIBO Rate set forth herein.

(b) Default Interest Rate. Upon the occurrence and during the continuance of an Event of Default hereunder or under any of the Loan Documents, at the option of Lender, the outstanding and unpaid principal balance of the Loan shall bear interest, payable on demand, at a rate per annum equal to the Default Interest Rate. Lender may also, at its option, from time to time, add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Agreement (including at the Default Interest Rate, as and when applicable). The application of the Default Interest Rate shall not be interpreted or deemed to extend any cure period set forth in this Agreement, or otherwise to limit any of Lender's remedies under this Agreement or any of the other Loan Documents.

(c) Effective Rate. Borrower agrees to pay an effective rate of interest that is the sum of (i) the interest rate provided in this Agreement and (ii) any additional rate of interest resulting from any other charges or fees paid or to be paid in connection herewith that are determined to be interest or in the nature of interest. Any other provision of this Agreement or any of the other Loan Documents to the contrary notwithstanding, Lender and Borrower agree that none of the terms and provisions contained herein or in any of the Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the Requirements of Laws of the State of Utah. In such event, if any holder of the Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on the Note to a rate in excess of the maximum rate permitted to be charged by applicable Requirements of Law, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of the holder, be credited to the payment of other amounts payable under the Loan Documents or returned to Borrower.

(d) Computation of Interest. Interest shall be computed by applying the ratio of the annual Interest Rate over a year of three hundred sixty (360) days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding.

2.6 Payment of Principal and Interest; Application of Payments.

(a) Payments of Interest. Commencing on the Payment Date occurring in May, 2007, and continuing on each monthly Payment Date thereafter, installments of all accrued and outstanding interest shall be due and payable by Borrower to Lender.

(b) Payment at Maturity. The outstanding principal balance of the Loan, together with all unpaid accrued interest thereon, and all other amounts payable by Borrower with respect to the Note or pursuant to the terms of any other Loan Documents, shall be due and payable on the Maturity Date in lawful money of the United States of America.

(c) Early Termination. Borrower shall have the right to terminate the Loan at any time prior to the Maturity Date by (i) giving written notice of its intent to do so to Lender; (ii) paying the outstanding principal balance of the Loan, together with all unpaid accrued interest thereon, and all other amounts payable by Borrower with respect to the Note or pursuant to the terms of any other Loan Documents; and (iii) paying the Early Termination Fee.

(d) Application of Payments. Unless otherwise agreed to in writing or otherwise required by applicable Requirements of Law, payments will be applied first to accrued, unpaid interest, then to any unpaid collection costs, late charges and other charges, and any remaining amount to principal; *provided, however*, upon the

occurrence and during the continuance of an Event of Default, Lender reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its sole and absolute discretion.

(e) **No Deductions.** All payments of principal or interest hereunder or under the Note shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Borrower, and (ii) without any other set off. Borrower will pay the amounts necessary such that the gross amount of the principal and interest received by Lender is not less than that required hereby and by the Note.

(f) **Late Charges.** If any payment of interest or principal required pursuant to any provision of this Agreement is not received by Lender within ten (10) days after its due date, then, in addition to the other rights and remedies of Lender pursuant to this Agreement and the other Loan Documents, Borrower will be charged five percent (5.0%) of the regularly scheduled payment or Twenty-Five and No/100 Dollars (\$25.00), whichever is greater, up to the maximum amount of One Thousand Five Hundred and No/100 Dollars (\$1,500.00) per late charge. Such late charge will be immediately due and payable and is in addition to any other costs, fees, and expenses that Borrower may owe as a result of such late payment.

2.7 **Manner and Time of Payment.** All amounts payable by Borrower on or with respect to the Loan, or pursuant to the terms of any other Loan Documents, shall be paid without condition or reservation of right, in lawful money of the United States of America at 80 West Broadway, Suite 200, Salt Lake City, Utah 84101, or at such other place as Lender may from time to time designate in writing, not later than 1:00 p.m. (Utah time), in same day funds, on the date due, and to such account of Lender as Lender may designate; funds received by Lender after that time shall be deemed to have been paid on the next succeeding Business Day. If any payment would otherwise be due on a day which is not a Business Day, the payment instead shall be due on the next succeeding Business Day and such extension of time shall be included in computing the interest due in respect of said payment.

2.8 **Guaranty.** Payment of the Note and performance of Borrower's obligations hereunder shall be unconditionally guaranteed by Guarantor pursuant to the Guaranty and secured by, among other things, the Security Agreement, which shall be a first priority security interest in and to all of the personal property assets of Borrower and Guarantor, as more fully described in the Security Agreement, subject to Permitted Exceptions.

2.9 **Security.** Payment of the Note shall be secured by and/or guaranteed by, among other things, the following:

- (a) the Guaranty;
- (b) the Security Agreement, which shall secure the Obligations and the Guaranty and be a first priority security interest in and to all of the personal property assets of Borrower and Guarantor, as more fully described in the Security Agreement, subject to Permitted Exceptions;
- (c) the Stock Pledge Agreement, which shall secure the Obligations and be a first priority security interest in and to the Pledged Securities, subject to Permitted Exceptions; and
- (d) the Account Control Agreement, which shall secure the Obligations and the Guaranty and perfect the security interest given to Collateral Agent in and to all of Borrower's and Guarantor's deposit accounts maintained with Zions.

2.10 **Fees and Expenses.**

(a) **Unused Commitment Fee.** During the term hereof, Borrower shall pay to Lender the applicable Unused Commitment Fee on each Quarterly Payment Date. The Unused Commitment Fee shall be calculated on a quarterly basis and payable quarterly in arrears for the calendar quarter or portion thereof throughout the term of the Loan and on the Maturity Date.

(b) **Early Termination Fee.** As set forth in Section 2.6(c) above, Borrower shall pay to Lender the Early Termination Fee in the event Borrower elects to terminate the Loan prior to the Maturity Date.

(c) **Additional Provisions Regarding Fees.** The fees described in this **Section 2.10** shall be payable in addition to, and not in lieu of, interest, expense reimbursements, indemnification and other Obligations. Borrower acknowledges that all fees and other amounts described in this **Section 2.10** have been fully earned by Lender at the time of payment and are non-refundable to Borrower in the event this Agreement is terminated or expires as provided herein. All fees specified or referred to in this Agreement shall bear interest, if not paid when due, at the Default Interest Rate. Borrower hereby authorizes Lender, at its sole option and direction, without prior notice to Borrower, to advance any of the fees provided for in this **Section 2.10** if not paid within ten (10) days of when due.

ARTICLE 3

LETTERS OF CREDIT

3.1 **Issuance of Letters of Credit.** Subject to the terms and conditions of this Agreement and the policies, procedures, and requirements of Lender for issuance of Letters of Credit in effect from time to time, and pursuant to one or more letter of credit agreements between Lender and Borrower, Lender agrees to issue, from time to time on or before the Maturity Date, Letters of Credit upon request by and for the account of Borrower. Letters of Credit (i) may expire after the Maturity Date if they are secured by cash collateral received by Lender no later than the Maturity Date; and (ii) will not exceed, in the aggregate stated amount outstanding at any time, the lesser of (A) Letter of Credit Limit or (B) the difference between the Loan Amount and the then outstanding principal balance of the Loan. Each reference in this Agreement to "issue" or "issuance" or other forms of such words in relation to Letters of Credit will also include any extension or renewal of a Letter of Credit. Requests for the issuance of a Letter of Credit will be processed by Lender in accordance with its policies, procedures, and requirements then in effect. Upon the occurrence and during the continuance of an Event of Default, Lender may suspend or terminate its agreement to issue Letters of Credit hereunder.

3.2 **Assumption of Risk and Liability.** Borrower hereby assumes all risk of the acts or omissions of any holder of a Letter of Credit, and any beneficiary or transferee of a Letter of Credit with respect to its use of a Letter of Credit. Neither Lender nor any of its employees, officers, directors, agents or representatives shall be liable or responsible for:

- (a) the use which may be made of a Letter of Credit or for any acts or omissions of Lender in connection therewith;
- (b) the validity, sufficiency or genuineness of documents, or of any endorsements thereon, whether submitted in connection with a drawing under a Letter of Credit, or otherwise, even if such documents or endorsements should in fact prove to be in any or all respects invalid, insufficient, fraudulent, forged, inaccurate or untrue;
- (c) payment by Lender against presentation of documents which do not strictly comply with the terms of a Letter of Credit, including failure of any such documents to bear reference or adequate reference to a Letter of Credit or the failure of any holder or beneficiary of a Letter of Credit to comply fully with conditions required in order to obtain honor of a drawing under a Letter of Credit;
- (d) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign a Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

- or otherwise;
- (e) omissions, interruptions, losses or delays in transmission or delivery of any messages by mail, cable, telegraph, telex, telephone, facsimile transmission
 - (f) any loss or delay in the transmission of any document or draft required in order to make a drawing under a Letter of Credit; or
 - (g) any other circumstances whatsoever in making or failing to make payment under a Letter of Credit.

ARTICLE 4

LOAN CLOSING; INITIAL ADVANCE

4.1 Conditions Precedent. Lender's obligation to close the Loan and to disburse the initial Advance and to perform the remainder of its obligations under this Agreement are expressly conditioned upon the receipt and approval by Lender, in its sole and absolute discretion, of each of the following items and the satisfaction by Borrower of the following conditions on or before the Closing Date unless otherwise waived by Lender in its sole and absolute discretion:

- (a) Borrower's payment of all fees and costs payable under this Agreement;
- (b) Receipt, review and approval by Lender of copies of the Borrower Operating Documents and the Guarantor Operating Documents;
- (c) The representations and warranties of Borrower and/or Guarantor in **Article 5** and elsewhere in the Loan Documents shall be true and correct in all material respects;
- (d) No Event of Default shall exist and be continuing;
- (e) Receipt, review and approval by Lender, in its sole discretion, of such financial statements and tax returns for Borrower and/or Guarantor as Lender may require;
- (f) A determination by Lender that the Collateral provides an adequate loan-to-value coverage ratio for the Loan and all Other Loans which are secured by the Collateral;
- (g) The original certificates representing the Pledged Securities, together with blank transfer powers in form and substance acceptable to Lender shall have been delivered to Lender;
- (h) Receipt, review and approval by Lender of the policies of insurance required under **Article 6** hereof;
- (i) Borrower's delivery to Lender of the following documents, in form and content satisfactory to Lender, duly executed (and acknowledged where necessary) by the appropriate parties thereto:
 - (i) This Agreement;
 - (ii) The Note;
 - (iii) The Guaranty;
 - (iv) The Security Agreement;
 - (v) The Stock Pledge Agreement;
 - (vi) The original certificates representing the Pledged Securities;
 - (vii) Blank stock transfer powers executed by the holders of all Pledged Securities in favor of Collateral Agent;
 - (viii) An acknowledgement and consent to the pledge of the Pledged Securities pursuant to the Stock Pledge Agreement from each issuer of the Pledged Securities;
 - (ix) The Account Control Agreement;
 - (x) The Financing Statements, which shall be duly filed with the Utah Department of Commerce, Division of Corporations and Commercial Code;
 - (xi) A closing certificate from Borrower and each Guarantor;
 - (xii) Resolutions of the directors, members, managers, or partners of Borrower and Guarantor, as applicable, approving the Loan Documents and the Guarantor Loan Documents;
 - (xiii) An opinion of legal counsel to Borrower and Guarantor;
 - (xiv) True and correct copies of the Chase Loan Documents;
 - (xv) The Intercreditor Agreement; and
 - (xvi) Such other documents that Lender may require in its sole and absolute discretion.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

5.1 **Consideration.** As an inducement to Lender to execute this Agreement and to disburse the proceeds of the Loan, Borrower represents and warrants to Lender that the following statements set forth in this **Article 5** are true, correct and complete as of the date hereof and will be true, correct and complete as of the Closing Date.

5.2 **Organization, Powers, Good Standing and Subsidiaries.**

(a) **Organization and Powers.** Each of Borrower and Guarantor is either a corporation, a limited liability company, or a limited partnership duly organized and validly existing under the laws of the State of Utah. Borrower and Guarantor have all requisite power and authority, rights and franchises to own and operate their properties, to carry on their businesses as now conducted and as proposed to be conducted, and to enter into and perform this Agreement and the other Loan Documents. The address of Borrower's chief executive office and principal place of business is 2200 West Parkway Blvd., Salt Lake City, Utah 84119.

(b) **Good Standing.** Borrower and Guarantor have made all filings and each is in good standing in the State of Utah, and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary or where failure to make such filings would result in a Material Adverse Change.

(c) **Organizational Identification Number.** The organizational identification number of Borrower and each Guarantor, as defined and contemplated by the Utah Uniform Commercial Code, is as set forth in the Financing Statement.

(d) **Subsidiaries.** **Schedule 5.2(d)** attached hereto sets forth a complete list of Borrower and each of its Subsidiaries, including the percentage of voting stock in each Subsidiary owned, directly or indirectly, by Borrower.

5.3 **Authorization of Loan Documents.**

(a) **Authorization.** The execution, delivery and performance of the Loan Documents (to which Borrower or Guarantor, respectively, is a party) by (i) Borrower are within Borrower's corporate powers and have been duly authorized by all necessary action by Borrower and its directors and shareholders; and (ii) Guarantor are within Guarantor's corporate, limited liability company or partnership powers and have been duly authorized by all necessary action by Guarantor and its directors, shareholders, members, managers and partners, as applicable.

(b) **No Conflict.** The execution, delivery and performance of the Loan Documents by Borrower will not violate (i) the Borrower Operating Documents; (ii) any legal requirement affecting Borrower or any of its properties except where a violation of such requirement would not result in a Material Adverse Change; or (iii) any agreement to which Borrower is bound or to which it is a party, except where a violation of any such agreement would not result in a Material Adverse Change, and will not result in or require the creation (except as provided in or contemplated by this Agreement) of any Lien or Encumbrance upon any of such properties. The execution, delivery and performance of the Guarantor Loan Documents by Guarantor will not violate (1) any provision of the Guarantor Operating Documents; (2) any legal requirement affecting Guarantor or any of Guarantor's respective properties except where a violation of such requirement would not result in a Material Adverse Change; or (3) any agreement to which Guarantor is bound or to which Guarantor is a party, except where a violation of any such agreement would not result in a Material Adverse Change, and will not result in or require the creation (except as provided in or contemplated by this Agreement) of any Lien or Encumbrance upon any of such properties.

(c) **Governmental and Private Approvals.** All governmental or regulatory orders, consents, permits, authorizations and approvals required for the present use and operation of the Borrower's business and the Collateral have been obtained and are in full force and effect, except where failure to obtain such orders, consents, permits, authorizations or approvals would not result in a Material Adverse Change. To the knowledge of Borrower, no additional governmental or regulatory actions, filings or registrations with respect to the Borrower's business and the Collateral, and no approvals, authorizations or consents of any trustee or holder of any Indebtedness or obligation of Borrower or Guarantor are required for the due execution, delivery and performance by Borrower or Guarantor of their respective duties and obligations under the Loan Documents or the Guarantor Loan Documents.

(d) **Binding Obligations.** This Agreement and the other Loan Documents have been duly executed by Borrower, and are legally valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Requirements of Laws affecting creditors' rights generally and by general principles of equity. The Guarantor Loan Documents have been duly executed by Guarantor, and are the legally valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Requirements of Laws affecting creditors' rights generally and by general principles of equity.

5.4 **No Material Defaults.** There exists no material violation of or material default by Borrower and, to the knowledge of Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default, which in each case, would result in a Material Adverse Change, with respect to the terms of (a) any instrument evidencing or securing any Indebtedness of Borrower or Guarantor, (b) any instrument evidencing or securing any Indebtedness secured by the Collateral, (c) any agreement affecting the Collateral, (d) any license, permit, statute, ordinance, Requirements of Law, judgment, order, writ, injunction, decree, rule, or regulation of any Governmental Authority, or any determination or award of any arbitrator, to which Borrower, Guarantor or the Collateral is a party or may be bound, or (e) any document, instrument, or agreement by which Borrower, or any of its properties, is bound and, with respect to this clause (e), (i) which involves any Loan Document, (ii) which involves the Collateral and is not adequately covered by insurance, (iii) which might materially and adversely affect the ability of Borrower or Guarantor to perform its respective obligations under any of the Loan Documents or any other material document, instrument, or agreement to which it is a party, or (iv) which, subject to the Permitted Exceptions, might adversely affect the first priority of the liens created by this Agreement, the Security Agreement or any of the other Loan Documents.

5.5 **Litigation; Adverse Facts.** Except as disclosed on **Schedule 5.5** attached hereto, there is no action, suit, investigation, proceeding, or arbitration (whether or not purportedly on behalf of Borrower or Guarantor) at law or in equity or before or by any foreign or domestic court or other governmental entity (a "**Legal Action**"), pending or, to the knowledge of Borrower, threatened in writing against or affecting the Collateral, Borrower or Guarantor, individually or in the aggregate in excess of \$500,000, which would result in any Material Adverse Change. Neither Borrower nor Guarantor is (a) in violation of any applicable Requirements of Law which violation would result in a Material Adverse Change, (b) subject to, or in default with respect to, any other legal requirement that would result in a Material Adverse Change, or (c) in default with respect to any agreement to which Borrower or Guarantor is a party or to which either is bound where such default would result in a Material Adverse Change. There is no Legal Action pending or, to the knowledge of Borrower or Guarantor, threatened in writing against or affecting Borrower or Guarantor questioning the validity or the enforceability of this Agreement or any of the other Loan Documents.

5.6 **Title to Properties; Liens.** Each of Borrower and Guarantor has good, sufficient, and legal title to the Collateral and all other properties and assets reflected in its most recent balance sheet delivered to Lender, except (a) for assets disposed of in the ordinary course of business since the date of such balance sheet, (b) for Permitted Exceptions and (c) where failure to have such title would not result in a Material Adverse Change. Borrower and/or Guarantor, as applicable, is the sole owner of the Collateral, and the Collateral is free from any adverse Lien or Encumbrance, security interest, or encumbrance of any kind whatsoever, excepting only Liens or Encumbrances and security interests in favor of Lender or Collateral Agent, Permitted Exceptions and other matters which have been approved in writing by Lender in its sole and absolute discretion. All Liens and Encumbrances against Borrower or Guarantor in effect on the Closing Date (and which are included as Permitted Exceptions under clause (e) of the definition of Permitted Exceptions) are set forth on **Schedule 5.6** attached hereto.

5.7 **Disclosure.** To the knowledge of Borrower, there is no fact that would result in a Material Adverse Change which has not been disclosed in this Agreement or in other documents, certificates, and written statements furnished to Lender in connection herewith.

5.8 **Payment of Taxes.** All tax returns and reports of Borrower and Guarantor which are required to be filed by Borrower or Guarantor have been timely filed, and all taxes, assessments, fees, and other governmental charges upon Borrower or Guarantor, and upon their respective properties, assets, income, and franchises which are due and payable have been paid when due and payable, except, in each case, where failure to do so would not result in a Material Adverse Change. Borrower knows of no proposed tax assessment against it that

would result in a Material Adverse Change, and neither Borrower nor Guarantor has contracted with any government entity in connection with such taxes. To the knowledge of Borrower, all tax returns and reports of Guarantor required to be filed have been timely filed, and all taxes, assessments, fees, and other governmental charges upon Guarantor and upon its properties, assets, income, and franchises which are due and payable have been paid when due and payable, except, in each case, where failure to do so would not result in a Material Adverse Change.

5.9 Securities Activities. Neither Borrower nor Guarantor is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any margin stock (as defined within Regulations G, T, and U of the Board of Governors of the Federal Reserve System), and not more than twenty-five percent (25.0%) of the value of Borrower's and/or Guarantor's assets consists of such margin stock. No part of the Loan will be used to purchase or carry any margin stock or to extend credit to others for that purpose or for any other purpose that violates the provisions of Regulations U or X of said Board of Governors.

5.10 Government Regulations. Neither Borrower nor Guarantor is subject to regulation under the Investment Company Act of 1940, the Federal Power Act, the Public Utility Holding Company Act of 1935, or any other federal or state statute or regulation limiting its ability to incur Indebtedness for money borrowed.

5.11 Rights to Property Agreements, Permits, and Licenses. Borrower and/or Guarantor is the true owner of all rights in and to all existing agreements, permits, and licenses relating to the Collateral, and will be the true owner of all rights in and to all future agreements, permits, and licenses relating to the Collateral, except, in each case, where failure to be such an owner would not result in a Material Adverse Change. Borrower's and/or Guarantor's interest in all such agreements, permits, and licenses is not subject to any present claim (other than the Permitted Exceptions, under the Loan Documents or as otherwise approved by Lender in its sole and absolute discretion), set-off, or deduction, other than in the ordinary course of business, which would result in a Material Adverse Change.

5.12 Compliance with Laws. Borrower's and Guarantor's business does, and shall at all times, comply fully with all applicable Requirements of Law, except, in each case, where failure to comply would not result in a Material Adverse Change. The Collateral, and the uses to which the Collateral are and will be put, shall at all times comply fully with all applicable Requirements of Laws, except, in each case, where failure to comply would not result in a Material Adverse Change.

5.13 Financial Condition. The financial statements and all financial data previously delivered to Lender in connection with the Loan or relating to Borrower or Guarantor are true, correct, and complete in all material respects. Such financial statements comply with the requirements of this Agreement and fairly present the financial position of the parties who are the subject thereof as of the date thereof. No Material Adverse Change has occurred and, except for this Loan and the Permitted Exceptions, no borrowings have been made by Borrower or Guarantor since the date thereof which are secured by, or might give rise to, a Lien or Encumbrance, security interest, or claim against the Collateral or the proceeds of the Loan or the Other Loans.

5.14 Personal Property. Borrower and/or Guarantor is now, and shall continue to be, the sole owner of all personal property which constitutes a portion of the Collateral free from any adverse lien, security interest, or adverse claim of any kind whatsoever, except (a) Permitted Exceptions, (b) liens and security interests in favor of Lender or Collateral Agent, and (c) other matters which have been approved in writing by Lender in its sole and absolute discretion.

5.15 Other Loan Documents. Each of the representations and warranties of Borrower or Guarantor contained in any of the other Loan Documents, the Guarantor Loan Documents or the agreements, guaranties, documents, or instruments now or hereafter evidencing, guarantying or securing the Indebtedness of Borrower or Guarantor under the Other Loans, as such agreements, guaranties, documents, and instruments may be amended, modified, extended, renewed, or supplemented from time to time, is true and correct in all material respects. All of such representations and warranties are incorporated herein for the benefit of Lender.

5.16 Contracts; Labor Matters. Except as disclosed to Lender in writing (a) neither Borrower nor Guarantor is subject to any charge, corporate restriction, judgment, decree or order, which would result in a Material Adverse Change; (b) no labor contract to which Borrower or Guarantor is a party or is otherwise subject is scheduled to expire prior to the Maturity Date except to the extent that such expiration would not result in a Material Adverse Change; (c) neither Borrower nor Guarantor has, within the two-year period preceding the date of this Agreement, taken any action which would have constituted or resulted in a "plant closing" or "mass layoff" within the meaning of the Federal Worker Adjustment and Retraining Notification Act of 1988 or any similar applicable federal, state or local Requirements of Law, and on the date hereof Borrower and Guarantor have no reasonable expectation that any such action is or will be required at any time prior to the initial Maturity Date; and (d) on the date of this Agreement (i) neither Borrower nor Guarantor is a party to any material labor dispute and (ii) there are no strikes or walkouts relating to any labor contracts to which Borrower or Guarantor is a party or is otherwise subject.

5.17 ERISA. Each of Borrower and Guarantor is in compliance with ERISA in all material respects. No Reportable Event or Prohibited Transaction (as defined in ERISA) or termination of any Pension Plan has occurred and no written notice of termination has been filed with respect to any Pension Plan published or maintained by Borrower or Guarantor that is subject to ERISA. Neither Borrower nor Guarantor has incurred any material funding deficiency within the meaning of ERISA or any material liability to the PBGC in connection with any such plan established or maintained by Borrower or Guarantor. Neither Borrower nor Guarantor is a party to any Multiemployer Plan.

5.18 Pension and Welfare Plans. Each Pension Plan of Borrower or Guarantor complies in all material respects with all applicable statutes and governmental rules and regulations; no Reportable Event has occurred and is continuing with respect to any Pension Plan; neither Borrower nor Guarantor nor any ERISA Affiliate has withdrawn from any Multiemployer Plan in a "complete withdrawal" or a "partial withdrawal" as defined in Sections 4203 or 4205 of ERISA, respectively; no steps have been instituted by Borrower or Guarantor to terminate any Pension Plan; no contribution failure has occurred with respect to any Pension Plan sufficient to give rise to a Lien or Encumbrance under Section 302(f) of ERISA; no condition exists or event or transaction has occurred in connection with any Pension Plan or Multiemployer Plan which could reasonably be expected to result in the incurrence by Borrower or Guarantor or any ERISA Affiliate of any material liability, fine or penalty; and neither Borrower nor Guarantor nor any ERISA Affiliate is a "contributing sponsor" as defined in Section 4001(a)(13) of ERISA of a "single-employer plan" as defined in Section 4001(a)(15) of ERISA which has two or more contributing sponsors at least two of whom are not under common control. Neither Borrower nor Guarantor has any contingent liability with respect to any Welfare Plan which covers retired or terminated employees and their beneficiaries.

5.19 Occupational Safety and Health Matters. Except as disclosed to Lender in writing, Borrower and each property, operation and facility that Borrower may own, operate or control (a) complies in all respects with all applicable Occupational Safety and Health Laws, except to the extent the noncompliance would not result in a Material Adverse Change; (b) is not subject to any judicial or administrative proceeding alleging the violation of any Occupational Safety and Health Law; (c) has not received any written notice (i) that it may be in violation of any Occupational Safety and Health Law, (ii) threatening the commencement of any proceeding relating to allegedly unlawful, unsafe or unhealthy conditions, or (iii) alleging that it is or may be responsible for any response, cleanup, or corrective action, including but not limited to any remedial investigation/feasibility studies, under any Occupational Safety and Health Law; (d) to Borrower's knowledge, is not the subject of federal or state investigation evaluating whether any investigation, remedial action or other response is needed to respond to any allegedly unsafe or unhealthful condition; (e) has not filed any notice under or relating to any Occupational Safety and Health Law indicating or reporting any potentially unsafe or unhealthful condition, and there exists no basis for such notice irrespective of whether or not such notice was actually filed; and (f) has no contingent liability in connection with any unsafe or unhealthful condition.

5.20 Management Common Stock Loan Program. Schedule 5.20 attached hereto sets forth a description of Borrower's management common stock loan program.

ARTICLE 6

COVENANTS OF BORROWER

6.1 Consideration. As an inducement to Lender to execute this Agreement and to disburse the Loan Amount, Borrower hereby covenants as set forth in this Article 6, which covenants shall remain in effect so long as the Note shall remain unpaid, unless otherwise waived by Lender in its sole and absolute discretion.

6.2 No Encumbrances. Neither Borrower nor Guarantor will permit any Lien or Encumbrance to be made or filed against the Collateral, or any portion thereof, except for Permitted Exceptions, or permit any receiver, trustee, or assignee for the benefit of creditors to be appointed to take possession of the Collateral or any portion thereof.

6.3 Compliance with Laws. Borrower will comply and, to the extent Borrower is able, will cause Guarantor to comply with all Requirements of Laws and requirements of all Governmental Authorities having jurisdiction over Borrower, Guarantor or the Collateral, except to the extent that noncompliance would not result in a Material Adverse Change.

6.4 Lender Inspections. Upon reasonable prior notice, throughout the term of the Loan and during normal business hours, Borrower shall permit Lender or Collateral Agent and Lender's or Collateral Agent's representatives, inspectors, and consultants to enter upon the premises where any Collateral may be located and inspect the Collateral, to audit, examine, and copy all contracts, records (including, but not limited to, financial and accounting records pertaining to the Loan or the Collateral) which are kept at such premises or at Borrower's offices, and to discuss the affairs, finances, and accounts of Borrower with representatives of Borrower and, to the extent Borrower is able, will cause others to provide access to Lender or Collateral Agent and Lender's or Collateral Agent's representatives, inspectors, and consultants to audit, examine, and copy all contracts, books, documents and records.

6.5 Intentionally Omitted.

6.6 Ownership of Collateral. Borrower and/or Guarantor is and will be the sole owner of the Collateral (except as described in **Section 5.6**), whether acquired before or after the Closing Date, free from any adverse Lien or Encumbrance, security interest, or adverse claim of any kind whatsoever, except for Permitted Exceptions, security interests and Liens or Encumbrances in favor of the interest of a lessor pursuant to a lease of personal property approved by Lender and the Liens or Encumbrances and security interests approved by Lender pursuant to the Loan Documents.

6.7 Information and Statements. Borrower shall deliver to Lender the following:

(a) Annual Financial Statements. Within one hundred twenty (120) days of the end of its fiscal year, the complete consolidated financial statements of the Consolidated Entities, which shall consist of a balance sheet, statements of income, cash flow and retained earnings, and a schedule of contingent liabilities as of the end of such annual period, such financial statements to be audited by an independent certified public accountant of recognized standing acceptable to Lender in its reasonable discretion. Lender consents to the engagement of KPMG.

(b) Quarterly Financial Statements. Within sixty (60) days of the end of each fiscal quarter (other than the final quarter of a fiscal year), the complete consolidated financial statements of the Consolidated Entities which shall consist of a balance sheet, statements of income, cash flow and retained earnings, and a schedule of contingent liabilities as of the end of each such quarterly period, such financial statements to be certified as true and correct by the president or chief financial officer of Borrower.

(c) Other Information. As soon as reasonably practicable, but in any event within thirty (30) days after a request therefor, such information concerning Borrower, Guarantor, any Subsidiaries thereof and the assets, business, financial condition, operations, property, prospects, and results of operations of Borrower, Guarantor and any other Subsidiaries thereof as Lender reasonably requests from time to time.

(d) Covenant Compliance Information. Notwithstanding anything in this Agreement to the contrary, Borrower will be required to timely deliver, as soon as reasonably practicable, but in any event within fifteen (15) days after a request therefor from Lender, such financial information as may be necessary to promptly and accurately calculate any financial ratio or covenant required under this Agreement, even if such information is not specifically enumerated herein. Any review of any Borrower-prepared financial statements used to test any financial ratio or covenant will not waive Lender's rights to require further review or audit of such information or any rights if such further review or audit indicates financial information contrary to Borrower-prepared financial statements. Borrower agrees to deliver to Lender a Covenant Compliance Certificate at the same time as the delivery of the financial statements required pursuant to **Sections 6.7(a)** and **(b)**.

6.8 Financial Covenants. The Consolidated Entities shall not:

(a) Funded Debt to EBITDAR Ratio. Permit its ratio of (A) total liabilities, plus the net present value of payments under operating leases at a discount rate of seven percent (7%), but excluding (1) accounts arising from the purchase of goods and services in the ordinary course of business, (2) accrued expenses or losses, and (3) deferred revenues or gains, to (B) net income, plus amortization expense, depreciation expense, interest expense, income tax expense, and rents and operating lease payments, less extraordinary gains and losses (collectively, "EBITDAR"), for the twelve (12) month period then ending, to be greater than (x) 3.25 to 1.00 as of the end of the fiscal quarter of Borrower ending on March 3, 2007, (y) 3.00 to 1.00 as of the end of the fiscal quarter of Borrower ending on June 2, 2007, and (z) 2.75 to 1.00 as of the end of the fiscal quarter of Borrower ending on August 31, 2007 and each fiscal quarter thereafter.

(b) Fixed Charge Coverage Ratio. Permit its ratio of (A) net income before income tax expense, plus amortization expense, depreciation expense, interest expense, rent and operating lease payments, minus any distributions or dividends, for the twelve (12) month period then ending, to (B) prior period current maturities of long term debt and capital leases, interest expense, cash taxes paid, rent and operating lease payments, for the same such period, to be less than (x) 1.30 to 1.00 as of the end of the fiscal quarter of Borrower ending on March 3, 2007, (y) 1.35 to 1.00 as of the end of the fiscal quarter of Borrower ending on June 2, 2007, and (z) 1.50 to 1.00 as of the end of the fiscal quarter of Borrower ending on August 31, 2007 and each fiscal quarter thereafter.

(c) Capital Expenditures. Make Capital Expenditures, exclusive of curriculum development costs, in excess of (i) \$11,000,000.00 for Borrower's fiscal year ending on August 31, 2007 and (ii) \$8,000,000.00 for each fiscal year of Borrower thereafter.

(d) Minimum Net Worth. Permit its Net Worth to be less than ONE HUNDRED THIRTY-THREE MILLION AND NO/100 DOLLARS (\$133,000,000.00); provided, however, the Consolidated Entities' Net Worth may be less than such amount if Lender determines that the Consolidated Entities' Net Worth has decreased to an amount less than \$133,000,000.00 as a result of Borrower's purchase of its outstanding common or preferred stock. As used in this **Section 6.8(d)**, the term "Net Worth" means the Consolidated Entities' total assets less total liabilities, in each case as determined in accordance with GAAP.

Such covenant or any computations required to determine or test compliance with such covenant may be made by Lender at any time or times and in its sole and absolute discretion based on information available to Lender.

6.9 Representations and Warranties. Until repayment of the Note and all other obligations secured by the Security Agreement, the representations and warranties of **Article 5** shall remain true and complete in all material respects.

6.10 Trade Names. Borrower and Guarantor shall promptly notify Lender in writing of any change in the legal, trade, or fictitious business names used by Borrower or Guarantor, or a change in the state of formation of Borrower or Guarantor, and shall, upon Lender's request, authorize the preparation and filing of any additional financing statements and/or execute or cause to be executed any other certificates or documents necessary to reflect the change in legal, trade, or fictitious business names, or a change in state of formation.

6.11 Intentionally Omitted.

6.12 Notice of Litigation, Material Adverse Change or Event of Default. Borrower will give, or cause to be given, prompt written notice to Lender of (a) any action or proceeding which is instituted by or against Borrower or Guarantor in any federal or state court, or before any commission or other regulatory body, federal, state or local, foreign or domestic, or any such proceedings which are threatened in writing against Borrower or Guarantor which, if adversely determined, would result in a Material Adverse Change, (b) any other action, event, or condition of any nature which would result in a Material Adverse Change, and (c) any actions, proceedings, or written notices adversely affecting the Collateral, or Lender's or Collateral Agent's interest therein, except to the extent any such action, proceeding or notice would not result in a Material Adverse Change, and (d) the occurrence of an Event of Default.

- 6.13 Intentionally Omitted.
- 6.14 Maintenance of Business. Borrower and Guarantor shall maintain and preserve all rights and franchises material to their respective businesses.
- 6.15 Material Agreements. Unless such actions would not result in a Material Adverse Change, Borrower shall not make, consent to, or permit any alteration, amendment, modification, release, waiver or termination of any material agreement to which it is a party without the prior written consent of Lender, which consent will not be unreasonably withheld or delayed.
- 6.16 Right of Entry. Lender or Collateral Agent shall have the right, upon reasonable prior notice, to enter upon any portion of the premises where any Collateral may be located to verify compliance with the Loan Documents.
- 6.17 Transfer of Assets. Unless such action would result in a Material Adverse Change (without taking into consideration subsections (iii) and (iv) of the definition of Material Adverse Change), Borrower and Guarantor may sell, convey, transfer, assign or dispose of any properties or assets, or any right, title or interest therein, or any part thereof, or enter into any lease covering all or any portion thereof or an undivided interest therein, either voluntarily, involuntarily, or otherwise; *provided, however*, that neither Borrower nor Guarantor shall sell, transfer, lease, or otherwise dispose of all or any substantial part of the assets, business, operations, or property of Borrower or Guarantor, other than such a sale, transfer, lease or disposition to Borrower or another Guarantor.
- 6.18 Dividends and Other Distributions. The Consolidated Entities may directly or indirectly declare or pay dividends to its shareholders, members, partners or others on or on account of any shares, membership interests, partnership interests or other securities of any of the Consolidated Entities, so long as no Event of Default has occurred and is continuing or would occur as a result of such declaration or payment.
- 6.19 Change of Control. Without the prior written consent of Lender, which consent will not be unreasonably withheld or delayed, Borrower and Guarantor shall not cause, permit or suffer any Change of Control to occur.
- 6.20 Loans, Investments, Guaranties, Subordinations. From and after the date hereof, unless an Event of Default has occurred and is continuing or would occur as a result of such action, and provided that at any time the amounts involved do not exceed \$1,000,000 in any individual case or \$5,000,000 in the aggregate, the Consolidated Entities may, directly or indirectly (a) make loans or advances to other Persons, (b) purchase or otherwise acquire capital stock or other securities of other Persons, limited liability company interests or partnership interests in other Persons, or warrants or other options or rights to acquire capital stock or securities of other Persons or limited liability company interests or partnership interests in other Persons, (c) make capital contributions to other Persons, (d) otherwise invest in or acquire interests in other Persons, (e) guaranty or otherwise become obligated in respect of Indebtedness of other Persons, (f) subordinate claims against, or obligations of other Persons to, the Consolidated Entities to any other indebtedness of such Person, or (g) incur Indebtedness; *provided, however*, that, for the avoidance of doubt, (1) if an Event of Default has occurred and is continuing or would occur as a result of the taking of any of the foregoing actions, or if the amounts involved exceed the caps specified in this Section, the Consolidated Entities may not do or take any of the actions listed in this Section without the prior written consent of Lender and (2) (A) the line of credit in the maximum principal amount of £100,000.00 incurred by Franklin Covey Europe, Ltd., (B) the line of credit in the maximum principal amount of CAN\$500,000.00 incurred by Franklin Covey Canada, Ltd., and (C) the mortgage loan in the maximum principal amount of CAN\$895,253.00 incurred by Franklin Covey Canada, Ltd., in each case incurred prior to and outstanding as of the Closing Date (and any refinance thereof up to the amounts stated in the foregoing clauses (A), (B) and (C)) shall not be subject to the caps specified in this Section. Notwithstanding the foregoing, the prior written consent of Lender shall not be required for (y) intercompany transactions between or among the Consolidated Entities or (z) unsecured trade payables incurred by the Consolidated Entities in the ordinary course of business.
- 6.21 Acquisition of All or Substantially All Assets. Unless an Event of Default has occurred and is continuing or would occur as a result of such action, and provided that the amounts involved do not exceed \$1,000,000 in any individual case or \$5,000,000 in the aggregate, Borrower and Guarantor may, directly or indirectly, acquire by purchase, lease, or otherwise all or substantially all of the assets of any other Person; *provided, however*, that, for the avoidance of doubt, (1) if an Event of Default has occurred and is continuing or would occur as a result of the taking of any of the foregoing actions, or if the amounts involved exceed the caps specified in this Section, Borrower or Guarantor may not do or take any of the actions listed in this Section without the prior written consent of Lender and (2) the amounts of any transactions entered into by any of the Consolidated Entities within sixty (60) days prior to the Closing Date shall be subject to the caps specified in this Section.
- 6.22 Government Regulation. Borrower shall not (a) be or become subject at any time to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits Lender from making any advance or extension of credit to Borrower or from otherwise conducting business with Borrower, or (b) fail to provide documentary and other evidence of Borrower's identity as may be requested by Lender at any time to enable Lender to verify Borrower's identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.
- 6.23 Intentionally Omitted.
- 6.24 Disposition of Franklin Covey Mexico. The sale of Franklin Covey Mexico (whether by asset sale, merger, or otherwise) shall have closed no later than the date which is nine (9) months after the Closing Date. Borrower agrees that if the foregoing has not occurred by such date, Borrower shall cause Franklin Covey Mexico to guaranty the Loan and to pledge all of its assets to Lender as security for such guaranty, and to deliver to Lender the equivalent of such agreements, documents, instruments, certificates and information as have been required to be delivered by each Guarantor as of the date hereof under any of the Loan Documents.
- 6.25 Additional Guarantors. Upon the formation of any domestic Subsidiary of Borrower, Borrower shall cause such Subsidiary to be added as a Guarantor under the Guaranty.

ARTICLE 7

EVENTS OF DEFAULT AND REMEDIES

- 7.1 Events of Default. The occurrence of any one or more of the following shall constitute an Event of Default under this Agreement:
- (a) Failure by Borrower or Guarantor to pay any monetary amount within ten (10) days of the date when due under any Loan Document.
 - (b) Failure by Borrower or Guarantor to perform or comply with the provisions of **Sections 6.2, 6.6, 6.7, 6.8, 6.10, 6.17, 6.18, 6.19, 6.20, 6.21, or 6.24.**
 - (c) Except as otherwise provided in this **Section 7.1**, any failure by Borrower or Guarantor to perform any obligation not involving the payment of money, or to comply with any other term or condition applicable to Borrower or Guarantor under any Loan Document and the expiration of thirty (30) days after written notice of such failure by Lender to Borrower or Guarantor.
 - (d) The occurrence of a Material Adverse Change.
 - (e) Any representation or warranty by Borrower or Guarantor in any Loan Document is materially false, incorrect, or misleading as of the date made.

(f) Borrower or Guarantor (i) is unable or admits in writing Borrower's or Guarantor's inability to pay Borrower's or Guarantor's monetary obligations as they become due, (ii) fails to pay when due any monetary obligation, whether such obligation be direct or contingent, to any person in excess of \$1,000,000, unless such obligation is being contested in good faith by Borrower or Guarantor, as determined by Lender in its reasonable discretion, (iii) makes a general assignment for the benefit of creditors, or (iv) applies for, consents to, or acquiesces in, the appointment of a trustee, receiver, or other custodian for Borrower or Guarantor or the property of Borrower or Guarantor or any part thereof, or in the absence of such application, consent, or acquiescence, a trustee, receiver, or other custodian is appointed for Borrower or Guarantor or the property of Borrower or Guarantor or any part thereof, and such appointment is not discharged within sixty (60) days.

(g) Commencement of any case under the Bankruptcy Code, Title 11 of the United State Code, or commencement of any other bankruptcy arrangement, reorganization, receivership, custodianship, or similar proceeding under any federal, state, or foreign Requirements of Law by or against Borrower or Guarantor and with respect to any such case or proceeding that is involuntary, and such case or proceeding is not dismissed with prejudice within sixty (60) days of the filing thereof.

(h) A final judgment or decree for monetary damages or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is entered against Borrower or Guarantor by any Government Authority, which together with the aggregate amount of all other such judgments or decrees against Borrower or Guarantor that remain unpaid or that have not been discharged or stayed, exceeds \$250,000, and such judgment or decree is not paid and discharged or stayed or appealed within thirty (30) days after the entry thereof.

(i) The dissolution of Borrower or Guarantor or the commencement of any action or proceeding which seeks as one of its remedies the dissolution of Borrower or Guarantor.

(j) All or any material part of the Collateral of Borrower or Guarantor is attached, levied upon, or otherwise seized by legal process, and such attachment, levy, or seizure is not quashed, stayed, or released within twenty (20) days of the date thereof.

(k) The occurrence of any Transfer, unless Lender delivers to Borrower its prior written consent to such Transfer.

(l) Guarantor shall take any action to repudiate its Guaranty, or the Guaranty shall otherwise cease to be in full force and effect.

(m) The occurrence of any default and the failure to cure such default during applicable cure periods, if any, or an Event of Default, as such term is defined in any other Loan Document.

(n) Any failure, breach or default under the Other Loans, it being the intention and agreement of Lender and Borrower to cross-default the Loan and the Other Loans.

(o) The occurrence or existence of any default, event of default or other similar condition or event (however described) with respect to a Swap Agreement.

7.2 Remedies.

(a) Notwithstanding any provision to the contrary herein or in any of the other Loan Documents, upon the happening, and during the continuance, of any Event of Default under this Agreement, Lender's obligation to make Advances or to issue Letters of Credit shall abate and Lender shall, at its option, have the remedies provided herein and in any other Loan Document, including, without limitation, the option to declare all outstanding indebtedness to be immediately due and payable without presentment, demand, protest or notice of any kind, and the following remedies: (i) Lender may, at its option, apply any of Borrower's or Guarantor's funds in its possession to the outstanding indebtedness under the Note whether or not such indebtedness is then due; (ii) Lender or Collateral Agent may exercise all rights and remedies available to them under any or all of the Loan Documents; and (iii) Lender shall have the right to perform Borrower's obligations under this Agreement. All sums expended by Lender or Collateral Agent for such purposes shall be deemed to have been disbursed to and borrowed by Borrower and evidenced by the Note and secured by the Security Agreement.

(b) Borrower hereby constitutes and appoints Lender, or an independent contractor selected by Lender, during the continuance of an Event of Default, as its true and lawful attorney-in-fact with full power of substitution for the purposes of performance of Borrower's obligations under this Agreement in the name of Borrower. It is understood and agreed that the foregoing power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked until repayment of the Loan.

(c) In addition to any other rights and remedies of Lender, if an Event of Default exists and is continuing, Lender is authorized at any time and from time to time during the continuance of the Event of Default, without prior notice to Borrower (any such notice being waived by Borrower to the fullest extent permitted by law) to set-off and apply any and all deposits or deposit accounts (general or special, time or demand, provisional or final) at any time held by Lender to or for the credit or the account of Borrower against any and all obligations of Borrower under the Loan Documents, now or hereafter existing, irrespective of whether or not Lender shall have made demand under this Agreement or any other Loan Document and although such amounts owed may be contingent or unmatured. If Lender exercises such setoff right, Lender exercising such right agrees promptly to notify Borrower after any such setoff and application made by Lender; *provided, however*, that the failure to give such notice shall not affect the validity of such setoff and application.

ARTICLE 8

MISCELLANEOUS

8.1 Assignment. Borrower shall not assign any of its rights under this Agreement.

8.2 Notices. All notices, requests, demands and consents to be made hereunder to the parties hereto shall be in writing and shall be delivered by hand or sent by registered mail or certified mail, postage prepaid, return receipt requested (except for any notice address which is a post office box, in which case notice may be given by first class mail), through the United States Postal Service to the addresses shown below, or such other address which the parties may provide to one another in accordance herewith. Such notices, requests, demands and consents, if sent by mail, shall be deemed given two (2) Business Days after deposit in the United States mail, and if delivered by hand, shall be deemed given when delivered.

To Lender: Zions First National Bank
10 East South Temple, Suite 200
Salt Lake City, Utah 84133
Attn: Donald Rands

with a copy to: Callister Nebeker & McCullough
10 East South Temple, Suite 900
Salt Lake City, Utah 84133
Attn: Bradley E. Morris, Esq.

To Borrower: Franklin Covey Co.
2200 West Parkway Blvd.
Salt Lake City, Utah 84119

with a copy to: Dorsey & Whitney LLP
170 South Main Street, Suite 900
Salt Lake City, Utah 84101
Attn: Nolan S. Taylor, Esq.

8.3 Intentionally Omitted.

8.4 Inconsistencies with the Loan Documents. In the event of any inconsistencies between the terms of this Agreement and any terms of any of the Loan Documents, the terms of this Agreement shall govern and prevail.

8.5 No Waiver. No waiver by Lender of any Event of Default or conditions or covenants contained herein (including, without limitation, with respect to the making of Advances) shall extend to any subsequent or other Event of Default or conditions or covenants contained herein or impair any consequence of such subsequent Event of Default or conditions or covenants contained herein.

8.6 Lender Approval of Instruments and Parties. All proceedings taken in accordance with transactions provided for herein, and all surveys, appraisals, and documents required or contemplated by this Agreement and the persons responsible for the execution and preparation thereof shall be satisfactory to and subject to approval by Lender. Lender's counsel shall be provided with copies of all documents which they may reasonably request in connection with the Agreement.

8.7 Lender Determination of Facts. Lender shall at all times be free to establish independently, to its satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Agreement.

8.8 Incorporation of Preamble, Recitals and Exhibits. The preamble, recitals, and exhibits hereto are hereby incorporated into this Agreement.

8.9 Payment of Expenses. Borrower shall pay or cause to be paid all taxes and assessments and all expenses, charges, costs, and fees provided for in this Agreement or relating to the Loan or the Collateral, including, without limitation, any fees incurred for recording or filing any of the Loan Documents, fees of any consultants, reasonable fees and expenses of Lender's or Collateral Agent's counsel in negotiating, documenting, administering and enforcing the Loan, whether prior to or after the Closing Date, documentation and processing fees, printing, photostating and duplicating expenses, air freight charges, escrow fees, costs of inspections of the Collateral, and premiums of hazard insurance policies and surety bonds. Borrower hereby authorizes Lender to disburse the proceeds of the Loan to pay such expenses, charges, costs, and fees notwithstanding that Borrower may not have requested a disbursement of such amount. Lender may make such disbursements notwithstanding the fact that the Loan is not "in balance" or that Borrower is in default under the terms of this Agreement or any other Loan Document. Such disbursement shall be added to the outstanding principal balance of the Note. The authorization hereby granted shall be irrevocable, and no further direction or authorization from Borrower shall be necessary for Lender to make such disbursements. However, the provision of this **Section 8.9** shall not prevent Borrower from paying such expense, charges, costs, and fees from its own funds. All such expenses, charges, costs, and fees shall be Borrower's obligation regardless of whether or not Borrower has requested and met the conditions for an Advance. The obligations on the part of Borrower under this **Section 8.9** shall survive the closing of the Loan and the repayment thereof. Borrower hereby authorizes Lender, in its sole and absolute discretion, to pay such expenses, charges, costs, and fees at any time by a disbursement of the Loan.

8.10 Disclaimer by Lender. Lender shall not be liable to any contractor, subcontractor, supplier, laborer, architect, engineer, or any other party for services performed or materials supplied in connection with the Collateral. Neither Lender nor Collateral Agent shall be liable for any debts or claims accruing in favor of any such parties against Borrower or others or against the Collateral. Borrower is not and shall not be an agent of Lender or Collateral Agent for any purpose. Neither Lender nor Collateral Agent is a joint venture partner with Borrower in any manner whatsoever. Prior to default by Borrower under this Agreement and the exercise of remedies granted herein, neither Lender nor Collateral Agent shall be deemed to be in privity of contract with any contractor or provider of services to the Collateral, nor shall any payment of funds directly to a contractor, subcontractor, or provider of services be deemed to create any third party beneficiary status or recognition of same by Lender or Collateral Agent. Approvals granted by Lender or Collateral Agent for any matters covered under this Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

8.11 Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER AGREES TO PROTECT, INDEMNIFY, DEFEND AND SAVE HARMLESS LENDER OR COLLATERAL AGENT, THEIR DIRECTORS, OFFICERS, AGENTS, ATTORNEYS, AND EMPLOYEES FOR, FROM, AND AGAINST ANY AND ALL LIABILITY, EXPENSE, OR DAMAGE OF ANY KIND OR NATURE AND FOR, FROM, AND AGAINST ANY SUITS, CLAIMS, OR DEMANDS, INCLUDING REASONABLE ATTORNEY'S FEES AND EXPENSES ON ACCOUNT OF ANY MATTER OR THING OR ACTION, WHETHER IN SUIT OR NOT, ARISING OUT OF THIS AGREEMENT, OR IN CONNECTION HERewith, EXCLUDING HOWEVER, ANY MATTERS ARISING OUT OF AN INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OR ANY MATTERS ARISING AFTER EITHER OF LENDER OR COLLATERAL AGENT HAS TAKEN TITLE TO OR POSSESSION OF THE COLLATERAL. Upon receiving knowledge of any suit, claim, or demand asserted by a third party that Lender or Collateral Agent believes is covered by this indemnity, Lender or Collateral Agent, as the case may be, shall give Borrower notice of the matter and an opportunity to defend it, at Borrower's sole cost and expense, with legal counsel satisfactory to Lender or Collateral Agent, as the case may be. Lender or Collateral Agent, as the case may be, may also require Borrower to so defend the matter. The obligations on the part of Borrower under this **Section 8.11** shall survive the closing of the Loan and the repayment thereof.

8.12 Titles and Headings. The headings at the beginning of each section of this Agreement are solely for convenience and are not part of this Agreement. Unless otherwise indicated, each reference in this Agreement to a section or an exhibit is a reference to the respective section herein or exhibit hereto.

8.13 Number and Gender. In this Agreement the singular shall include the plural and the masculine shall include the feminine and neuter gender and vice versa, if the context so requires.

8.14 Brokers. Borrower and Lender represent to each other that neither of them knows of any brokerage commissions or finders' fee due or claimed with respect to the transaction contemplated hereby. Borrower and Lender shall indemnify and hold harmless the other party for, from and against any and all loss, damage, liability, or expense, including costs and reasonable attorney fees, which such other party may incur or sustain by reason of or in connection with any misrepresentation by the indemnifying party with respect to the foregoing.

8.15 Change, Discharge, Termination, or Waiver. No provision of this Agreement may be changed, discharged, terminated, or waived except in writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of Lender to exercise, and no delay by Lender in exercising, any right or remedy under the Loan Documents or under the law shall operate as a waiver thereof.

8.16 Choice of Law. THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY BE TRIED AND LITIGATED IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH OR, IN ANY OTHER COURT IN WHICH A PARTY SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF BORROWER AND LENDER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ANY STATE OR FEDERAL COURT LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH.

8.17 Disbursements in Excess of Loan Amount. In the event the total disbursements by Lender exceed the amount of the Loan, to the extent permitted by the laws of the State of Utah, the total of all disbursements shall be secured by the Collateral. All other sums expended by Lender pursuant to this Agreement or any other Loan Documents shall be deemed to have been paid to Borrower and shall be secured by, among other things, the Collateral.

8.18 Participations; Assignments. Lender shall have the right at any time to sell, assign, transfer, negotiate, or grant participations in all or any part of the Loan or the Note to one or more participants. Borrower hereby acknowledges and agrees that any such disposition will give rise to a direct obligation of Borrower to each such participant. Lender may at any time, without the consent of Borrower, assign all or any portion of its rights under this Agreement and the Note to a Federal Reserve Bank. Borrower shall have the right, without any obligation to pay the Early Termination Fee, to terminate the Loan prior to the Maturity Date within ninety (90) days after receiving written notice from Lender that it intends to assign or grant participations in the Loan, provided that Borrower otherwise complies with the requirements of **Section 2.6(c)** hereof.

8.19 Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all such counterparts together shall constitute but one agreement. Borrower and Lender agree and acknowledge that facsimile signature pages will be acceptable and shall be conclusive evidence of execution of any Loan Document, resolution or other agreement relating to the Loan.

8.20 Time is of the Essence. Time is of the essence of this Agreement.

8.21 Attorneys' Fees. Borrower agrees to pay all costs of administration, enforcement and collection and preparation for any Event of Default or any action taken by Lender or Collateral Agent (including, without limitation, reasonable attorney's fees), whether or not any action or proceeding is brought (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level)), together with interest thereon from the date of demand at the Default Interest Rate.

8.22 Jury Waiver. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

8.23 Waiver of Special Damages. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST LENDER, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS AGREEMENT OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

8.24 MISCELLANEOUS WAIVERS. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY LENDER. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS (EACH, A "PROCEEDING"), BORROWER IRREVOCABLY (A) SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF SALT LAKE, COUNTY OF SALT LAKE AND STATE OF UTAH, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS AGREEMENT SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. BORROWER FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY UTAH STATE OR UNITED STATES COURT SITTING IN THE CITY OF SALT LAKE AND COUNTY OF SALT LAKE MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO BORROWER AT THE ADDRESS INDICATED BELOW, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; EXCEPT THAT IF BORROWER SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

8.25 Integration. The Loan Documents contain the complete understanding and agreement of Borrower and Lender and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. **PURSUANT TO UTAH CODE ANNOTATED SECTION 25-5-4, BORROWER IS NOTIFIED THAT THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

8.26 Binding Effect. The Loan Documents will be binding upon, and inure to the benefit of, Borrower and Lender and their respective successors and assigns. Borrower may not delegate its obligations under the Loan Documents.

8.27 Survival. The representations, warranties, and covenants of Borrower and the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

8.28 Exchange of Information. Borrower agrees that Lender may exchange financial information about Borrower and Guarantor with its affiliates and other related entities, its participants and prospective participants, and purchasers or potential purchasers of the Loan. Borrower agrees that Lender may at any time sell, assign, or transfer one or more interests or participations in all or any part of its rights or obligations in and to this Agreement and the other Loan Documents to one or more purchasers whether or not related to or affiliated with Lender. Borrower hereby authorizes Lender, at its sole discretion and without notice to or consent of Borrower or Guarantor, to disclose to Chase or Collateral Agent on a confidential basis any information, financial or otherwise, which it may possess concerning Borrower or Guarantor.

8.29 Regulation FD. Lender acknowledges that it is aware, and Lender will advise its directors, officers, employees, agents and advisors (collectively, "Representatives") who are informed as to the matters which are the subject of this Agreement, that the United States securities laws prohibit any Person who has received from an issuer material, non-public information concerning such issuer from purchasing or selling securities of such issuer or from communicating such information to any other Person under circumstances in which it is reasonably foreseeable that such Person is likely to purchase or sell securities. Lender further agrees that it will keep, and it will advise its Representatives of its obligations to keep, confidential any material non-public information disclosed to Lender by Borrower or any Person acting on Borrower's behalf. This **Section 8.29** is a confidentiality agreement for purposes of Regulation FD promulgated under the Securities Exchange Act of 1934.

8.30 USA PATRIOT ACT NOTIFICATION. Required Notice:

USA PATRIOT ACT. The Lender hereby notifies Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Act.

8.31 Exhibits and Schedules. The following exhibits and schedules to this Agreement are fully incorporated herein as if set forth at length:

Exhibit A - Form of Covenant Compliance Certificate
Exhibit B - Form of Request for Advance

Schedule 5.2(d) - Subsidiaries
Schedule 5.5 - Litigation
Schedule 5.6 - Existing Liens and Encumbrances
Schedule 5.20 - Management Loan Program

ARTICLE 9

COLLATERAL RELEASES

9.1 **Full Release.** Unless either of Lender or Collateral Agent otherwise consents in writing, the Collateral or any part thereof shall not be released from the Lien and Encumbrance of the Security Agreement until all Indebtedness and Obligations of Borrower and Guarantor under the Loan Documents have been indefeasibly paid and performed in full.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Lender and Borrower have caused this Agreement to be duly executed and delivered as of the date first above written.

FRANKLIN COVEY CO.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer and Vice President of Investor Relations
"Borrower"

ZIONS FIRST NATIONAL BANK

a national banking association

By: /s/ DONALD RANDS

Name: Donald Rands
Title: Vice President
"Lender"

EXHIBIT A

FORM OF COVENANT COMPLIANCE CERTIFICATE

COVENANT COMPLIANCE CERTIFICATE

To: Zions First National Bank
10 East South Temple, Suite 200
Salt Lake City, Utah 84133

For the [Quarter/Fiscal Year] Ending: _____, 20__ (the "Reporting Period").

FRANKLIN COVEY CO., a Utah corporation ("Borrower"), makes this certification to ZIONS FIRST NATIONAL BANK, a national banking association ("Lender"), under that certain Revolving Line of Credit Agreement dated March 14, 2007 (the "Loan Agreement") by and between Borrower and Lender. Capitalized terms used herein without definition shall have the meanings given to such terms in the Loan Agreement.

The undersigned hereby certifies to Lender that as reported on the most recent financial statements described below and submitted herewith to Lender, Borrower is in full and compliance with each and every financial covenant set forth in the Loan Agreement and each other covenant set forth in the Loan Agreement. The financial covenant requirements compared to the actual results are determined to be as follows, which results are further described on the Line of Credit Covenant Calculations set forth on Schedule 1 attached hereto, each of which Borrower certifies to be true and correct:

Funded Debt to EBITDAR Ratio Covenant. The Consolidated Entities shall not permit its ratio of (A) total liabilities, plus the net present value of operating leases at a discount rate of seven percent (7%), but excluding (1) accounts arising from the purchase of goods and services in the ordinary course of business, (2) accrued expenses or losses, and (3) deferred revenues or gains, to (B) net income, plus amortization expense, depreciation expense, interest expense, income tax expense, and rents and operating lease payments, less extraordinary gains and losses (collectively, "EBITDAR"), for the twelve (12) month period then ending, to be greater than (x) 3.25 to 1.00 as of the end of the fiscal quarter of Borrower ending on March 3, 2007, (y) 3.00 to 1.00 as of the end of the fiscal quarter of Borrower ending on June 2, 2007, and (z) 2.75 to 1.00 as of the end of the fiscal quarter of Borrower ending on August 31, 2007 and each fiscal quarter thereafter.

Maximum Ratio for Reporting Period: _____
Actual Ratio for Reporting Period: _____
In Compliance: Yes [] No []

Fixed Charge Coverage Ratio Covenant. The Consolidated Entities shall not permit its ratio of (A) net income before income tax expense, plus amortization expense, depreciation expense, interest expense, rent and operating lease payments, minus any distributions or dividends, for the twelve (12) month period then ending, to (B) prior period current maturities of long term debt and capital leases, interest expense, cash taxes paid, rent and operating lease payments, for the same such period, to be less than (x) 1.30 to 1.00 as of the end of the fiscal quarter of Borrower ending on March 3, 2007, (y) 1.35 to 1.00 as of the end of the fiscal quarter of Borrower ending on June 2, 2007, and (z) 1.50 to 1.00 as of the end of the fiscal quarter of Borrower ending on August 31, 2007 and each fiscal quarter thereafter.

Maximum Ratio for Reporting Period = _____
Actual Ratio for Reporting Period = _____
In Compliance: Yes [] No []

Capital Expenditures Covenant. The Consolidated Entities shall not make Capital Expenditures, exclusive of curriculum development costs, in excess of (i) \$11,000,000.00 for Borrower's fiscal year ending on August 31, 2007 and (ii) \$8,000,000.00 for each fiscal year of Borrower thereafter.

Maximum Capital Expenditures for Reporting Period: \$ _____
Actual Capital Expenditures for Reporting Period: \$ _____
In Compliance: Yes [] No []

Minimum Net Worth Covenant. The Consolidated Entities shall not permit its Net Worth to be less than ONE HUNDRED THIRTY-THREE MILLION AND NO/100 DOLLARS (\$133,000,000.00); provided, however, the Consolidated Entities' Net Worth may be less than such amount if Lender determines that the Consolidated Entities' Net Worth has decreased to an amount less than \$133,000,000.00 as a result of Borrower's purchase of its outstanding common or preferred stock. As used in Section 6.8(d) of the Loan Agreement, the term "Net Worth" means the Consolidated Entities' total assets less total liabilities, in each case as determined in accordance with GAAP.

Minimum Net Worth as of End of Reporting Period: \$ _____
Actual Net Worth as of End of Reporting Period: \$ _____
In Compliance: Yes [] No []

In addition, the undersigned certifies to Lender that, during the period covered by the financial statements and through the date of this Certification:

A. No Event of Default has occurred and is continuing.

B. Borrower has not pledged any of its assets except as permitted in the Loan Agreement.

C. There has been no change in GAAP or in the application thereof to the Consolidated Entities' financial statements since the date of the audited financial statements referred to in **Section 6.7** of the Loan Agreement which were last delivered to Lender.

Dated as of _____, 20__.

Very truly yours,

FRANKLIN COVEY CO.

a Utah corporation

By: _____

Name: _____

Title: _____

SCHEDULE 1
TO COVENANT COMPLIANCE CERTIFICATE
LINE OF CREDIT COVENANT CALCULATIONS

EXHIBIT B

FORM OF REQUEST FOR ADVANCE

[insert date]

Zions First National Bank
10 East South Temple, Suite 200
Salt Lake City, Utah 84133

Request for Advance No.: _____

Ladies/Gentlemen:

Reference is made to the Revolving Line of Credit Agreement dated as of March 14, 2007 (the "**Loan Agreement**") between **FRANKLIN COVEY CO.**, a Utah corporation ("**Borrower**"), and **ZIONS FIRST NATIONAL BANK**, a national banking association ("**Lender**"). Capitalized terms used but not otherwise defined herein shall have the meaning given them in the Loan Agreement.

In accordance with **Section 2.2(a)** of the Loan Agreement, the undersigned Borrower hereby requests that Lender make an Advance to us in the amount of \$ _____. Borrower hereby certifies, as of the date hereof and as of the date the Advance requested hereby is made, that:

- (a) no Event of Default has occurred and is continuing nor will an Event of Default occur after giving effect to such Advance as a result of such Advance;
- (b) each of the representations and warranties made by Borrower in or pursuant to the Loan Documents is true and correct in all material respects on and as of such date as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date); and
- (c) Borrower has satisfied all conditions precedent and all other requirements for the Advance of the funds requested herein as provided in the Loan Agreement and other Loan Documents.

Very truly yours,

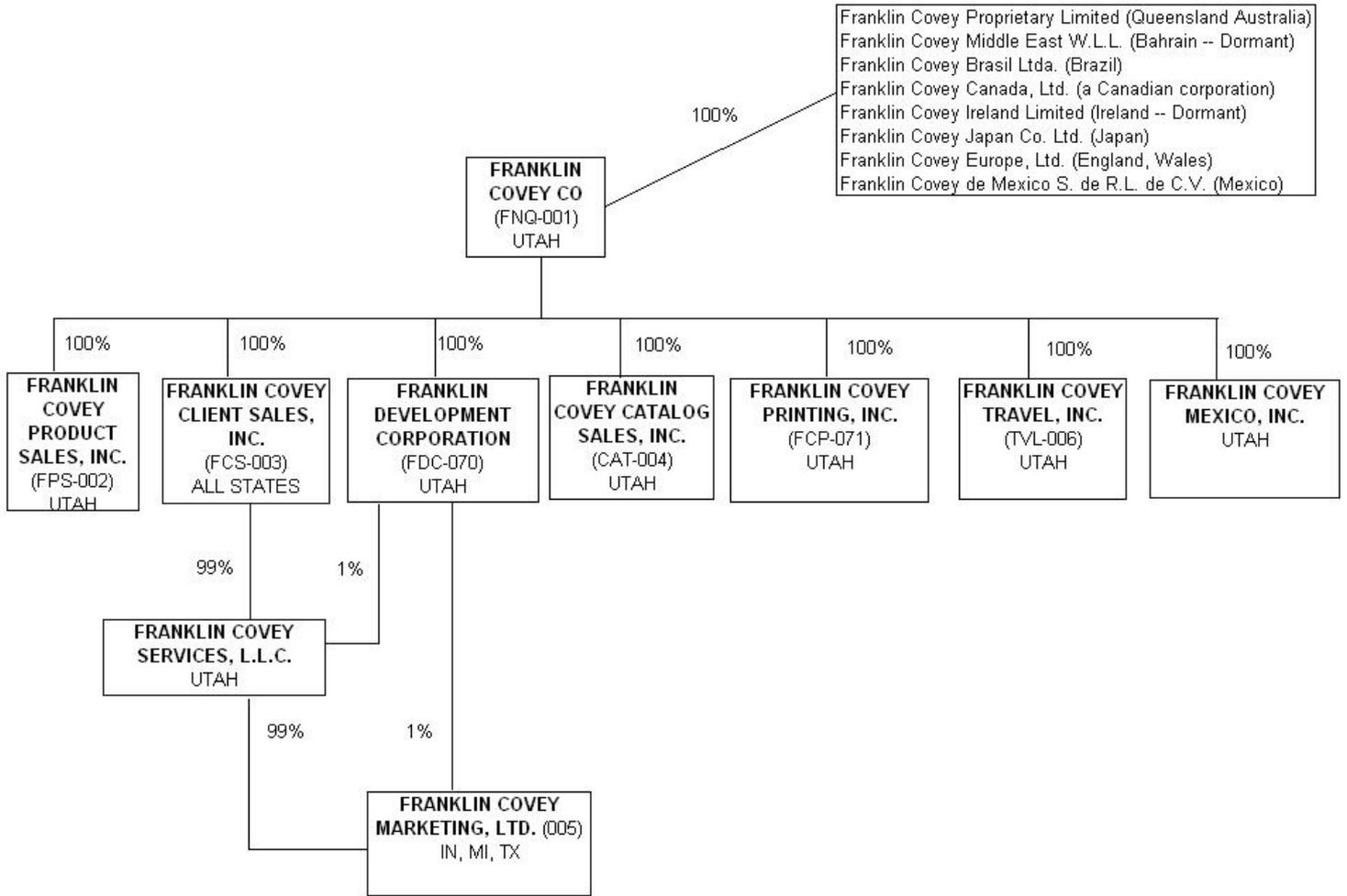
FRANKLIN COVEY CO.
a Utah corporation

By: _____

Name:
Title:

SCHEDULE 5.2(d)

SUBSIDIARIES



SCHEDULE 5.5

LITIGATION

epicRealm Licensing, LLC v. Franklin Covey Co., et al., Case No. 2:05-CV-00356-DF-CMC in the United States District Court for the Eastern District of Texas, Marshall Division (has been consolidated with Case No. 2:05-CV-00163-DF-CMC). In August 2005, epicRealm Licensing, LLC (epicRealm) filed an action against Borrower for patent infringement. The action alleges that Borrower infringed upon two of epicRealm's patents that cover systems and methods for managing dynamic Web page generation requests from clients to a Web server that in turn uses a page server to generate a dynamic Web page using content retrieved from a data source. Borrower denies the patent infringement and believes that the epicRealm claims are invalid. This litigation is currently in the discovery phase and Borrower intends to vigorously defend the matter.

SCHEDULE 5.6

EXISTING LIENS AND ENCUMBRANCES

Debtor	Secured Party	Collateral	Jurisdiction	Filing Date	Filing No.
Franklin Covey Corporation	Lease Operations	Equipment	Utah	04/10/2002	184734200241
Franklin Covey Company	Inter-tel Leasing, Inc.	Equipment	Utah	06/27/2002	191497200239
Franklin Covey Printing, Inc.	Heidelberg USA, Inc.	Equipment	Utah	10/30/2006	306412200696
Franklin Covey Company, Inc.	IOS Capital, LLC	Leased Equipment	Utah	10/31/2002	201520200221
Franklin Covey Printing, Inc.	Komori America Corporation	Equipment	Utah	01/10/2007	311178200706
Franklin Covey Co.	Zions First National Bank	Account #2918002 with Zions First National Bank	Utah	01/24/2007	312076200702

SCHEDULE 5.20

MANAGEMENT COMMON STOCK LOAN PROGRAM

During fiscal 2000, certain of our management personnel borrowed funds from an external lender, on a full-recourse basis, to acquire shares of our common stock. The loan program closed during fiscal 2001 with 3.825 million shares of common stock purchased by the loan participants for a total cost of \$33.6 million, which was the market value of the shares acquired and distributed to loan participants. The Company initially participated on these management common stock loans as a guarantor to the lending institution. However, in connection with a new credit facility obtained during the fourth quarter of fiscal 2001, we acquired the loans from the external lender at fair value and are now the creditor for these loans. The loans in the management stock loan program historically accrued interest at 9.4 percent (compounded quarterly), are full-recourse to the participants, and were originally due in March 2005. Although interest accrues on the outstanding balance over the life of the loans, the Company ceased recording interest receivable (and related interest income) related to these loans during the third quarter of fiscal 2002. However, loan participants remain obligated to pay all accrued interest upon maturity of the loans.

In May 2004, our Board of Directors approved modifications to the terms of the management stock loans. While these changes had significant implications for most management stock loan program participants, the Company did not formally amend or modify the stock loan program notes. Rather, the Company chose to forego certain of its rights under the terms of the loans and granted participants the modifications described below in order to potentially improve their ability to pay, and the Company's ability to collect, the outstanding balances of the loans. These modifications to the management stock loan terms applied to all current and former employees whose loans do not fall under the provisions of the Sarbanes-Oxley Act of 2002. Loans to the Company's officers and directors (as defined by the Sarbanes-Oxley Act of 2002) were not affected by the approved modifications. During fiscal 2005 the Company collected \$0.8 million, which represented payment in full, from an officer and members of the Board of Directors that were required to repay their loans on the original due date of March 30, 2005.

The May 2004 modifications to the management stock loan terms included the following:

Waiver of Right to Collect - The Company will waive its right to collect the outstanding balance of the loans prior to the earlier of (a) March 30, 2008, or (b) the date after March 30, 2005 on which the closing price of the Company's stock multiplied by the number of shares purchased equals the outstanding principal and accrued interest on the management stock loans (the Breakeven Date).

Lower Interest Rate - Effective May 7, 2004, the Company prospectively waived collection of all interest on the loans in excess of 3.16 percent per annum, which was the "Mid-Term Applicable Federal Rate" for May 2004.

Use of the Company's Common Stock to Pay Loan Balances - The Company may consider receiving shares of our common stock as payment on the loans, which were previously only payable in cash.

Elimination of the Prepayment Penalty - The Company will waive its right to charge or collect any prepayment penalty on the management common stock loans.

These modifications, including the reduction of the loan program interest rate, were not applied retroactively and participants remain obligated to pay interest previously accrued using the original interest rate. Also during fiscal 2005, our Board of Directors approved loan modifications for a former executive officer and a former director substantially similar to loan modifications previously granted to other loan participants in the management stock loan program as described above.

Prior to the May 2004 modifications, the Company accounted for the loans and the corresponding shares using a loan-based accounting model that included guidance found in SAB 102, *Selected Loan Loss Allowance Methodology and Documentation Issues*; SFAS No. 114, *Accounting by Creditors for Impairment of A Loan - an Amendment of FASB Statements No. 5 and 15*; and SFAS No. 5, *Accounting for Contingencies*. However, due to the nature of the May 2004 modifications, the Company reevaluated its accounting for the management stock loan program. Based upon guidance found in EITF Issue 00-23, *Issues Related to the Accounting for Stock Compensation under APB Opinion No. 25 and FASB Interpretation No. 44*, and EITF Issue 95-16, *Accounting for Stock Compensation Agreements with Employer Loan Features under APB Opinion No. 25*, we determined that the management common stock loans

should be accounted for as non-recourse stock compensation instruments. While this accounting treatment does not alter the legal rights associated with the loans to the employees as described above, the modifications to the terms of the loans were deemed significant enough to adopt the non-recourse accounting model as described in EITF 00-23. As a result of this accounting treatment, the remaining carrying value of the notes and interest receivable related to financing common stock purchases by related parties, which totaled \$7.6 million prior to the loan term modifications, was reduced to zero with a corresponding reduction in additional paid-in capital. Since the Company was unable to control the underlying management common stock loan shares, the loan program shares continued to be included in Basic earnings per share (EPS) following the May 2004 modifications.

We currently account for the management common stock loans as equity-classified stock option arrangements. Under the provisions of SFAS No. 123R, which we adopted on September 1, 2005, additional compensation expense will be recognized only if the Company takes action that constitutes a modification which increases the fair value of the arrangements. This accounting treatment also precludes us from reversing the amounts expensed as additions to the loan loss reserve, totaling \$29.7 million, which were recognized in prior periods.

During fiscal 2006, the Company offered participants in the management common stock loan program the opportunity to formally modify the terms of their loans in exchange for placing their shares of common stock purchased through the loan program in an escrow account that allows the Company to have a security interest in the loan program shares. The key modifications to the management common stock loans for the participants accepting the fiscal 2006 offer are as follows:

Modification of Promissory Note - The management stock loan due date was changed to be the earlier of (a) March 30, 2013, or (b) the Breakeven Date as defined by the May 2004 modifications. The interest rate on the loans will increase from 3.16 percent compounded annually to 4.72 percent compounded annually.

Redemption of Management Loan Program Shares - The Company will have the right to redeem the shares on the due date in satisfaction of the promissory notes as follows:

- On the Breakeven Date, the Company has the right to purchase and redeem from the loan participants the number of loan program shares necessary to satisfy the participant's obligation under the promissory note. The redemption price for each such loan program share will be equal to the closing price of the Company's common stock on the Breakeven Date.
- If the Company's stock has not closed at or above the breakeven price on or before March 30, 2013, the Company has the right to purchase and redeem from the participants all of their loan program shares at the closing price on that date as partial payment on the participant's obligation.

The fiscal 2006 modifications were intended to give the Company a measure of control of the outstanding loan program shares and to facilitate payment of the loans should the market value of the Company's stock equal the principal and accrued interest on the management stock loans. If a loan participant declines the offer to modify their management stock loan, their loan will continue to have the same terms and conditions that were previously approved in May 2004 by the Company's Board of Directors and their loans will be due at the earlier of March 30, 2008 or the Breakeven Date. Consistent with the May 2004 modifications, stock loan participants will be unable to realize a gain on the loan program shares unless they pay cash to satisfy the promissory note obligation prior to the due date. As of the closing date of the extension offer, which was substantially completed in June 2006, management stock loan participants holding approximately 3,508,000 shares, or 94 percent of the remaining loan shares, elected to accept the extension offer and placed their management stock loan shares into the escrow account.

As a result of this modification, the Company reevaluated its accounting treatment regarding the loan shares and their inclusion in Basic EPS. Since the management stock loan shares held in the escrow account continue to have the same income participation rights as other common shareholders, the Company has determined that the escrowed loan shares are participating securities as defined by EITF 03-06, *Participating Securities and the Two-Class Method under FASB Statement No. 128*. As a result, the management loan shares will be included in the calculation of Basic EPS in periods of net income and excluded from Basic EPS in periods of net loss beginning in the fourth quarter of fiscal 2006, which was the completion of the escrow agreement modification.

As a result of these loan program modifications, the Company hopes to increase the total value received from loan participants; however, the inability of the Company to collect all, or a portion, of these receivables could have an adverse impact upon our financial position and future cash flows compared to full collection of the loans.

SECURED PROMISSORY NOTE

\$7,000,000.00

Salt Lake City, Utah
March 14, 2007**1. PROMISE TO PAY.**

FOR VALUE RECEIVED, FRANKLIN COVEY CO., a Utah corporation ("**Maker**"), with a business address of 2200 West Parkway Blvd., Salt Lake City, Utah 84119, promises to pay to the order of **ZIONS FIRST NATIONAL BANK**, a national banking association ("**Holder**"), at its office at 10 East South Temple, Suite 200, Salt Lake City, Utah, 84133, or at such other place as Holder may from time to time designate in writing, the principal sum of up to SEVEN MILLION AND NO/100 DOLLARS (\$7,000,000.00), or so much thereof as shall from time to time be disbursed under that certain Revolving Line of Credit Agreement (as it may be amended, modified, extended, and renewed from time to time, the "**Loan Agreement**") of even date herewith between Maker and Holder, together with accrued interest from the date of disbursement on the unpaid principal at the applicable rate as set forth in **Section 5** hereof. This Secured Promissory Note (as it may be amended, modified, extended, and renewed from time to time, the "**Note**") is issued pursuant to, entitled to the benefits of, and referred to as the "**Note**" in the Loan Agreement. In the event of any inconsistency between the provisions of this Note and the provisions of the Loan Agreement, the Loan Agreement shall control.

2. DEFINITIONS.

The following terms shall have the following meanings when used herein. Capitalized terms used herein without definition shall have the meanings set forth in the Loan Agreement.

"**Affiliate**" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing. The term "Affiliate" does not include the officers, directors, or employees of a Person, if the Person is a corporation, and does not include the employees or members of a Person, if the Person is a limited liability company or limited partnership.

"**Business Day**" means a day other than a Saturday, Sunday or any other day on which Holder's branch located at 10 East South Temple, Suite 200, Salt Lake City, Utah is authorized or obligated to close.

"**Default Interest Rate**" means a rate of interest equal to the lesser of (a) the aggregate of THREE PERCENT (3.0%) per annum plus the Interest Rate and (b) the highest rate legally permissible under applicable law. The Default Interest Rate shall change from time to time as and when the Interest Rate changes.

"**Interest Rate**" means an interest rate equal to the Interest Rate, as defined in Section 1.1 of the Loan Agreement.

"**Loan Documents**" has the meaning given to such term in the Loan Agreement.

"**Maturity Date**" means March 14, 2010.

"**Payment Date**" means the first (1st) day of each calendar month.

3. MATURITY DATE.

Absent the occurrence and continuance of an Event of Default hereunder or under any of the Loan Documents, the unpaid principal balance hereof, together with all unpaid interest accrued thereon, and all other amounts payable by Maker under the terms of the Loan Documents, shall be due and payable on the Maturity Date. If the Maturity Date should fall (whether by acceleration or otherwise) on a day that is not a Business Day, payment of the outstanding principal shall be made on the next succeeding Business Day and such extension of time shall be included in computing the interest included in such payment.

4. REVOLVING LINE OF CREDIT.

The Loan evidenced hereby is a revolving line of credit and Maker shall be entitled to reborrow amounts prepaid prior to the Maturity Date. Although the outstanding principal balance of this Note may be zero from time to time, this Note and the other Loan Documents will remain in full force and effect until the Maturity Date or until all obligations of Maker or Guarantor relating to the Loan are indefeasibly paid and performed in full, whichever is later. Upon the occurrence, and continuance, of any Event of Default, Holder may suspend or terminate its commitment to make Advances of the proceeds hereof without notice to Maker or further act on the part of Holder.

5. INTEREST.

(a) Absent a continuing Event of Default hereunder or under any of the Loan Documents, each Advance made hereunder shall bear interest at the Interest Rate in effect from time to time as determined in accordance with the Loan Agreement, subject to the limitations of **Section 15** of this Note. Interest on this Note shall be computed by applying the ratio of the annual Interest Rate over a year of three hundred sixty (360) days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding.

(b) All payments of principal and interest due hereunder shall be made (i) without deduction of any present and future taxes, levies, imposts, deductions, charges or withholdings, which amounts shall be paid by Maker, and (ii) without any other set off. Maker will pay the amounts necessary such that the gross amount of the principal and interest received by Holder is equal to that required by this Note.

(c) Interest accruing hereunder shall be payable by Maker to Holder monthly, the first of which interest payments shall be payable on the Payment Date occurring in May 2007, and on each Payment Date thereafter as provided in the Loan Agreement. If any payment of interest to be made by Maker hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing the interest in such payment.

6. LAWFUL MONEY.

Principal and interest are payable in lawful money of the United States of America.

7. APPLICATION OF PAYMENTS; LATE CHARGE; DEFAULT RATE.

- (a) Unless otherwise agreed to, in writing, or otherwise required by applicable law, payments will be applied first to accrued, unpaid interest, then to any unpaid collection costs, late charges and other charges, and any remaining amount to principal; provided however, upon a continuing Event of Default, Holder reserves the right to apply payments among principal, interest, late charges, collection costs and other charges at its discretion. All prepayments shall be applied to the indebtedness owing hereunder in such order and manner as Holder may from time to time determine in its reasonable discretion.
- (b) If any payment required under this Note is not paid within ten (10) days after such payment is due, then, at the option of Holder, Maker shall pay a late charge equal to five percent (5.0%) of the amount of such payment or Twenty-Five and No/100 Dollars (\$25.00), whichever is greater, up to the maximum amount of One Thousand Five Hundred and No/100 Dollars (\$1,500.00) per late charge to compensate Holder for administrative expenses and other costs of delinquent payments. This late charge may be assessed without notice, shall be immediately due and payable and shall be in addition to all other rights and remedies available to Holder.
- (c) Upon a continuing Event of Default or upon maturity by acceleration, Holder, at its option, may also, if permitted under applicable law, do one or both of the following, in addition to any other right or remedy available to Holder: (i) increase the applicable interest rate on this Note to the Default Interest Rate, and (ii) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). The interest rate hereunder will not exceed the maximum rate permitted by applicable law. Application of the Default Interest Rate will not cure any Event of Default.

8. SECURITY; GUARANTY.

This Note is secured by one or more liens and security interests upon the Collateral, as more particularly set forth in the Loan Agreement and other Loan Documents, and payments hereunder are unconditionally guaranteed by Guarantor pursuant to the Guaranty.

9. EVENT OF DEFAULT.

The occurrence of any of the following shall be deemed to be an event of default (“**Event of Default**”) hereunder:

- (a) Failure by Maker to pay any monetary amount within ten (10) days of when due under any Loan Document; or
- (b) The occurrence of any event of default under any of the other Loan Documents.

10. REMEDIES.

Upon the occurrence, and during the continuance, of an Event of Default, then at the option of Holder, the entire balance of principal together with all accrued interest thereon, and all other amounts payable by Maker under the Loan Documents shall, without demand or notice, immediately become due and payable. Upon the occurrence of an Event of Default (and so long as such Event of Default shall continue), without notice or demand, the entire balance of principal hereof, together with all accrued interest thereon, all other amounts due under the Loan Documents, and any judgment for such principal, interest, and other amounts shall bear interest at the Default Interest Rate. Maker may also, at its election, add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the Default Interest Rate. The Interest Rate under this Note will not exceed the maximum rate permitted by applicable law under any circumstances. No delay or omission on the part of Holder in exercising any right under this Note or under any of the other Loan Documents hereof shall operate as a waiver of such right and no application of the Default Interest Rate or addition of interest to principal shall constitute an election of remedies by Holder nor shall any such exercise of any right cure any Event of Default under the Loan Documents.

11. WAIVER.

- (a) Maker, endorsers, guarantors, and sureties of this Note hereby waive diligence, demand for payment, presentment for payment, protest, notice of nonpayment, notice of protest, notice of intent to accelerate, notice of acceleration, notice of dishonor, and notice of nonpayment, and all other notices or demands of any kind (except notices specifically provided for in the Loan Documents) and expressly agree that, without in any way affecting the liability of Maker, endorsers, guarantors, or sureties, Holder may extend any maturity date or the time for payment of any installment due hereunder, otherwise modify the Loan Documents, accept additional security, release any Person liable, and release any security or guaranty. Maker, endorsers, guarantors, and sureties waive, to the full extent permitted by law, the right to plead any and all statutes of limitations as a defense.
- (b) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, MAKER SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST HOLDER, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF THIS NOTE OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.

12. CHANGE, DISCHARGE, TERMINATION, OR WAIVER.

No provision of this Note may be changed, discharged, terminated, or waived except in a writing signed by the party against whom enforcement of the change, discharge, termination, or waiver is sought. No failure on the part of Holder to exercise and no delay by Holder in exercising any right or remedy under this Note or under the law shall operate as a waiver thereof.

13. ATTORNEYS' FEES.

If this Note is not paid when due or if any Event of Default occurs, Maker promises to pay all costs of enforcement and collection and preparation therefor, including, but not limited to, reasonable attorneys' fees, whether or not any action or proceeding is brought to enforce the provisions hereof (including, without limitation, all such costs incurred in connection with any bankruptcy, receivership, or other court proceedings (whether at the trial or appellate level)) or with regard to any arbitration or other dispute resolution proceeding.

14. SEVERABILITY.

If any provision of this Note is unenforceable, the enforceability of the other provisions shall not be affected and they shall remain in full force and effect.

15. INTEREST RATE LIMITATION.

Maker hereby agrees to pay an effective rate of interest that is the sum of the interest rate provided for herein, together with any additional rate of interest resulting from any other charges of interest or in the nature of interest paid or to be paid in connection with the Loan, including without limitation, the Origination Fee and any other fees to be paid by Maker pursuant to the provisions of the Loan Documents. Holder and Maker agree that none of the terms and provisions contained herein or in any of the Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of Utah. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of Utah, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of Holder, be credited to the payment of other amounts payable under the Loan Documents or returned to Maker.

16. NUMBER AND GENDER.

In this Note the singular shall include the plural and the masculine shall include the feminine and neuter gender, and vice versa.

17. HEADINGS.

Headings at the beginning of each numbered section of this Note are intended solely for convenience and are not part of this Note.

18. CHOICE OF LAW.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS NOTE AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH OR, AT THE SOLE OPTION OF HOLDER, IN ANY OTHER COURT IN WHICH HOLDER SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF MAKER AND HOLDER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 18.

19. INTEGRATION.

The Loan Documents contain the complete understanding and agreement of Holder and Maker and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. **PURSUANT TO UTAH CODE ANNOTATED SECTION 25-5-4, MAKER IS NOTIFIED THAT THIS NOTE AND OTHER WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

20. COUNTERPARTS.

This document may be executed and acknowledged in counterparts, all of which executed and acknowledged counterparts shall together constitute a single document.

21. BINDING EFFECT.

The Loan Documents will be binding upon, and inure to the benefit of, Holder, Maker, and their respective successors and assigns. Maker may not delegate its obligations hereunder or under the Loan Documents.

22. TIME OF THE ESSENCE.

Time is of the essence with regard to each provision of the Loan Documents as to which time is a factor.

22. SURVIVAL.

The representations, warranties, and covenants of Maker in the Loan Documents shall survive the execution and delivery of the Loan Documents and the making of the Loan.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, Maker has executed and delivered this Note as of the day and year first above written.

FRANKLIN COVEY CO.
a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer and Vice President of Investor Relations
"Maker"

REPAYMENT GUARANTY

THIS REPAYMENT GUARANTY (as amended, modified, extended, and renewed from time to time, the “**Guaranty**”), dated as of March 14, 2007, is made by **FRANKLIN COVEY PRINTING, INC.**, a Utah corporation, **FRANKLIN DEVELOPMENT CORPORATION**, a Utah corporation, **FRANKLIN COVEY TRAVEL, INC.**, a Utah corporation, **FRANKLIN COVEY CATALOG SALES, INC.**, a Utah corporation, **FRANKLIN COVEY CLIENT SALES, INC.**, a Utah corporation, **FRANKLIN COVEY PRODUCT SALES**, a Utah corporation, **FRANKLIN COVEY SERVICES, L.L.C.**, a Utah limited liability company, and **FRANKLIN COVEY MARKETING, LTD.**, a Utah limited partnership (individually and collectively, as the context requires, and jointly and severally, “**Guarantor**”), in favor of **ZIONS FIRST NATIONAL BANK**, a national banking association (“**Lender**”), in conjunction with the Loan made to **FRANKLIN COVEY CO.**, a Utah corporation (“**Borrower**”), by Lender pursuant to the Loan Agreement.

1. **DEFINITIONS.** Except as otherwise provided in this Guaranty, all terms defined in the Loan Agreement shall have the same meaning when used in this Guaranty. In addition, the following terms shall have the following meanings:

- (a) **“Change of Control”** (a) means the closing of a sale or other disposition of all or substantially all of Guarantor’s assets; (b) shall be deemed to have occurred at such time as a “person” or “group” (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), becomes the “beneficial owner” (as defined in Rule 13d3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than fifty percent (50%) of the total voting power of all classes of stock then outstanding of Guarantor entitled to vote in the election of directors; or (c) Guarantor’s merger into or consolidation with any other entity, or any other reorganization or transfer, directly or indirectly, of the ownership interests in Guarantor, in which the holders of the outstanding ownership interests in Guarantor immediately prior to such transaction receive or retain, in connection with such transaction on account of their ownership interests, ownership interests representing less than fifty percent (50%) of the voting power of the entity surviving such transaction; *provided, however*, that a Change of Control shall not include a merger effected exclusively for the purpose of changing the domicile of Guarantor or a merger of a Guarantor into Borrower or another Guarantor.
- (b) **“Guarantor Loan Documents”** means this Guaranty and any other guaranties, agreements, documents, or instruments now or hereafter executed by Guarantor evidencing, guarantying, securing or otherwise related to the Guarantor Obligations or the Loan, as this Guaranty and such other guaranties, agreements, documents, and instruments may be amended, modified, extended, renewed, or supplemented from time to time.
- (c) **“Guaranty”** means this Guaranty, as it may be amended, modified, extended, and renewed, from time to time.
- (d) **“Loan”** means a revolving line of credit in the maximum principal amount of SEVEN MILLION AND NO/100 DOLLARS (\$7,000,000.00) made to Borrower by Lender pursuant to the Loan Agreement.
- (e) **“Loan Agreement”** means that certain Revolving Line of Credit Agreement of approximate even date herewith between Borrower and Lender, as amended, modified, extended or renewed from time to time.
- (f) **“Loan Party”** means Borrower, Guarantor, and each other person that from time to time is obligated to Lender under any Loan Document or grants any of the Collateral.
- (g) **“Obligations”** means the following:
 - (i) Payment of principal, interest, costs, expenses, fees, and other amounts under the Note or other Loan Documents;
 - (ii) Payment of all other amounts payable from time to time by Borrower under the Loan Documents; and
 - (iii) The prompt and complete performance of the obligations of Borrower, as set forth in the Loan Agreement and other Loan Documents.
- (h) **Actions by Lender.** Unless otherwise expressly provided in this Guaranty, all determinations, consents, approvals, disapprovals, calculations, requirements, requests, acts, actions, elections, selections, opinions, judgments, options, exercise of rights, remedies or indemnities, satisfaction of conditions or other decisions of or to be made by Lender under this Guaranty shall be made in the reasonable discretion of Lender. Any reference to Lender’s “sole and absolute discretion” or similar phrases has the meaning represented by the phrase “sole and absolute discretion, acting in good faith”.

2. **GUARANTY.** FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH GUARANTOR ACKNOWLEDGES, GUARANTOR UNCONDITIONALLY AND IRREVOCABLY, AND JOINTLY AND SEVERALLY, GUARANTEES THE FULL PAYMENT AND PERFORMANCE WHEN DUE, BY ACCELERATION OR OTHERWISE, OF EACH AND ALL OBLIGATIONS. GUARANTOR AGREES THAT IMMEDIATELY UPON A FAILURE IN PAYMENT OR PERFORMANCE WHEN DUE OF ANY OR ALL OBLIGATIONS, GUARANTOR WILL PAY TO LENDER THE FULL AMOUNT OF, OR PERFORM IN FULL, SUCH OBLIGATIONS. ALL PAYMENTS UNDER THIS GUARANTY SHALL BE MADE TO LENDER IN LAWFUL MONEY OF THE UNITED STATES OF AMERICA AT THE ADDRESS OF LENDER DESIGNATED IN THE LOAN AGREEMENT OR SUCH OTHER LOCATION AS LENDER MAY DESIGNATE IN WRITING. ANY AMOUNT PAYABLE UNDER THIS GUARANTY NOT PAID WHEN DUE, AND ANY JUDGMENT FOR SUCH AN AMOUNT AND INTEREST THEREON, SHALL BEAR INTEREST AT THE DEFAULT INTEREST RATE FROM THE DUE DATE OR SUCH JUDGMENT DATE, RESPECTIVELY, UNTIL SUCH AMOUNT AND INTEREST THEREON ARE PAID IN FULL. GUARANTOR AGREES TO PAY SUCH INTEREST ON DEMAND. ALL OF GUARANTOR’S OBLIGATIONS HEREUNDER WILL BE PAID AND PERFORMED BY GUARANTOR WITHOUT COUNTERCLAIM, DEDUCTION, DEFENSE, DEFERMENT, REDUCTION, OR SET-OFF (all of the foregoing obligations of Guarantor and any and all other obligations, duties and responsibilities of Guarantor hereunder shall be referred to herein collectively as the “**Guarantor Obligations**”).

3. **SECURITY.** Payment and performance of the Guarantor Obligations by Guarantor shall be secured by a Security Agreement of even date herewith by and between Guarantor and Lender, creating a first priority security interest in all personal property assets of each Guarantor.

4. **GUARANTOR REPRESENTATIONS AND WARRANTIES.** Guarantor represents and warrants to Lender as of the date of this Guaranty:

- (a) **Organization and Powers.** Guarantor is either a corporation, a limited liability company, or a limited partnership duly organized and validly existing under the laws of the State of Utah. Guarantor has all requisite power and authority, rights and franchises to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, and to enter into and perform this Guaranty and the other Loan Documents to which it is a party. The address of Guarantor’s chief executive office and principal place of business is c/o Franklin Covey Co, 2200 West Parkway Blvd., Salt Lake City, Utah 84119.
- (b) **Good Standing.** Guarantor has made all filings and is in good standing in the State of Utah, and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary and where failure to make such filings would result in a Material Adverse Change.
- (c) **Authorization.** The execution, delivery and performance of the Guarantor Loan Documents by Guarantor are within Guarantor’s corporate, limited liability company or partnership powers and have been duly authorized by all necessary action by Guarantor and its directors, shareholders, members, managers and partners, as applicable.
- (d) **No Conflict.** The execution, delivery and performance of the Guarantor Loan Documents by Guarantor will not violate (1) any provision of the Guarantor Operating Documents; (2) any legal requirement affecting Guarantor or any of Guarantor’s respective properties except where a violation of such requirement would not result in a Material Adverse Change; or (3) any agreement to which Guarantor is bound or to which Guarantor is a party, except where a violation of any such agreement would not result in a Material Adverse Change, and will not result in or require the creation (except as provided in or contemplated by this Guaranty and the Loan Agreement) of any Lien or Encumbrance upon any of such properties.
- (e) **No Approvals, etc.** All governmental or regulatory orders, consents, permits, authorizations and approvals required for the present use and operation of the Guarantor’s business and the Collateral pledged by Guarantor have been obtained and are in full force and effect, except where failure to obtain such orders, consents, permits,

authorizations or approvals would not result in a Material Adverse Change. To the knowledge of Guarantor, no additional governmental or regulatory actions, filings or registrations with respect to the Guarantor's business and the Collateral pledged by Guarantor, and no approvals, authorizations or consents of any trustee or holder of any Indebtedness or obligation of Guarantor are required for the due execution, delivery and performance by Guarantor of their respective duties and obligations under the Guarantor Loan Documents.

(f) **Binding Obligations.** This Guaranty and the other Guarantor Loan Documents have been duly executed by Guarantor, and are the legally valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Requirements of Laws affecting creditors' rights generally and by general principles of equity.

(g) **Solvency.** After giving effect to this Guaranty, Guarantor is solvent. As used in the preceding sentence, "solvent" means, with respect to any person, that at the time of determination:

- (i) the fair value of its assets, both at fair valuation and at present fair saleable value, is in excess of the total amount of its liabilities, including, without limitation, contingent claims; and
- (ii) it is then able and expects to be able to pay its debts as they mature; and
- (iii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

Contingent liabilities (such as litigation, guaranties, including but not limited to this Guaranty, and pension plan liabilities) shall be computed at the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can reasonably be expected to become an actual or matured liability.

(h) **Inducement.** Guarantor acknowledges and agrees that this Guaranty is being executed and delivered in connection with, and as an inducement for Lender to extend, various credit accommodations to Borrower that are beneficial to the ongoing business and operations of Borrower and Guarantor.

5. **GUARANTOR COVENANTS.** Until the Obligations are paid and performed in full, Guarantor agrees that, unless Lender otherwise agrees in writing in Lender's absolute and sole discretion:

(a) **Keeping Informed About Borrower and Transaction.** Guarantor understands the Obligations and the Guarantor Obligations and has had access to information about the financial condition of Borrower and the ability of Borrower to perform the Obligations. Guarantor assumes responsibility for acquiring and maintaining all necessary information concerning the financial condition of the Borrower, and any and all endorsers and other guarantors of any instrument or document evidencing all or any part of the Obligations, and of all other circumstances bearing upon the risk of nonpayment of the Obligations or any part thereof that diligent inquiry would reveal, and Guarantor hereby agrees that Lender shall have no duty to advise Guarantor of information known to Lender regarding such condition or circumstances.

(b) **Transfer of Assets.** Unless such action would result in a Material Adverse Change (without taking into consideration subsections (iii) and (iv) of the definition of Material Adverse Change), Guarantor may sell, convey, transfer, assign or dispose of Guarantor's properties or assets, or any right, title or interest, or any part thereof, or enter into any lease covering all or any portion thereof or an undivided interest therein, either voluntarily, involuntarily, or otherwise; *provided, however,* that Guarantor shall not sell, transfer, lease, or otherwise dispose of all or any substantial part of its properties or assets other than such a sale, transfer, lease or disposition to Borrower or another Guarantor.

(c) **Change of Control.** Without the prior written consent of Lender, which consent will not be unreasonably withheld or delayed, Guarantor shall not cause, permit, or suffer any Change of Control to occur.

6. **SPECIAL PROVISIONS.**

(a) **Nature of Guaranty.** This Guaranty is absolute, continuing, irrevocable, and unconditional. This Guaranty is a guaranty of payment and performance when due and not of collection. This Guaranty shall be effective and remain in full force and effect until all Obligations are paid and performed in full, regardless of (i) the genuineness, regularity, legality, validity, or enforceability of any or all of the liens and encumbrances securing the Obligations, the Loan Documents, or the Obligations, (ii) any law, regulation, or rule (federal, state, or local) or any action by any Governmental Authority discharging, reducing, varying the terms of payment, or otherwise modifying any of the Obligations or any of the liens and encumbrances securing the Obligations, or (iii) the death, dissolution, or liquidation of Borrower or any Guarantor.

(b) **Enforcement Against Guarantor Without Other Action.** Lender, in its sole and absolute discretion, may enforce this Guaranty against any Guarantor without first having sought enforcement of any Loan Documents against Borrower, any other Guarantor, or any collateral.

(c) **Events Not Affecting Guarantor Obligations.** The following shall not affect, impair, or delay the enforcement of this Guaranty, regardless of the impact upon any contribution, exoneration, indemnification, reimbursement, subrogation, and other rights of Guarantor:

- (i) The bankruptcy, death, disability, dissolution, incompetence, insolvency, liquidation, or reorganization of Borrower.
- (ii) Any defense of Borrower to payment or performance of any or all Obligations, or enforcement of any or all liens and encumbrances securing the Obligations on this Guaranty.
- (iii) The disallowance, discharge, modification of the terms of, reduction in the amount of, or stay of enforcement of any or all Obligations, or any or all liens and encumbrances securing the Obligations, in any bankruptcy, insolvency, reorganization, or other legal proceeding or by any law, ordinance, regulation, or rule (federal, state, or local).
- (iv) The cessation of liability of Borrower for any or all Obligations without full satisfaction of such Obligations.

(d) **Acts and Omissions of Lender Not Affecting this Guaranty.** The following acts and omissions of Lender, in each case in its sole and absolute discretion, shall not affect, delay, or impair this Guaranty, regardless of the impact upon any contribution, exoneration, indemnification, reimbursement, subrogation, or other rights of Guarantor:

- (i) Lender may compromise, delay enforcement, fail to enforce, release, settle, or waive any or all Obligations of Borrower or any or all rights and remedies of Lender against Borrower.
- (ii) Lender may make advances, issue letters of credit, or grant other financial accommodations for Borrower without requiring satisfaction of all conditions precedent in the Loan Documents.
- (iii) Lender may obtain, substitute, and release collateral or additional collateral for the Obligations or this Guaranty.
- (iv) Lender may fail to perfect, fail to protect the priority of, and fail to insure any or all liens and encumbrances in such collateral.
- (v) Lender may fail to inspect, insure, maintain, preserve, or protect any or all such collateral.
- (vi) Lender may enforce, compromise, delay enforcement, fail to enforce, settle, or waive any rights and remedies of Lender as to any or all such collateral.
- (vii) Lender may assemble, sell, or otherwise dispose of any collateral in any manner and order Lender determines in its absolute and sole discretion, and disposition may be for no value, or for less than fair market value, of the collateral in the absolute and sole discretion of Lender. With respect to any collateral that is personal property, Lender shall give Guarantor ten (10) days' prior written notice of any sale or other disposition, except for personal property collateral that is perishable, threatens to decline speedily in value, is of a type customarily sold on a recognized market, or is cash, cash equivalents, certificates of deposit or the like, and except as to Lender's right of set-off. Guarantor's sole right with respect to all collateral shall be to bid at a sale thereof in accordance with applicable law.

- (viii) Lender may obtain additional obligors for any or all Obligations, and may substitute or release Borrower or any other obligor.
- (ix) Lender may fail to file or pursue a claim in any bankruptcy, insolvency, probate, reorganization, or other proceeding as to any or all Obligations or any or all liens and encumbrances securing the Obligations.
- (x) Lender may subordinate (A) any or all liens and encumbrances securing the Obligations or this Guaranty, or (B) any or all Obligations.
- (xi) Lender may amend, modify, extend, renew, restate, supplement, or terminate in whole or in part any or all Loan Documents.
- (xii) Lender may assign any or all of its rights and delegate its obligations under the Loan Documents, in whole or in part (including, without limitation, by participation).
- (xiii) Lender may do any other act or make any other omission that might otherwise constitute an extinguishment or a legal or equitable discharge of, or defense by, Guarantor.

7. GUARANTOR WAIVERS.

- (a) **Note and Notice Waivers.** Guarantor waives, to the full extent permitted by law, presentment, notice of dishonor, protest, notice of protest, notice of intent to accelerate, notice of acceleration, and all other notices or demands of any kind (including, without limitation, notice of the acceptance by Lender of this Guaranty, notice of the existence, creation, non-payment, or non-performance of any or all Obligations, and notice of the acts or omissions described in **Sections 6(c) and 6(d)**), excepting only notices specifically provided for in this Guaranty).
- (b) **Waiver of Acts and Omissions of Lender.** Guarantor waives any defense to enforcement of the Guarantor Obligations or any liens and encumbrances granted by Guarantor based on acts and omissions of Lender described in **Sections 6(c) and 6(d)**.
- (c) **Waiver of Statutory Provisions.** Guarantor waives any and all rights and benefits under *Utah Code Annotated* § 78-37-1, *Utah Code Annotated* § 57-1-32 and any other similar or replacement statutes or rules now or hereafter in effect and any other statutes or rules now or hereafter in effect that purport to confer specific rights upon, or make specific defenses or procedures available to, guarantors, or limit the right of Lender to recover a deficiency judgment, or to otherwise proceed, against any person or entity obligated for payment of the Loan, after any trustee's sale, any judicial foreclosure sale or any personal property sale of any collateral securing the Loan.
- (d) **Waiver of Statute of Limitations.** To the full extent permitted by law, Guarantor waives any and all statutes of limitations as a defense to any or all Obligations.
- (e) **Waiver of Law and Equitable Principles Conflicting With This Guaranty.** Guarantor waives any and all provisions of law and equitable principles that conflict with this Guaranty.
- (f) **Waiver of Any Obligation of Lender to Inform Guarantor.** Guarantor waives any right to require Lender, and Lender shall have no obligation, to provide to Guarantor any information concerning performance of the Obligations, the ability of Borrower to perform the Obligations, or any other matter, regardless of what information Lender may have from time to time.
- (g) **Waiver of Contribution, Exoneration, Indemnification, Reimbursement, Subrogation, and Other Rights Against Borrower and Other Loan Parties.** Until such time as the Obligations have been fully satisfied, Guarantor waives any and all present and future claims, remedies, and rights of Guarantor against Borrower or any other guarantor, any collateral, and any other property, interests in property, or rights to property of Borrower or any other guarantor (i) arising from any performance by Guarantor hereunder, (ii) arising from any application of any collateral or any other property, interests in property, or rights to property of Guarantor to payment or performance of the Obligations, or (iii) otherwise arising in respect of the Loan Documents, regardless of whether such claims, remedies, and rights arise under any present or future agreement, document, or instrument or are provided by any law, ordinance, regulation, or rule (federal, state, or local) (including, without limitation, (A) any and all rights of contribution, exoneration, indemnity, reimbursement, and subrogation, and (B) any and all rights to participate in the rights and remedies of Lender against Borrower, any other guarantor, and any collateral).
- (h) **WAIVER OF JURY TRIAL.** EACH OF GUARANTOR AND LENDER (BY ITS ACCEPTANCE HEREOF) HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED UPON CONTRACT, TORT OR ANY OTHER THEORY). EACH OF GUARANTOR AND LENDER (BY ITS ACCEPTANCE HEREOF) (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.
- (i) **WAIVER OF SPECIAL DAMAGES.** TO THE EXTENT PERMITTED BY APPLICABLE LAW, GUARANTOR SHALL NOT ASSERT, AND HEREBY WAIVES, ANY CLAIM AGAINST LENDER, ON ANY THEORY OF LIABILITY, FOR SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES (AS OPPOSED TO DIRECT OR ACTUAL DAMAGES) ARISING OUT OF, IN CONNECTION WITH, OR AS A RESULT OF, THIS GUARANTY OR ANY AGREEMENT OR INSTRUMENT CONTEMPLATED HEREBY, THE TRANSACTIONS, THE LOAN OR THE USE OF THE PROCEEDS THEREOF.
- (j) **MISCELLANEOUS WAIVERS.** TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, GUARANTOR HEREBY WAIVES ANY AND ALL RIGHTS TO REQUIRE MARSHALLING OF ASSETS BY LENDER. WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDINGS RELATING TO THIS GUARANTY OR THE OTHER GUARANTOR LOAN DOCUMENTS (EACH, A "PROCEEDING"), GUARANTOR IRREVOCABLY (A) SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS HAVING JURISDICTION IN THE CITY OF SALT LAKE, COUNTY OF SALT LAKE AND STATE OF UTAH, AND (B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY PROCEEDING BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND FURTHER WAIVES THE RIGHT TO OBJECT, WITH RESPECT TO SUCH PROCEEDING, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY. NOTHING IN THIS GUARANTY SHALL PRECLUDE LENDER FROM BRINGING A PROCEEDING IN ANY OTHER JURISDICTION NOR WILL THE BRINGING OF A PROCEEDING IN ANY ONE OR MORE JURISDICTIONS PRECLUDE THE BRINGING OF A PROCEEDING IN ANY OTHER JURISDICTION. GUARANTOR FURTHER AGREES AND CONSENTS THAT, IN ADDITION TO ANY METHODS OF SERVICE OF PROCESS PROVIDED FOR UNDER APPLICABLE LAW, ALL SERVICE OF PROCESS IN ANY PROCEEDING IN ANY UTAH STATE OR UNITED STATES COURT SITTING IN THE CITY OF SALT LAKE AND COUNTY OF SALT LAKE MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO GUARANTOR AT THE ADDRESS INDICATED BELOW, AND SERVICE SO MADE SHALL BE COMPLETE UPON RECEIPT; EXCEPT THAT IF GUARANTOR SHALL REFUSE TO ACCEPT DELIVERY, SERVICE SHALL BE DEEMED COMPLETE FIVE (5) DAYS AFTER THE SAME SHALL HAVE BEEN SO MAILED.

8. **SUBORDINATION.** If from time to time Borrower shall have liabilities or obligations to Guarantor, such liabilities and obligations and any and all assignments as security, grants in trust, liens, mortgages, security interests, other encumbrances, and other interests and rights securing such liabilities and obligations shall at all times be fully subordinate with respect to (a) assignment as security, grant in trust, lien, mortgage, security interest, other encumbrance, and other interest and right (if any), (b) time and right of payment and performance, and (c) rights against any collateral therefor (if any), to payment and performance in full of the Obligations and the right of Lender to realize upon any or all Collateral. Guarantor agrees that such liabilities and obligations of Borrower to Guarantor shall not be secured by any assignment as security, grant in trust, lien, mortgage, security interest, other encumbrance or other interest or right in any property, interests in property, or rights to property of Borrower and that during the continuance of an Event of Default, Borrower shall not pay, and Guarantor shall not receive, payments of any or all liabilities or obligations of Borrower to Guarantor until after payment and performance of the Obligations in full, unless Lender consents thereto in writing. If, notwithstanding the foregoing, during the continuance of an Event of Default, Guarantor receives any payment from Borrower, such payment shall be held in trust by Guarantor for the benefit of Lender, shall be segregated from the other funds of Guarantor, and shall forthwith be paid by Guarantor to Lender and applied to payment of the Obligations, whether or not then due. To secure this Guaranty, Guarantor grants to Lender a lien and security interest in all liabilities and obligations of Borrower to Guarantor, in any assignments as security, grants in trust, liens, mortgages, security interests, other encumbrances, other interests or rights securing such liabilities and obligations, and in all of Guarantor's right, title, and interest in and to any payments, property, interests in property, or rights to property acquired or received by Guarantor from Borrower in respect of any liabilities or obligations of Borrower to Guarantor.

9. **LIMITATION ON OBLIGATIONS.** The provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by Guarantor or Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being Guarantor's "Maximum Liability"). This Section 9 with respect to the Maximum Liability of Guarantor is intended solely to preserve the rights of Lender hereunder to the maximum extent not subject to avoidance under applicable law, and neither Guarantor nor any other person or entity shall have any right or claim under this Section 9 with respect to the Maximum Liability, except to the extent necessary so that the obligations of Guarantor hereunder shall not be rendered voidable under applicable law.

10. **RIGHTS AND REMEDIES OF LENDER.** The rights and remedies of Lender shall be cumulative and non-exclusive. Delay, discontinuance, or failure to exercise any right or remedy of Lender shall not be a waiver thereof, of any other right or remedy of Lender, or of the time of the essence provision. Exercise of any right or remedy of Lender shall not cure or waive any Event of Default or invalidate any act done in response to any Event of Default.

11. **SURVIVAL.** The representations, warranties, and covenants of Guarantor in this Guaranty shall survive the execution and delivery of this Guaranty.

12. **INTEGRATION, ENTIRE AGREEMENT, CHANGE, DISCHARGE, TERMINATION, WAIVER, APPROVAL, CONSENT, ETC.** This Guaranty contains the complete understanding and agreement of Guarantor and Lender and supersedes all prior representations, warranties, agreements, arrangements, understandings, and negotiations. No provision of this Guaranty may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the parties thereto. Delay or failure by Lender to insist on performance of any obligation when due or compliance with any other term or condition in this Guaranty shall not operate as a waiver thereof or of any other obligation, term, or condition or of the time of the essence provision. Acceptance of late payments or performance shall not be a waiver of the time of the essence provision, the right of Lender to require that subsequent payments or performance be made when due, or the right of Lender to declare an Event of Default if subsequent payments or performance are not made when due. Any approval, consent, or statement that a matter is satisfactory by Lender under this Guaranty must be in writing executed by Lender and shall apply only to the person(s) and facts specifically set forth in the writing.

13. **BINDING EFFECT.** This Guaranty shall be binding upon Guarantor and shall inure to the benefit of Lender and their successors and assigns, and the executors, legal administrators, personal representatives, heirs, devisees, and beneficiaries of Guarantor, *provided, however,* that Guarantor may not delegate any of its obligations under this Guaranty and any purported delegation shall be void. Lender may from time to time in its absolute and sole discretion assign its rights and delegate its obligations under the Loan Documents, in whole or in part, without notice to or consent by Guarantor (including, without limitation, participation). In addition to any greater or lesser limitation provided by law, Guarantor shall not assert against any assignee of Lender any claims or defenses Guarantor may have against Lender, except claims and defenses, if any, arising under this Guaranty.

14. **COSTS, EXPENSES, AND FEES.** Guarantor shall promptly pay to Lender, upon demand, with interest thereon at the Default Interest Rate, reasonable attorneys' fees and all costs and other expenses paid or incurred by Lender in enforcing or exercising its rights or remedies created by, connected with or provided for in this Guaranty.

15. **SEVERABILITY.** If any provision or any part of any provision of this Guaranty is unenforceable, the enforceability of the other provisions or the other provisions and the remainder of the subject provision, respectively, shall not be affected and they shall remain in full force and effect.

16. **CHOICE OF LAW.** THIS GUARANTY AND THE TRANSACTIONS CONTEMPLATED HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF UTAH WITHOUT GIVING EFFECT TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS GUARANTY AND THE OTHER GUARANTOR LOAN DOCUMENTS MAY BE TRIED AND LITIGATED IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH OR, IN ANY OTHER COURT IN WHICH A PARTY SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. EACH OF GUARANTOR, AND BY ACCEPTANCE HEREOF, LENDER WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ANY STATE OR FEDERAL COURT LOCATED IN THE COUNTY OF SALT LAKE, STATE OF UTAH.

17. **TIME OF THE ESSENCE.** Time is of the essence with regard to each provision of this Guaranty as to which time is a factor.

18. **NOTICES AND DEMANDS.** All notices, requests, demands and consents to be made hereunder to the parties hereto shall be in writing and shall be delivered by hand or sent by registered mail or certified mail, postage prepaid, return receipt requested (except for any notice address which is a post office box, in which case notice may be given by first class mail), through the United States Postal Service to the addresses shown below, or such other address which the parties may provide to one another in accordance herewith. Such notices, requests, demands and consents, if sent by mail, shall be deemed given two (2) Business Days after deposit in the United States mail, and if delivered by hand, shall be deemed given when delivered.

To Lender: Zions First National Bank
10 East South Temple, Suite 200
Salt Lake City, Utah 84133
Attn: Donald Rands

with a copy to: Callister Nebeker & McCullough
10 East South Temple, Suite 200
Salt Lake City, Utah 84133
Attn: Bradley E. Morris, Esq.

To Guarantor: c/o Franklin Covey Co.
2200 West Parkway Blvd.
Salt Lake City, Utah 84110
Attn: Richard Putnam

with a copy to: Dorsey & Whitney LLP
170 South Main Street, Suite 900
Salt Lake City, Utah 84101
Attn: Nolan S. Taylor, Esq.

19. **JOINT AND SEVERAL OBLIGATIONS.** This Guaranty may be executed by more than one person, and in such event the obligations hereunder shall be the joint and several obligations of each such person. Each reference to Guarantor shall be a reference to each person executing this Guaranty individually and to all such persons collectively. Each Guarantor's liability is independent of the obligations of the other Guarantors. Lender may bring an action against any Guarantor to enforce this Guaranty, whether an action is brought against the other Guarantors.

20. **PARTIAL PERFORMANCE.** Guarantor's performance of a portion, but not all, of the Obligations shall in no way limit, affect, modify or abridge Guarantor's liability for the Obligations which are not performed. Without in any way limiting the generality of the foregoing, in the event that Lender is awarded a judgment in any suit brought to enforce Guarantor's covenant to perform a portion of the Obligations, such judgment shall in no way be deemed to release Guarantor from its covenant to perform any portion of the Obligations which is not the subject of the suit.

21. **INDEMNIFICATION OF LENDER.** TO THE FULLEST EXTENT PERMITTED BY LAW, GUARANTOR AGREES TO PROTECT, INDEMNIFY, DEFEND AND SAVE HARMLESS LENDER, ITS DIRECTORS, OFFICERS, AGENTS, ATTORNEYS, AND EMPLOYEES FOR, FROM, AND AGAINST ANY AND ALL LIABILITY, EXPENSE, OR DAMAGE OF ANY KIND OR NATURE AND FOR, FROM, AND AGAINST ANY SUITS, CLAIMS, OR DEMANDS, INCLUDING REASONABLE ATTORNEY'S FEES AND EXPENSES ON ACCOUNT OF ANY MATTER OR THING OR ACTION, WHETHER IN SUIT OR NOT, ARISING OUT OF THIS GUARANTY, OR IN CONNECTION HEREWITH, EXCLUDING HOWEVER, ANY MATTERS ARISING OUT OF AN INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OR ANY MATTERS ARISING AFTER LENDER HAS TAKEN TITLE TO OR POSSESSION OF THE COLLATERAL PLEDGED BY ANY GUARANTOR DOCUMENT. Upon receiving

knowledge of any suit, claim, or demand asserted by a third party that Lender believes is covered by this indemnity, Lender shall give Guarantor notice of the matter and an opportunity to defend it, at Guarantor's sole cost and expense, with legal counsel satisfactory to Lender. Lender may also require Guarantor to so defend the matter. The obligations on the part of Guarantor under this **Section 21** shall survive the payment and performance of the Obligations.

22. **RESCISSION OR RETURN OF PAYMENTS.** If at any time or from time to time, whether before or after payment and performance of the Obligations in full, all or any part of any amount received by Lender in payment of, or on account of, any Obligation is or must be, or is claimed to be, avoided, rescinded, or returned by Lender to Guarantor or any other person for any reason whatsoever (including, without limitation, bankruptcy, insolvency, or reorganization of Guarantor or any other person), such Obligation and any liens and encumbrances that secured such Obligation at the time such avoided, rescinded, or returned payment was received by Lender shall be deemed to have continued in existence or shall be reinstated, as the case may be, all as though such payment had not been received.

23. **COUNTERPART EXECUTION.** This Guaranty may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Guaranty to physically form one document. Facsimile signature pages will be acceptable, provided originally signed signature pages are provided to each of the other parties by overnight courier.

24. **RIGHT OF SET-OFF.** In addition to any other rights and remedies of Lender, upon the occurrence of an Event of Default, including the failure of Guarantor to timely perform any obligation hereunder, Lender is authorized at any time and from time to time during the continuance of such default or Event of Default, without prior notice to Guarantor (any such notice being waived by Guarantor to the fullest extent permitted by law) to set-off and apply any and all deposits or deposit accounts (general or special, time or demand, provisional or final) at any time held by Lender to or for the credit or the account of Guarantor against any and all obligations of Guarantor under the Loan Documents, now or hereafter existing, irrespective of whether or not Lender shall have made demand under this Guaranty or any other Loan Document and although such amounts owed may be contingent or unmatured.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, guarantor has caused this Guaranty to be executed as of the date first above written.

FRANKLIN COVEY PRINTING, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN DEVELOPMENT CORPORATION

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President

FRANKLIN COVEY TRAVEL, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY CATALOG SALES, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY CLIENT SALES, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY PRODUCT SALES, INC.

a Utah corporation

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

FRANKLIN COVEY SERVICES, L.L.C.

a Utah limited liability company

By: **FRANKLIN COVEY CLIENT SALES, INC.**

a Utah corporation, its member

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Treasurer

By: **FRANKLIN DEVELOPMENT CORPORATION**

a Utah corporation, its member

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President

FRANKLIN COVEY MARKETING, LTD.
a Utah limited partnership

By: **FRANKLIN DEVELOPMENT CORPORATION**
a Utah corporation, its general partner

By: /s/ RICHARD PUTNAM

Name: Richard Putnam
Title: Vice President
"Guarantor"



South Central Ontario Region
381 King St. W. & Francis St., 2nd Fl.
Kitchener, Ontario
N2G 1B8

Telephone No.: (519) 570-7322
Fax No.: (519) 579-2610

February 19, 2007

Franklin Covey Canada, Ltd.
60 Struck Crt
Cambridge, ON N1R 8L2

Attn: Mr. Mark Pallin,

Dear Sir,

We are pleased to offer the Borrower the following credit facilities (the "Facilities"), subject to the following terms and conditions.

<u>BORROWER</u>	(the "Borrower")
<u>LENDER</u>	The Toronto-Dominion Bank (the "Bank"), through its South Central Ontario Region branch, in Kitchener, Ontario.
<u>CREDIT LIMIT</u>	1) CDN \$500,000 2) CDN \$895,253 as reduced pursuant to the section headed "Repayment and Reduction of Amount of Credit Facility".
<u>TYPE OF CREDIT AND BORROWING OPTIONS</u>	1) Operating Loan available at the Borrower's option by way of: Prime Rate Based Loans in CDN\$ ("Prime Based Loans") 2) Committed Reducing Term Facility (Single Draw) available at the Borrower's option by way of: Fixed Rate Term Loan in CDN\$ Floating Rate Term Loan available by way of: Prime Rate Based Loans in CDN\$ ("Prime Based Loans")
<u>PURPOSE</u>	1) Working Capital 2) Real Estate Financing
<u>TENOR</u>	1) Uncommitted 2) Committed
<u>CONTRACTUAL TERM</u>	1) No term 2) March 15, 2009
<u>RATE TERM (FIXED RATE TERM LOAN)</u>	1) No term 2) Fixed rate: 6 month, 1-3 years but never to exceed the Contractual Term Maturity Date Floating rate: No term

AMORTIZATION 2) 15 years to January 2015

INTEREST RATES AND FEES Advances shall bear interest and fees as follows:

- 1) **Operating Loan:**
Prime Based Loans: Prime Rate + 0% per annum
- 2) **Committed Reducing Term Facility:**
Fixed Rate Term Loans: As determined by the Bank, in its sole discretion, for the Rate Term selected by the Borrower, and as set out in the Rate and Payment Terms Notice applicable to that Fixed Rate Term Loan.
Floating Rate Term Loans available by way of:
Prime Based Loans: Prime Rate + 0% per annum

For all Facilities, interest payments will be made in accordance with Schedule "A" attached hereto unless otherwise stated in this Letter or in the Rate and Payment Terms Notice applicable for a particular drawdown. Information on interest rate and fee definitions, interest rate calculations and payment is set out in the Schedule "A" attached hereto.

DRAWDOWN 1) On a revolving basis.
2) Fully drawn. Amounts repaid may not be redrawn.

BUSINESS CREDIT SERVICE The Borrower will have access to the Operating Loan (Facility 1) via Loan Account Number 9327791-2752 (the "Loan Account") up to the Credit Limit of the Operating Loan by withdrawing funds from the Borrower's Current Account Number 327791-2752 (the "Current Account"). The Borrower agrees that each advance from the Loan Account will be in an amount equal to \$10,000 (the "Transfer Amount") or a multiple thereof. If

the Transfer Amount is NIL, the Borrower agrees that an advance from the Borrower's Loan Account may be in an amount sufficient to cover the debits made to the Current Account.

The Borrower agrees that:

- a) all other overdraft privileges which have governed the Borrower's Current Account are hereby cancelled.
- b) all outstanding overdraft amounts under any such other agreements are now included in indebtedness under this Agreement.

The Bank may, but is not required to, automatically advance the Transfer Amount or a multiple thereof or any other amount from the Loan Account to the Current Account in order to cover the debits made to the Current Account if the amount in the Current Account is insufficient to cover the debits. The Bank may, but is not required to, automatically and without notice apply the funds in the Current Account in amounts equal to the Transfer Amount or any multiple thereof or any other amount to repay the outstanding amount in the Loan Account.

REPAYMENT AND REDUCTION OF AMOUNT OF CREDIT FACILITY

- 1) On demand. If the Bank demands repayment, the Borrower will pay to the Bank all amounts outstanding under the Operating Loan.
- 2) All amounts outstanding will be repaid on or before the Contractual Term Maturity Date. The drawdown will be repaid in equal monthly payments. The details of repayment and interest rate applicable to such drawdown will be set out in the "Rate and Payment Terms Notice" applicable to that drawdown. Any amounts repaid may not be reborrowed.

SECURITY

The following security shall be provided, shall, unless otherwise indicated, support all present and future indebtedness and liability of the Borrower and the grantor of the security to the Bank including without limitation indebtedness and liability under guarantees, foreign exchange contracts, cash management products, and derivative contracts, shall be registered in first position, and shall be on the Bank's standard form, supported by resolutions and solicitor's opinion, all acceptable to the Bank:

- a) General Security Agreement ("GSA") representing a first charge on all the Borrower's assets and undertakings with SLO and Resolution
- b) General Assignment of Fire Insurance.
- c) Continuing Collateral Mortgage, representing a first charge, on real property located at 60 Struck Court, Cambridge, Ontario, in the principal amount of \$1,500,000, beneficially owned by and registered in the name of Franklin Covey Canada, Ltd.
- d) Guarantee of Advances from Franklin Covey Co.
Limited \$1,500,000

All persons and entities required to provide a guarantee shall be referred to herein individually as a "Surety" and/or "Guarantor" and collectively as the "Guarantors".

All of the above security and guarantees shall be referred to collectively in this Agreement as "Bank Security".

DISBURSEMENT CONDITIONS

The obligation of the Bank to permit any drawdown hereunder is subject to the Standard Disbursement Conditions contained in Schedule "A" and the following additional drawdown conditions:

- a) Borrower Questionnaire and Site Visit to be completed satisfactory to the Bank.
- b) Accountant Prepared Financial statements for the year ended Aug 31, 2006 are to be provided to the bank with no material change from management prepared statements.
- c) Management prepared interim financial statements for the most recent period ended are to be provided to the bank.
- d) Borrower to commit to transferring all day-to-day banking to TDBFG.

REPRESENTATIONS AND WARRANTIES

All representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect. The Borrower makes the Standard Representations and Warranties set out in Schedule "A".

POSITIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will observe the Standard Positive Covenants set out in Schedule "A" and in addition will:

- a) provide to the Bank annually, Audited year end financial statements for Franklin Covey Co. within 120 days of each fiscal year end,
- b) provide to the Bank annually, Accountant Prepared Notice to Reader Financial Statements for Franklin Covey Canada, Ltd. , within 120 days of each fiscal year end,
- c) obtain prior approval from the Bank and it's solicitor, for any lease or easement that would restrict use of the property. Approval not to be unreasonably withheld.

NEGATIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will and will ensure that its subsidiaries and each of the Guarantors will observe the Standard Negative Covenants set out in Schedule "A". In addition the Borrower will not and will ensure that its subsidiaries and each of the Guarantors will not:

- a) allow the subject property herein to be further encumbered.

REPORTING

The Borrower acknowledges that the financial reporting obligations contained herein, including the submission of the financial statements to the Bank on a timely basis, constitute a material condition precedent to the Bank providing the credit facilities contemplated herein. Should the Borrower fail to fulfill such obligations within the delays set forth herein and such default is not remedied within 10 days from the date of the Bank's written notice to the Borrower setting forth the nature of the default, then the Borrower shall be deemed to have committed an "Event of Default" as hereinafter defined.

Notwithstanding the foregoing, and without prejudice to and under strict reserve thereof, of any rights and recourses the Bank may have in the circumstances, the Bank shall nevertheless have the right to engage, at the Borrower's expense, an independent auditor to examine the Borrower's books, records and physical assets, and perform such tests and analysis and such other verifications as the Bank may, in its sole discretion, determine necessary to assess its loan risk and realizable value of the Security.

PERMITTED LIENS

Permitted Liens as referred to in Schedule "A" are:

Purchase Money Security Interests in equipment which Purchase Money Security Interest exists on the date of this Agreement ("Existing PMSIs") which are known to the Bank and all future Purchase Money Security Interests on equipment acquired to replace the equipment under Existing PMSIs, provided that the cost of such replacement equipment may not exceed the cost of the equipment subject to the Existing Lien by more than 10%.

FINANCIAL COVENANTS

The Borrower agrees at all times to:

- a) maintain a Debt Service Coverage ratio, of not less than 1.25:1. Tested Annually.

The Debt Service Coverage ratio to be calculated as follows:

EBITDA - Any Capital Cash Outflows to related company (Dividends, Shareholder loans, etc.) - Capital Expenditures
Principal + Interest

EBITDA is defined as Earnings Before Interest, Income Taxes, Depreciation, and Amortization.

EVENTS OF DEFAULT

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the Standard Events of Default contained in Schedule "A" attached hereto.

ANCILLARY FACILITIES

As at the date of this Agreement, the following uncommitted ancillary products are made available. These products may be subject to other agreements.

- 1) TD Visa Business cards.
- 2) Spot Foreign Exchange Facility which allows the Borrower to enter into US\$1,000,000 for settlement on a spot basis.
- 3) Certain treasury products, such as forward foreign exchange transactions.

The Borrower agrees that treasury products will be used to hedge its risk and will not be used for speculative purposes.

The paragraph headed "FX CLOSE OUT" as set out in Schedule "A" shall apply to FX Transactions.

AVAILABILITY OF OPERATING LOAN

The Operating Loan is uncommitted, made available at the Bank's discretion, and is not automatically available upon satisfaction of the terms and conditions, conditions precedent, or financial tests set out herein.

The occurrence of an Event of Default is not a precondition to the Bank's right to accelerate repayment and cancel the availability of the Operating Loan.

SCHEDULE "A" - STANDARD TERMS AND CONDITIONS

Schedule "A" sets out the Standard Terms and Conditions ("Standard Terms and Conditions") which apply to these credit facilities. The Standard Terms and Conditions, including the defined terms set out therein, form part of this Agreement, unless this letter states specifically that one or more of the Standard Terms and Conditions do not apply or are modified.

We trust you will find these facilities helpful in meeting your ongoing financing requirements. We ask that if you wish to accept this offer of financing (which includes the Standard Terms and Conditions), please do so by signing and returning the attached duplicate copy of this letter to the undersigned. This offer will expire if not accepted in writing and received by the Bank on or before February 26, 2007.

Yours truly,

THE TORONTO-DOMINION BANK

John W. Edwards
Relationship Manager

Robert Lewis
Manager Commercial Credit

TO THE TORONTO-DOMINION BANK:

hereby accepts the foregoing offer this ____ day of _____, 2007.

Signature
Print Name & Position

Signature
Print Name & Position

cc. Guarantor(s)

The Bank is providing the guarantor(s) with a copy of this letter as a courtesy only. The delivery of a copy of this letter does not create any obligation of the Bank to provide the guarantor(s) with notice of any changes to the credit facilities, including without limitation, changes to the terms and conditions, increases or decreases in the amount of the credit facilities, the establishment of new credit facilities or otherwise. The Bank may, or may not, at its option, provide the guarantor(s) with such information, provided that the Bank will provide such information upon the written request of the guarantor.

SCHEDULE A
STANDARD TERMS AND CONDITIONS

1. INTEREST RATE DEFINITIONS

Prime Rate means the rate of interest per annum (based on a 365/366 day year) established and reported by the Bank to the Bank of Canada from time to time as the reference rate of interest for determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness in Canada for Canadian dollar loans made by it in Canada.

The Stamping Fee rate per annum for CDN\$ B/As is based on a 365/366 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance. The Stamping Fee rate per annum for US\$ B/As is based on a 360 day year and the Stamping Fee is calculated on the Face Amount of each B/A presented to the Bank for acceptance.

LIBOR means the rate of interest per annum (based on a 360 day year) as determined by the Bank (rounded upwards, if necessary to the nearest whole multiple of 1/16th of 1%) at which the Bank may make available United States dollars which are obtained by the Bank in the Interbank Euro Currency Market, London, England at approximately 11:00 a.m. (Toronto time) on the second Business Day before the first day of, and in an amount similar to, and for the period similar to the interest period of, such advance.

USBR means the rate of interest per annum (based on a 365/366 day year) established by the Bank from time to time as the reference rate of interest for the determination of interest rates that the Bank charges to customers of varying degrees of creditworthiness for US dollar loans made by it in Canada.

Any interest rate based on a period less than a year expressed as an annual rate for the purposes of the Interest Act (Canada) is equivalent to such determined rate multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by the number of days in the period upon which it was based.

2. INTEREST CALCULATION AND PAYMENT

Interest on Prime Based Loans and USBR Loans is calculated daily and payable monthly in arrears based on the number of days the subject loan is outstanding unless otherwise provided in the Rate and Payment Terms Notice.

The Stamping Fee is calculated based on the amount and the term of the B/A and payable upon acceptance by the Bank of the B/A. The net proceeds received by the Borrower on a B/A advance will be equal to the Face Amount of the B/A discounted at the Bank's then prevailing B/A discount rate for CDN\$ B/As or US\$ B/As as the case may be, for the specified term of the B/A less the B/A Stamping Fee.

Interest on LIBOR Loans is calculated and payable on the earlier of contract maturity or quarterly in arrears, for the number of days in the LIBOR interest period.

L/C and L/G fees are payable at the time set out in the Letter of Credit Indemnity Agreement applicable to the issued L/C or L/G.

Interest on Fixed Rate Term Loans is compounded monthly and payable monthly in arrears unless otherwise provided in the Rate and Payment Terms Notice.

Interest is payable both before and after maturity or demand, default and judgment.

Each payment under this Agreement shall be applied first in payment of costs and expenses, then interest and fees and the balance, if any, shall be applied in reduction of principal.

For loans not secured by real property, all overdue amounts of principal and interest and all amounts outstanding in excess of the Credit Limit shall bear interest from the date on which the same became due or from when the excess was incurred, as the case may be, until the date of payment or until the date the excess is repaid at 21% per annum, or such lower interest rate if the Bank agrees to a lower interest rate in writing. Nothing in this clause shall be deemed to authorize the Borrower to incur loans in excess of the Credit Limit.

3. DRAWDOWN PROVISIONS

Prime Based and USBR Loans

There is no minimum amount of drawdown by way of Prime Based Loans and USBR Loans, except as stated in the section of the Agreement titled "Business Credit Services Agreement", if that section of the Agreement has not been deleted. The Borrower shall provide the Bank with 3 Business Days' notice of a requested Prime Based Loan or USBR Loan over \$1,000,000.

B/As

The Borrower shall advise the Bank of the requested term or maturity date for B/As issued hereunder. The Bank shall have the discretion to restrict the term or maturity dates of B/As. In no event shall the term of the B/A exceed the Contractual Term Maturity Date. The minimum amount of a drawdown by way of B/As is \$1,000,000 and in multiples of \$100,000 thereafter. The Borrower shall provide the Bank with 3 Business Days' notice of a requested B/A drawdown.

The Borrower shall pay to the Bank the full amount of the B/A at the maturity date of the B/A.

The Borrower appoints the Bank as its attorney to and authorizes the Bank to (i) complete, sign, endorse, negotiate and deliver B/As on behalf of the Borrower in handwritten form, or by facsimile or mechanical signature or otherwise, (ii) accept such B/As, and (iii) purchase, discount, and/or negotiate B/As.

LIBOR

The Borrower shall advise the Bank of the requested LIBOR contract maturity period. The Bank shall have the discretion to restrict the LIBOR contract maturity. In no event shall the term of the LIBOR contract exceed the Contractual Term Maturity Date. The minimum amount of a drawdown by way of a LIBOR Loan is \$1,000,000, and shall be in multiples of \$100,000 thereafter. The Borrower will provide the Bank with 3 Business Days' notice of a requested LIBOR Loan.

L/C and/or L/G

The Bank shall have the discretion to restrict the maturity date of L/Gs or L/Cs.

B/A - Prime Conversion

The Borrower will provide the Bank with at least 3 Business Days' notice of its intention either to convert a B/A to a Prime Based Loan or vice versa, failing which, the Bank may decline to accept such additional B/As or may charge interest on the amount of Prime Based Loans resulting from maturity of B/As at the rate of 115% of the rate applicable to Prime Based Loans for the 3 Business Day period immediately following such maturity. Thereafter, the rate shall revert to the rate applicable to Prime Based Loans.

Notice

Prior to each drawdown and at least 10 days prior to each Rate Term Maturity, the Borrower will advise the Bank of its selection of drawdown options from those made available by the Bank. The Bank will, after each drawdown, other than drawdowns by way of BA, LIBOR Loan or under the operating loan, send a Rate and Payment Terms Notice to the Borrower.

4. PREPAYMENT

- (a) 10% Prepayment Option Chosen. If the Borrower has elected a 10% Prepayment Option for a Facility the following shall apply to all Fixed Rate Loans made under that Facility. Each calendar year, ("Year"), the Borrower may prepay in one lump sum, once each Year, an amount outstanding under a Fixed Rate Term Loan not exceeding 10% of the original amount of the Fixed Rate Term Loan being prepaid, upon payment of all interest accrued to the date of prepayment ("Prepayment Date") without paying any prepayment charge, provided that an Event of Default has not occurred. This privilege is not cumulative from Year to Year.
- (b) 10% Prepayment Option Not Chosen or Borrower Prepaying More than 10%. During each Year, the Borrower may, provided that an Event of Default has not occurred:

if it has not chosen the 10% Prepayment Option, prepay all or any part of the principal then outstanding under Fixed Rate Term Loans, or, if it has chosen the 10% Prepayment Option, prepay more than 10% of the original amount of the Fixed Rate Term Loan being prepaid, in any Year,

in either case, upon payment of all interest accrued to the Prepayment Date and prepayment charges equal to the greater of:

- (a) three months' interest on the amount of the prepayment (and in the case where the Borrower has chosen the 10% Prepayment Option, the amount of prepayment is the amount of prepayment exceeding the 10% limit) using the interest rate applicable to the Fixed Rate Term Loan being prepaid; and
- (b) the Interest Rate Differential, being the amount by which:

the total amount of interest on the amount of the prepayment using the interest rate applicable to the Fixed Rate Term Loan being prepaid calculated for the period of time equal to the Remaining Term, exceeds
the total amount of interest on the amount being prepaid using the interest rate applicable to a fixed rate term loan that the Bank would make to a borrower for a comparable facility on the Prepayment Date, calculated for the period of time from the Prepayment Date until the Rate Term Maturity Date for the Fixed Rate Term Loan being prepaid ("Remaining Term").

5. STANDARD DISBURSEMENT CONDITIONS

The obligation of the Bank to permit any drawdowns hereunder at any time is subject to the following conditions precedent:

- a) The Bank shall have received the following documents which shall be in form and substance satisfactory to the Bank:
 - i) A copy of a duly executed resolution of the Board of Directors of the Borrower empowering the Borrower to enter into this Agreement;
 - ii) A copy of any necessary government approvals authorizing the Borrower to enter into this Agreement;
 - iii) All of the Bank Security and supporting resolutions and solicitors' letter of opinion required hereunder;
 - iv) The Borrower's compliance certificate certifying compliance with all terms and conditions hereunder;
 - v) all operation of account documentation; and
 - vi) For drawdowns under the Facility by way of L/C or L/G, the Bank's standard form Letter of Credit Indemnity Agreement
- b) The representations and warranties contained in this Agreement are correct.
- c) No event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default, but for the requirement that notice be given or time elapse or both.
- d) The Bank has received the arrangement fee payable hereunder (if any) and the Borrower has paid all legal and other expenses incurred by the Bank in connection with the Agreement or the Bank Security.

6. STANDARD REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants, which representations and warranties shall be deemed to be continually repeated so long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, that:

- a) The Borrower is a duly incorporated corporation, a limited partnership, partnership, or sole proprietorship, duly organized, validly existing and in good standing under the laws of the jurisdiction where the Branch/Centre is located and each other jurisdiction where the Borrower has property or assets or carries on business and the Borrower has adequate corporate power and authority to carry on its business, own property, borrow monies and enter into agreements therefore, execute and deliver the Agreement, the Bank Security, and documents required hereunder, and observe and perform the terms and provisions of this Agreement.
- b) There are no laws, statutes or regulations applicable to or binding upon the Borrower and no provisions in its charter documents or in any by-laws, resolutions, contracts, agreements, or arrangements which would be contravened, breached, violated as a result of the execution, delivery, performance, observance, of any terms of this Agreement.
- c) No Event of Default has occurred nor has any event occurred which, with the passage of time or the giving of notice, would constitute an Event of Default under this Agreement or which would constitute a default under any other agreement.
- d) There are no actions, suits or proceedings, including appeals or applications for review, or any knowledge of pending actions, suits, or proceedings against the Borrower and its subsidiaries, before any court or administrative agency which would result in any material adverse change in the property, assets, financial condition, business or operations of the Borrower.
- e) All material authorizations, approvals, consents, licenses, exemptions, filings, registrations and other requirements of governmental, judicial and public bodies and authorities required to carry on its business have been or will be obtained or effected and are or will be in full force and effect.
- f) The financial statements and forecasts delivered to the Bank fairly present the present financial position of the Borrower, and have been prepared by the Borrower and its auditors in accordance with Canadian Generally Accepted Accounting Principles consistently applied.
- g) All of the remittances required to be made by the Borrower to the federal government and all provincial and municipal governments have been made, are currently up to date and there are no outstanding arrears. Without limiting the foregoing, all employee source deductions (including income taxes, Employment Insurance and Canada Pension Plan), sales taxes (both provincial and federal), corporate income taxes, corporate capital taxes, payroll taxes and Workers' Compensation dues are currently paid and up to date.

7. STANDARD POSITIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will, and will ensure that its subsidiaries and each of the Guarantors will:

- a) Pay all amounts of principal, interest and fees on the dates, times and place specified herein, under the Rate and Payment Terms Notice, and under any other agreement between the Bank and the Borrower.
- b) Advise the Bank of any change in the amount and the terms of any credit arrangement made with other lenders or any action taken by another lender to recover amounts outstanding with such other lender.
- c) Advise promptly after the happening of any event which will result in a material adverse change in the financial condition, business, operations, or prospects of the Borrower or the occurrence of any Event of Default or default under this Agreement or under any other agreement for borrowed money.
- d) Do all things necessary to maintain in good standing its corporate existence and preserve and keep all material agreements, rights, franchises, licenses, operations, contracts or other arrangements in full force and effect.
- e) Take all necessary actions to ensure that the Bank Security and its obligations hereunder will rank ahead of all other indebtedness of and all other security granted by the Borrower.
- f) Pay all taxes, assessments and government charges unless such taxes, assessments, or charges are being contested in good faith and appropriate reserves shall be made with funds set aside in a separate trust fund.
- g) Provide the Bank with information and financial data as it may request from time to time.
- h) Maintain property, plant and equipment in good repair and working condition.
- i) Inform the Bank of any actual or probable litigation and furnish the Bank with copies of details of any litigation or other proceedings, which might affect the financial condition, business, operations, or prospects of the Borrower.
- j) Provide such additional security and documentation as may be required from time to time by the Bank or its solicitors.
- k) Continue to carry on the business currently being carried on by the Borrower its subsidiaries and each of the Guarantors at the date hereof.
- l) Maintain adequate insurance on all of its assets, undertakings, and business risks.
- m) Permit the Bank or its authorized representatives full and reasonable access to its premises, business, financial and computer records and allow the duplication or extraction of pertinent information therefrom and
- n) Comply with all applicable laws.

8. STANDARD NEGATIVE COVENANTS

So long as any amounts remain outstanding and unpaid under this Agreement or so long as any commitment under this Agreement remains in effect, the Borrower will not and will ensure that its subsidiaries and each of the Guarantors will not:

- a) Create, incur, assume, or suffer to exist, any mortgage, deed of trust, pledge, lien, security interest, assignment, charge, or encumbrance (including without limitation, any conditional sale, or other title retention agreement, or finance lease) of any nature, upon or with respect to any of its assets or undertakings, now owned or hereafter acquired,

- except for those Permitted Liens, if any, set out in the Letter.
- b) Create, incur, assume or suffer to exist any other indebtedness for borrowed money (except for indebtedness resulting from Permitted Liens, if any) or guarantee or act as surety or agree to indemnify the debts of any other Person.
- c) Merge or consolidate with any other Person, or acquire all or substantially all of the shares, assets or business of any other Person.
- d) Sell, lease, assign, transfer, convey or otherwise dispose of any of its now owned or hereafter acquired assets (including, without limitation, shares of stock and indebtedness of subsidiaries, receivables and leasehold interests), except for inventory disposed of in the ordinary course of business.
- e) Terminate or enter into a surrender of any lease of any property mortgaged under the Bank Security.
- f) Cease to carry on the business currently being carried on by each of the Borrower, its subsidiaries, and the Guarantors at the date hereof.
- g) Permit any change of ownership or change in the capital structure of the Borrower.

9. ENVIRONMENTAL

The Borrower represents and warrants (which representation and warranty shall continue throughout the term of this Agreement) that the business of the Borrower, its subsidiaries and each of the Guarantors is being operated in compliance with applicable laws and regulations respecting the discharge, omission, spill or disposal of any hazardous materials and that any and all enforcement actions in respect thereto have been clearly conveyed to the Bank.

The Borrower shall, at the request of the Bank from time to time, and at the Borrower's expense, obtain and provide to the Bank an environmental audit or inspection report of the property from auditors or inspectors acceptable to the Bank.

The Borrower hereby indemnifies the Bank, its officers, directors, employees, agents and shareholders, and agrees to hold each of them harmless from all loss, claims, damages and expenses (including legal and audit expenses) which may be suffered or incurred in connection with the indebtedness under this Agreement or in connection with the Bank Security.

10. STANDARD EVENTS OF DEFAULT

The Bank may accelerate the payment of principal and interest under any committed credit facility hereunder and cancel any undrawn portion of any committed credit facility hereunder, at any time after the occurrence of any one of the following Events of Default:

- a) Non-payment of principal outstanding under this Agreement when due or non-payment of interest or fees outstanding under this Agreement within 3 Business Days of when due.
- b) If any representation, warranty or statement made hereunder or made in connection with the execution and delivery of this Agreement or the Bank Security is false or misleading at any time.
- c) If there is a breach or non-performance or non-observance of any term or condition of this Agreement or the Bank Security and, if such default is capable to being remedied, the default continues unremedied for 5 Business Days after the occurrence.
- d) If the Borrower, any one of its subsidiaries, or, if any of the Guarantors makes a general assignment for the benefit of creditors, files or presents a petition, makes a proposal or commits any act of bankruptcy, or if any action is taken for the winding up, liquidation or the appointment of a liquidator, trustee in bankruptcy, custodian, curator, sequestrator, receiver or any other officer with similar powers or if a judgment or order shall be entered by any court approving a petition for reorganization, arrangement or composition of or in respect of the Borrower, any of its subsidiaries, or any of the Guarantors or if the Borrower, any of its subsidiaries, or any of the Guarantors is insolvent or declared bankrupt.
- e) If there exists a voluntary or involuntary suspension of business of the Borrower, any of its subsidiaries, or any of the Guarantors.
- f) If action is taken by an encumbrancer against the Borrower, any of its subsidiaries, or any of the Guarantors to take possession of property or enforce proceedings against any assets.
- g) If any final judgment for the payment of monies is made against the Borrower, any of its subsidiaries, or any of the Guarantors and it is not discharged within 30 days from the imposition of such judgment.
- h) If there exists an event, the effect of which with lapse of time or the giving of notice, will constitute an event of default or a default under any other agreement for borrowed money in excess the Cross Default Threshold entered into by the Borrower, any of its subsidiaries, or any of the Guarantors.
- i) If the Bank Security is not enforceable or if any party to the Bank Security shall dispute or deny any liability or any of its obligations under the Bank Security.
- j) If, in the Bank's determination, a material adverse change occurs in the financial condition, business operations or prospects of the Borrower, any of the Borrower's subsidiaries, or any of the Guarantors.

11. ACCELERATION

If the Bank accelerates the payment of principal and interest hereunder, the Borrower shall immediately pay to the Bank all amounts outstanding hereunder, including without limitation, the amount of unmatured B/As and LIBOR Loans and the amount of all drawn and undrawn L/Gs and L/Cs. All cost to the Bank of unwinding LIBOR Loans and all loss suffered by the Bank in re-employing amounts repaid will be paid by the Borrower.

The Bank may demand the payment of principal and interest under the Operating Loan (and any other uncommitted facility) hereunder and cancel any undrawn portion of the Operating Loan (and any other uncommitted facility) hereunder, at any time whether or not an Event of Default has occurred.

12. CURRENCY INDEMNITY

US\$ loans must be repaid with US\$ and CDN\$ loans must be repaid with CDN\$ and the Borrower shall indemnify the Bank for any loss suffered by the Bank if US\$ loans are repaid with CDN\$ or vice versa, whether such payment is made pursuant to an order of a court or otherwise.

13. TAXATION ON PAYMENTS

All payments made by the Borrower to the Bank will be made free and clear of all present and future taxes (excluding the Bank's income taxes), withholdings or deductions of whatever nature. If these taxes, withholdings or deductions are required by applicable law and are made, the Borrower, shall, as a separate and independent obligation, pay to the Bank all additional amounts as shall fully indemnify the Bank from any such taxes, withholdings or deductions.

14. REPRESENTATION

No representation or warranty or other statement made by the Bank concerning any of the credit facilities shall be binding on the Bank unless made by it in writing as a specific amendment to this Agreement.

15. ADDED COST

If the introduction of or any change in any present or future law, regulation, treaty, official or unofficial directive, or regulatory requirement, (whether or not having the force of law) or in the interpretation or application thereof, relates to:

- i) the imposition or exemption of taxation of payments due to the Bank or on reserves or deemed reserves in respect of the undrawn portion of any Facility or loan made available hereunder; or,
- ii) any reserve, special deposit, regulatory or similar requirement against assets, deposits, or loans or other acquisition of funds for loans by the Bank; or,
- iii) the amount of capital required or expected to be maintained by the Bank as a result of the existence of the advances or the commitment made hereunder;

and the result of such occurrence is, in the sole determination of the Bank, to increase the cost of the Bank or to reduce the income received or receivable by the Bank hereunder, the Borrower shall, on demand by the Bank, pay to the Bank that amount which the Bank estimates will compensate it for such additional cost or reduction in income and the Bank's estimate shall be conclusive, absent manifest error.

16. EXPENSES

The Borrower shall pay, within 5 Business Days following notification, all fees and expenses (including but not limited to all legal fees) incurred by the Bank in connection with the preparation, registration and ongoing administration of this Agreement and the Bank Security and with the enforcement of the Bank's rights and remedies under this Agreement and the

Bank Security whether or not any amounts are advanced under the Agreement. These fees and expenses shall include, but not be limited, to all outside counsel fees and expenses and all in-house legal fees and expenses, if in-house counsel are used, and all outside professional advisory fees and expenses. The Borrower shall pay interest on unpaid amounts due pursuant to this paragraph at the All-In Rate plus 2% per annum.

17. NON WAIVER

Any failure by the Bank to object to or take action with respect to a breach of this Agreement or any Bank Security or upon the occurrence of an Event of Default shall not constitute a waiver of the Bank's right to take action at a later date on that breach. No course of conduct by the Bank will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Bank Security or the Bank's rights thereunder.

18. EVIDENCE OF INDEBTEDNESS

The Bank shall record on its records the amount of all loans made hereunder, payments made in respect thereto, and all other amounts becoming due to the Bank under this Agreement. The Bank's records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank pursuant to this Agreement.

The Borrower will sign the Bank's standard form Letter of Credit Indemnity Agreement for all L/Cs and L/Gs issued by the Bank.

With respect to chattel mortgages taken as Bank Security, this Agreement is the Promissory Note referred to in same chattel mortgage, and the indebtedness incurred hereunder is the true indebtedness secured by the chattel mortgage.

19. ENTIRE AGREEMENTS

This Agreement replaces any previous letter agreements dealing specifically with terms and conditions of the credit facilities described in the Letter. Agreements relating to other credit facilities made available by the Bank continue to apply for those other credit facilities. This Agreement, and if applicable, the Letter of Credit Indemnity Agreement, are the entire agreements relating to the Facilities described in this Agreement.

20. ASSIGNMENT

The Bank may assign or grant participation in all or part of this Agreement or in any loan made hereunder without notice to and without the Borrower's consent.

The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement.

21. RELEASE OF INFORMATION

The Borrower hereby irrevocably authorizes and directs the Borrower's accountant, (the "Accountant") to deliver all financial statements and other financial information concerning the Borrower to the Bank and agrees that the Bank and the Accountant may communicate directly with each other.

22. FX CLOSE OUT

The Borrower hereby acknowledges and agrees that in the event any of the following occur: (i) Default by the Borrower under any forward foreign exchange contract ("FX Contract"); (ii) Default by the Borrower in payment of monies owing by it to anyone, including the Bank; (iii) Default in the performance of any other obligation of the Borrower under any agreement to which it is subject; or (iv) the Borrower is adjudged to be or voluntarily becomes bankrupt or insolvent or admits in writing to its inability to pay its debts as they come due or has a receiver appointed over its assets, the Bank shall be entitled without advance notice to the Borrower to close out and terminate all of the outstanding FX Contracts entered into hereunder, using normal commercial practices employed by the Bank, to determine the gain or loss for each terminated FX contract. The Bank shall then be entitled to calculate a net termination value for all of the terminated FX Contracts which shall be the net sum of all the losses and gains arising from the termination of the FX Contracts which net sum shall be the "Close Out Value" of the terminated FX Contracts. The Borrower acknowledges that it shall be required to forthwith pay any positive Close Out Value owing to the Bank and the Bank shall be required to pay any negative Close Out Value owing to the Borrower, subject to any rights of set-off to which the Bank is entitled or subject.

23. SET-OFF

In addition to and not in limitation of any rights now or hereafter granted under applicable law, the Bank may at any time and from time to time without notice to the Borrower or any other Person, any notice being expressly waived by the Borrower, set-off and compensate and apply any and all deposits, general or special, time or demand, provisional or final, matured or unmatured, in any currency, and any other indebtedness or amount payable by the Bank (irrespective of the place of payment or booking office of the obligation), to or for the credit of or for the Borrower's account, including without limitation, any amount owed by the Bank to the Borrower under any FX Contract or other treasury or derivative product, against and on account of the indebtedness and liability under this Agreement notwithstanding that any of them are contingent or unmatured or in a different currency than the indebtedness and liability under this Agreement.

When applying a deposit or other obligation in a different currency than the indebtedness and liability under this Agreement to the indebtedness and liability under this Agreement, the Bank will convert the deposit or other obligation to the currency of the indebtedness and liability under this Agreement using the Bank's noon spot rate of exchange for the conversion of such currency.

24. USE OF INFORMATION

The word "Information" means the Borrower's business and credit information and the Guarantor's personal, business and credit information. It includes information provided to the Bank by the Borrower and Guarantors, including through the products and services the Borrower and Guarantor(s) uses, and information obtained from others.

The Borrower and the Guarantor agree to the use of its Information as follows:

Use of Information - The Bank may use Information to establish and serve the Borrower as its customer, determine whether any products or services of the TD Bank Financial Group are suitable for the Borrower and offer them to the Borrower, or when required or permitted by law. The Bank may share Information within the TD Bank Financial Group where permitted by law;

Collection and Use of Credit Information - THE BANK MAY OBTAIN INFORMATION FROM PARTIES OUTSIDE THE TD BANK FINANCIAL GROUP, INCLUDING THROUGH A CREDIT CHECK, AND VERIFY INFORMATION WITH THEM. THE BORROWER AND THE GUARANTOR AUTHORIZE THOSE PARTIES TO GIVE THE BANK INFORMATION. The Bank may disclose Information to other lenders and credit bureaus.

The Borrower and the Guarantor may obtain the Bank's Privacy Code - "Protecting Your Privacy" or review its options for refusing or withdrawing this consent, including its option not to be contacted about offers of products or services, by contacting the Branch or calling the Bank at 1-800-9TD BANK.

25. MISCELLANEOUS

- i) The Borrower has received a signed copy of this Agreement;
- ii) If more than one Person, firm or corporation signs this Agreement as the Borrower, each party is jointly and severally liable hereunder, and the Bank may require payment of all amounts payable under this Agreement from any one of them, or a portion from each, but the Bank is released from any of its obligations by performing that obligation to any one of them;
- iii) Accounting terms will (to the extent not defined in this Agreement) be interpreted in accordance with accounting principles established from time to time by the Canadian Institute of Chartered Accountants (or any successor) consistently applied, and all financial statements and information provided to the Bank will be prepared in accordance with those principles;
- iv) This Agreement is governed by the law of the Province or Territory where the Branch/Centre is located.
- v) Unless stated otherwise, all amounts referred to herein are in Canadian dollars

26. DEFINITIONS

Capitalized Terms used in this Agreement shall have the following meanings:

"*All-In Rate*" means the greater of the Interest Rate that the Borrower pays for Prime Based Loans (which for greater certainty includes the percent per annum added to the Prime Rate) or the highest fixed rate paid for Fixed Rate Term Loans.

"*Agreement*" means the agreement between the Bank and the Borrower set out in the Letter and this Schedule "A" - Standard Terms and Conditions.

"*Business Day*" means any day (other than a Saturday or Sunday) that the Branch/Centre is open for business.

"*Branch/Centre*" means The Toronto-Dominion Bank branch or banking centre noted on the first page of the Letter, or such other branch or centre as may from time to time be designated by the Bank.

"*Contractual Term Maturity Date*" means the date set out in the Letter under the heading "Contractual Term".

"*Face Amount*" means, in respect of:

(i) a B/A, the amount payable to the holder thereof on its maturity;

(ii) A L/C or L/G, the maximum amount payable to the beneficiary specified therein or any other Person to whom payments may be required to be made pursuant to such L/C or L/G.

"*Fixed Rate Term Loan*" means any drawdown in Canadian dollars under a Credit Facility at an interest rate which is fixed for a Rate Term at such rate as is determined by the Bank as its sole discretion.

"*Inventory Value*" means, at any time of determination, the total value (based on the lower of cost or market) of the Borrower's inventories that are subject to the Bank Security (other than (i) those inventories supplied by trade creditors who at that time have not been fully paid therefore and would have a right to repossess all or part of such inventories if the Borrower were then either bankrupt or in receivership, (ii) those inventories comprising work in process and (iii) those inventories that the Bank may from time to time designate in its sole discretion) minus the total amount of any claims, liens or encumbrances on those inventories having or purporting to have priority over the Bank.

"*Letter*" means the letter from the Bank to the Borrower to which this Schedule "A" - Standard Terms and Conditions is attached.

"*Letter of Credit*" or "*L/C*" means a documentary letter of credit or similar instrument in form and substance satisfactory to the Bank.

"*Letter of Guarantee*" or "*L/G*" means a stand-by letter of guarantee or similar instrument in form and substance satisfactory to the Bank.

"*Person*" includes any individual, sole proprietorship, corporation, partnership, joint venture, trust, unincorporated association, association, institution, entity, party, or government (whether national, federal, provincial, state, municipal, city, county, or otherwise and including any instrumentality, division, agency, body, or department thereof).

"*Purchase Money Security Interest*" means a security interest on equipment which is granted to a lender or to the seller of such equipment in order to secure the purchase price of such equipment or a loan to acquire such equipment, provided that the amount secured by the security interest does not exceed the cost of the equipment, the Borrower provides written notice to the Bank prior to the creation of the security interest, and the creditor under the security interest has, if requested by the Bank, entered into an inter-creditor agreement with the Bank, in a format acceptable to the Bank.

"*Rate Term*" means that period of time as selected by the Borrower from the options offered to it by the Bank, during which a Fixed Rate Term Loan will bear a particular interest rate. If no Rate Term is selected, the Borrower will be deemed to have selected a Rate Term of 1 year.

"*Rate Term Maturity*" means the last day of a Rate Term which day may never exceed the Contractual Term Maturity Date.

"*Rate and Payment Terms Notice*" means the notice sent by the Bank setting out the interest rate and payment terms for a particular drawdown.

"*Receivable Value*" means, at any time of determination, the total value of those of the Borrower's trade accounts receivable that are subject to the Bank Security other than (i) those accounts then outstanding for 90 days, (ii) those accounts owing by Persons, firms or corporations affiliated with the Borrower, (iii) those accounts that the Bank may from time to time designate in its sole discretion, (iv) those accounts subject to any claim, liens, or encumbrance having or purporting to have priority over the Bank, (v) those accounts which are subject to a claim of set-off by the obligor under such account, MINUS the total amount of all claims, liens, or encumbrances on those receivables having or purporting to have priority over the Bank.

"*Receivables/Inventory Summary*" means a summary of the Customer's trade account receivables and inventories, in form as the Bank may require and certified by a senior officer/representative of the Borrower.

"*US\$ Equivalent*" means, on any date, the equivalent amount in United States Dollars after giving effect to a conversion of a specified amount of Canadian Dollars to United States Dollars at the Bank's noon spot rate of exchange for Canadian Dollars to United States Dollars established by the Bank for the day in question.



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News Bulletin

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FRANKLINCOVEY ANNOUNCES REDEMPTION OF \$37 MILLION OF PREFERRED STOCK AND NEW CREDIT FACILITY

Salt Lake City, Utah - March 14, 2007 - FranklinCovey (**NYSE: FC**) today announced that it has given shareholders of its Series A Preferred Stock notice of redemption for the remaining \$37.3 million of outstanding preferred stock. The notice was given to shareholders of record as of March 14, 2007, and provides for a redemption price of \$25 per share plus accrued dividends through April 4, 2007, the redemption date. The Company estimates that the redemption will result in the acquisition and cancellation of approximately 1.5 million shares of its Series A Preferred Stock. The regular quarterly dividend payment due on March 15, 2007 will be paid on that date.

The Company also announced that its Board of Directors has authorized and the Company has entered into a \$25 million revolving line of credit facility with its bankers, JP Morgan Chase and Zions First National Bank. The credit facility will be used for the redemption of the preferred stock and for working capital purposes.

About FranklinCovey

FranklinCovey is a leading learning and performance services firm assisting professionals and organizations in measurably increasing their effectiveness in leadership, productivity, communication and sales. Clients include 91 of the Fortune 100, more than three-quarters of the Fortune 500, thousands of small and mid-sized businesses, as well as numerous government entities. Organizations and professionals access FranklinCovey services and products through consulting services, licensed client facilitators, one-on-one coaching, public workshops, catalogs, retail stores, and www.franklincovey.com. Nearly 1,500 FranklinCovey associates provide professional services and products for 39 offices servicing more than 100 countries.