

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-3  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

FRANKLIN COVEY CO.

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SALT LAKE CITY, UTAH 84119-2331  
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UTAH  
(STATE OF INCORPORATION)

87-0401551  
(I.R.S. EMPLOYER IDENTIFICATION NO.)

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Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. /X/

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Series A Preferred Shares, no par value per share	750,000	\$100	\$75,000,000	\$20,850

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL

FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND WE ARE NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED OCTOBER 22, 1999

NONTRANSFERABLE RIGHTS TO PURCHASE  
UP TO 750,000 SERIES A PREFERRED SHARES  
FRANKLIN COVEY CO.  
\$100 PER SHARE  
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TERMS OF SUBSCRIPTION OFFERING

- Expires 5:00 p.m., Mountain time, on \_\_\_\_\_, 1999, unless extended
- You will have the nontransferable right to purchase one of our Series A preferred shares for every 27 of our common shares that you owned on \_\_\_\_\_, 1999 at a price of \$100 per preferred share
- We will not issue fractional rights and we will not pay cash to you in place of your rights
- We reserve the right to cancel the rights offering at any time before the expiration date and once submitted, the subscription agreement may not be revoked by you for any reason
- There is no minimum number of preferred shares that we must sell in order to complete the subscription offering
- Shareholders who do not participate in the subscription offering will continue to own the same number of our common shares, but will own a smaller percentage of our total outstanding capital stock to the extent that other shareholders participate in the subscription offering
- We do not intend to list the subscription rights or the Series A preferred shares on any securities exchange or any automated quotation system and no active public market for the Series A preferred shares is expected

The purpose of the subscription offering is to afford eligible common shareholders the opportunity to acquire Series A preferred shares on substantially the same terms under which Knowledge Capital Investment Group, a private investor, acquired Series A preferred shares on June 2, 1999. The Board of Directors of Franklin Covey makes no recommendation to you regarding your decision to either exercise or refrain from exercising your subscription rights.

Holders of the Series A preferred shares will be entitled to receive dividends at an annual rate of \$10 per share, payable quarterly. Until July 1, 2002, these dividends may be paid in cash or in kind, at our option. The Series A preferred shares are convertible into common shares at a conversion price of \$14 per share, subject to adjustment. The Series A Preferred Shares are subject to a right of first offer in favor of Franklin Covey until June 2, 2002.

Our common shares are quoted on the New York Stock Exchange under the symbol "FC." On October 15, 1999, the last sale price for our common shares, as reported by the New York Stock Exchange, was \$7.9375.

PLEASE SEE "RISK FACTORS" BEGINNING ON PAGE 5 TO READ ABOUT SOME RISKS THAT YOU SHOULD CONSIDER BEFORE EXERCISING THE RIGHTS ISSUED IN THIS SUBSCRIPTION OFFERING.

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is \_\_\_\_\_, 1999.

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## PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS THE KEY INFORMATION CONTAINED IN THIS PROSPECTUS. HOWEVER, IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. TO UNDERSTAND THE SUBSCRIPTION OFFERING FULLY AND FOR A MORE COMPLETE DESCRIPTION OF THE LEGAL TERMS OF THE SUBSCRIPTION OFFERING, YOU SHOULD READ CAREFULLY THIS ENTIRE DOCUMENT AND THE DOCUMENTS WE HAVE REFERRED YOU TO.

### FRANKLIN COVEY

Franklin Covey is a professional services firm that provides management solutions in four main areas:

- Time Management;
- Leadership Skills;
- Communication Skills; and
- Sales Skills Management.

We provide tools and services to professionals and organizations through training seminars, our 125 retail stores, catalog operations and through the Internet at [www.franklincovey.com](http://www.franklincovey.com). Our products include the popular Franklin Planner, best selling books such as 7 Habits of Highly Effective People and functional electronic tools such as 3Com's Palm planning device. Our services include consulting, assessment measurement and training to help professionals and organizations become more effective.

Our principal executive offices are located at 2200 West Parkway Boulevard, Salt Lake City, Utah 84119-2331, telephone (801) 975-1776.

### BUSINESS STRATEGY

In an effort to increase shareholder value, we had been pursuing a two-part strategy seeking to improve our results of operations through increased efficiencies and increased leverage through borrowings and common share repurchases. Despite these efforts, the market price of our common stock declined during 1998 and 1999. In mid-1999, we adopted a new, long-term growth strategy predicated on substantial investments in our core businesses to maintain our position as an industry leader in providing solutions for personal and organizational effectiveness. Although we believe that we have the industry's best individual and organizational productivity content, learning processes and implementation tools, we believe that there are opportunities to develop new products and delivery channels to meet the changing needs of our customers and to expand our geographic reach. In addition, we believe that there are acquisition opportunities in complementary businesses. Accordingly, in June 1999, we issued 750,000 Series A preferred shares to Knowledge Capital, which raised \$75 million to provide us with the initial capital base to pursue this strategy.

We are in the process of further refining our growth strategy and improving the efficiency of our operations. Our objective is to create a plan that will produce sustainable long-term growth and build shareholder value.

### RECENT DEVELOPMENTS

On October 12, 1999, we announced a strategic realignment and organizational restructure of our core businesses to lay strategic, operational, organizational and financial foundations for profitable growth. The restructuring aligns our products, services and channels to focus our resources on providing integrated solutions to individuals and organizations.

As a result of the planned associate terminations and facility closures associated with the strategic realignment and organizational restructure, we expect to record a \$16.2 million pre-tax restructuring

charge during the fourth quarter of fiscal 1999. We also expect to recognize a \$16.6 million pre-tax charge to write-off certain impaired assets related to discontinued lines of services and products. See "Recent Developments."

#### PURPOSE OF THE SUBSCRIPTION OFFERING

The purpose of the subscription offering is to afford our eligible common shareholders the opportunity to acquire our Series A preferred shares on substantially the same terms under which Knowledge Capital acquired 750,000 Series A preferred shares in June 1999.

#### PARTICIPATION BY OFFICERS AND DIRECTORS

Franklin Covey's current officers and directors, who owned in the aggregate 2,395,192 common shares, or approximately 12% of our outstanding common shares, as of August 31, 1999, have informed us that they do not intend to exercise their subscription rights.

#### FRANKLIN COVEY COMMON SHARES

Our common stock is traded on the New York Stock Exchange under the trading symbol "FC." On October 15, 1999, the last sale price for our common shares, as reported on the New York Stock Exchange, was \$7.9375.

YOU ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS OF OUR COMMON SHARES PRIOR TO DETERMINING WHETHER TO ACCEPT THE SUBSCRIPTION OFFERING.

PRINCIPAL TERMS OF THE SUBSCRIPTION OFFERING

Eligible Shareholders..... You will be eligible to purchase Series A preferred shares through the subscription offering if you are a common shareholder of Franklin Covey and owned our common shares on \_\_\_\_\_, 1999.

Subscription Rights..... You have the nontransferable right to purchase one Series A preferred share for every 27 common shares you owned as of \_\_\_\_\_, 1999. The total number of Series A preferred shares for which you may subscribe is proportional to the total number of our common shares you held on that date. You may exercise all or any portion of the rights granted to you to purchase our Series A preferred shares.

In determining the number of our Series A preferred shares that we will issue to each common shareholder, we will round downward to the nearest whole number.

Subscription Price..... The subscription price is \$100 per Series A preferred share. The subscription price is payable by check, money order or wire transfer.

Expiration Date..... \_\_\_\_\_, 1999, at 5:00 p.m., Mountain time, unless extended.

Subscription Procedures..... To subscribe for Series A preferred shares, you should carefully complete and sign the enclosed subscription agreement and forward it, together with your full payment and any other required documents, to the subscription agent.

No interest will be paid on the subscription payment. Once you have submitted subscription documents, you may not revoke your exercise of subscription rights for any reason.

Subscription Agent..... Zions First National Bank, the transfer agent for our common stock.

Persons wishing to exercise rights for the benefit of others..... Brokers, banks, trustees, and other individuals or entities that hold our common shares for the account of others may, if authorized by the beneficial owner, complete the subscription agreement and submit it to the subscription agent with the proper payment.

Common Shares held through Franklin Covey's Employee Stock Purchase Plan..... Subscription rights applicable to common shares acquired and held through our employee stock purchase plan may be exercised only by following the special instructions on yellow paper included with this prospectus.

Completion of the subscription offering..... Certificates representing the Series A preferred shares will be delivered to subscribers as soon as practicable after the



expiration date of the subscription offering. We expect that this may take two weeks or longer, due to the need to allow checks to clear.

- Non-Transferability of rights..... Your subscription rights are not transferable.
- Termination..... We may cancel the subscription offering at any time, in which event we will return your subscription payment without interest.
- Use of proceeds..... We intend to use the proceeds of the subscription offering for working capital and general corporate purposes.
- Federal Income Tax Considerations..... Your receipt or exercise of the subscription rights should not be treated as a taxable event for United States federal income tax purposes, but may have other tax effects. See "Federal Income Tax Considerations."
- Questions..... If you have any questions about the subscription offering, including questions about subscription procedures and requests for additional copies of this prospectus or other documents, please contact Richard Putnam, our Director of Investor Relations, by telephone at (801) 975-1776.

RISK FACTORS

An investment in our Series A preferred shares involves a high degree of risk. Please see "Risk Factors" beginning on page 5 before making a decision to exercise or refrain from exercising your rights to subscribe for our Series A preferred shares.

RATIO OF FIXED CHARGES AND PREFERRED SHARE DIVIDENDS TO EARNINGS

The ratio of fixed charges and preferred share dividends to earnings has been computed on a consolidated basis and should be read in conjunction with our consolidated financial statements, including the notes thereto, set forth in our Annual Report on Form 10-K for the fiscal year ended August 31, 1998 and our Quarterly Reports on Form 10-Q for the quarterly periods ended November 28, 1998, February 27, 1999 and May 29, 1999. As a result of the merger of Covey Leadership Center into our company in June 1997, our results of operations, and therefore the ratios presented below, for the fiscal year ended August 31, 1998 and subsequent periods are not directly comparable to those for prior periods. For purposes of computing the following ratios, fixed charges and preferred share dividends consist of interest incurred, amortization of debt expense, that portion of rental expense on operating leases deemed to be the equivalent of interest and dividends payable on our preferred shares. Earnings consist of income before income taxes and the cumulative effect of accounting changes plus fixed charges (excluding capitalized interest).

	FISCAL YEAR ENDED AUGUST 31,					NINE MONTHS ENDED MAY 29, 1999
	1994	1995	1996	1997	1998	
Consolidated ratio of fixed charges and preferred share dividends to earnings.....	0.08x	0.09x	0.14x	0.18x	0.26x	0.48x

## RISK FACTORS

THE SERIES A PREFERRED SHARES BEING OFFERED ARE SUBJECT TO A NUMBER OF RISKS AND OTHER INVESTMENT CONSIDERATIONS. YOU SHOULD CAREFULLY CONSIDER THESE RISKS AND INVESTMENT CONSIDERATIONS, AS WELL AS INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, PRIOR TO YOUR EXERCISE OF THE SUBSCRIPTION RIGHT.

### A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This prospectus contains and incorporates by reference forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our business, financial condition and results of operations, including, without limitation, statements herein under the captions "Business Strategy" and in our annual and quarterly reports under the captions "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." You can generally identify forward-looking statements by looking for words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue." Variations on those or similar words, or the negatives of such words, also may indicate forward-looking statements.

These forward looking statements are based on certain assumptions and are subject to a number of risks and uncertainties. Such uncertainties include, but are not limited to:

- unanticipated developments in the integration of acquired or merged businesses;
- management of growth;
- dependence on products and services;
- the rate and consumer acceptance of new product introductions;
- competition;
- year 2000 issues;
- the number and nature of customers and their product orders;
- pricing;
- pending and threatened litigation; and
- other risk factors, some of which are described below, and others of which may be detailed from time to time in our press releases, reports to shareholders and our filings with the Securities and Exchange Commission.

These forward-looking statements are based on management's expectations as of the date of this document, or if incorporated by reference from a document as of an earlier date, the earlier date. Actual future performance and results could differ materially from that contained in or suggested by these forward-looking statements as a result of the factors described above and elsewhere in this prospectus.

### RISKS RELATED TO THE SUBSCRIPTION OFFERING

IF YOU DO NOT EXERCISE YOUR SUBSCRIPTION RIGHTS, YOUR PERCENTAGE OF OWNERSHIP OF FRANKLIN COVEY MAY DECREASE, AND THE VALUE OF YOUR FRANKLIN COVEY COMMON SHARES COULD DECLINE

If you chose not to exercise your subscription rights, your relative ownership interests in Franklin Covey may be diluted by the issuance of Series A preferred shares to those shareholders who exercise their subscription rights. The trading price of Franklin Covey common shares could decline to reflect the dilution.

THE SUBSCRIPTION PRICE WAS DETERMINED BY FRANKLIN COVEY'S BOARD OF DIRECTORS AND BEARS NO RELATIONSHIP TO THE PRESENT VALUE OF FRANKLIN COVEY'S ASSETS, FINANCIAL CONDITION OR OTHER ESTABLISHED CRITERIA FOR VALUE

Although we were informed by Knowledge Capital that Knowledge Capital believed that its acquisition of Series A preferred shares at \$100 per unit in June 1999 represented an attractive investment by Knowledge Capital, neither Knowledge Capital nor our Board of Directors expresses any opinion or makes any recommendation to you regarding your decision to exercise or refrain from exercising your subscription rights in this subscription offering. Our Board of Directors determined the subscription price without any independent appraisal of the value of the Series A preferred shares. The subscription price does not necessarily bear any relationship to the book value of our assets, past operations, cash flow, earnings, financial condition or any other established criteria for value and should not be considered an indication of our underlying value. It may be impossible to sell the Series A preferred shares at or above the subscription price.

Any analysis of the value of an investment in our Series A preferred shares is necessarily uncertain, is based in substantial part on future events, including our future operating performance, many of which are outside our control, and is heavily dependent upon the particular criteria you determine to be appropriate for purposes of your analysis. Accordingly, you must make your own decision whether to subscribe for and purchase Series A preferred shares pursuant to the subscription offering and should give careful consideration to the terms of the subscription offering and such other factors as you determine to be relevant, including, in addition to factors generally applicable to an investment in an entity such as Franklin Covey, the risk factors below.

THERE IS NO ESTABLISHED MARKET FOR THE SERIES A PREFERRED SHARES

Prior to the offering, there has not been any market for the Series A preferred shares. We do not intend to list the subscription rights or the Series A preferred shares on any securities exchange or any automated quotation system and no active public market for the Series A shares is expected. If a trading market does not develop or is not maintained, holders of the Series A preferred shares may experience difficulty in reselling Series A preferred shares or may be unable to sell them at all. If a market for the Series A preferred shares does develop, it may dissipate at any time. In addition, future trading prices of the Series A preferred shares will depend on many factors, including, among other things, our operating results and the market for similar securities.

YOU CANNOT REVOKE YOUR EXERCISE OF SUBSCRIPTION RIGHTS FOR ANY REASON; THE SUBSCRIPTION RIGHTS ARE NON-TRANSFERABLE AND FRANKLIN COVEY MAY CANCEL THE SUBSCRIPTION OFFERING AT ANY TIME

Once you exercise your subscription rights and submit the subscription agreement to the subscription agent, you may not revoke the exercise for any reason. Only you may exercise your subscription rights. You may not sell, give away or otherwise transfer the subscription rights. We may terminate the subscription offering at any time. If we elect to withdraw or terminate the subscription offering, we and the subscription agent will have no obligation with respect to the subscription rights except to return, without interest, any subscription payments.

RISKS RELATED TO FRANKLIN COVEY

FRANKLIN COVEY'S SALES DEPEND ON DEMAND FOR VERY SPECIFIC PRODUCTS AND SERVICES

We derive a substantial percentage of sales from specific products and services, such as the What Matters Most-Registered Trademark- time management seminar and sales of the Franklin Planner-TM- and related products. A large part of our revenues is also derived from products and training services based on content from the books THE 7 HABITS OF HIGHLY EFFECTIVE PEOPLE, PRINCIPLE-CENTERED LEADERSHIP and FIRST THINGS FIRST. We cannot assure you that sales from these products or services will continue at historical levels or that

we will be successful in creating other products or services which will result in future profitable operations.

#### FRANKLIN COVEY MAY BE UNABLE TO ADEQUATELY PROTECT ITS INTELLECTUAL PROPERTIES

We seek to protect proprietary aspects of our seminars and products through a combination of trademarks, copyrights and confidentiality agreements. These measures, however, may not provide sufficient protection from competitors. Our materials, concepts, designs and products have been and may continue to be imitated and our trademarks and copyrights may be challenged by others, which could have a material adverse effect on future operating results. Moreover, these materials are often translated into languages and made available in countries where we have no physical presence or where copyright and trademark laws are difficult to enforce. We could also incur substantial costs in seeking enforcement of our rights against infringement or the unauthorized use of our proprietary property by others and there can be no assurance that others may not independently develop seminars and products that are similar or superior to the seminars and products offered by us but which do not infringe on existing proprietary rights.

#### A STOCKHOLDER'S AGREEMENT AND MANAGEMENT OWNERSHIP OF STOCK MAY LIMIT YOUR ABILITY TO DETERMINE FRANKLIN COVEY'S MANAGEMENT

As of August 31, 1999, our officers and directors owned approximately 12% of our outstanding common shares. In addition, Knowledge Capital currently owns 100% of our outstanding Series A preferred shares, the terms of which entitle the holders thereof to vote separately as a class on fundamental corporate transactions. See "The Description of the Series A Preferred Shares." Even if this offer is fully subscribed, Knowledge Capital will continue to own at least 50% of our Series A preferred shares. On an as-converted basis, Knowledge Capital owns approximately 24% of our outstanding common shares. By virtue of these holdings, management and Knowledge Capital, acting alone or together, have the ability to influence Franklin Covey's fundamental corporate transactions and the election of our Board of Directors. Some of our shareholders have entered into a Stockholders' Agreement which requires that Franklin Covey common shares owned by those shareholders be voted for designated nominees to the Board of Directors in each election of directors through August 31, 2000. Purchasers of the Series A preferred shares in this offering will not be parties to this Stockholders' Agreement. Therefore, the ability of your votes to determine Franklin Covey's management may be limited.

#### FRANKLIN COVEY FACES WELL-ESTABLISHED COMPETITION IN ITS INDUSTRY

We compete in the training and educational services industry which is highly fragmented and competitive. Our leadership and time management seminars compete with a variety of similar seminars and workshops in the marketplace. In each of our markets, there is substantial competition from a number of well-established, well-financed companies, some of which have greater resources than us. Increased competition by existing and future competitors could result in sales declines and price reductions that could materially adversely affect sales and profitability.

#### FRANKLIN COVEY'S INTERNATIONAL OPERATIONS COULD BE HURT BY INSTABILITY ABROAD

We currently have agreements with licensees who operate independently in 26 countries. Additionally, we operate direct operations in Canada, Australia, Mexico, Japan, Belgium, the Middle East, New Zealand and the United Kingdom. We believe that there are substantial opportunities to expand our geographic reach, and expect to pursue these opportunities as part of our core business strategy. Foreign operations, particularly licensee operations, present risks that are different than those encountered in the United States, such as potential political, social and economic instability. While the licensee agreements require maintenance of particular standards, we may experience adverse results in

our foreign operations, and significant currency fluctuations may also adversely affect the value of the Series A preferred shares.

#### FRANKLIN COVEY'S BUSINESS IS SEASONAL

Our business is seasonal, reflecting customer buying habits for calendar related products and sales training, which is typically not scheduled during holiday or vacation periods. As a result, our third quarter tends to be our weakest quarter. Although a significant portion of our sales are generated during the first and second quarters, since the acquisition of Premier School Agendas, our fourth quarter has tended to be our strongest one. A substantial decrease in sales during the first or second quarter or adverse results for Premier School Agendas during the fourth quarter would have a material adverse effect on our profitability for these quarters. In addition, our quarterly results of operations could fluctuate significantly as a result of a variety of factors, including cancellations, reductions or delays in customer orders, lack of customer acceptance of new products and general economic downturns which could adversely affect our business and financial condition.

#### THE PRICE OF OUR COMMON SHARES HAS BEEN AND MAY REMAIN VOLATILE, AND THE PRICE OF OUR SERIES A PREFERRED SHARES MAY BE VOLATILE

The market price of our common shares has been, and in the future may be, highly volatile. The same may be true of our Series A preferred shares. Factors such as quarter-to-quarter variations in our revenues and earnings could cause the market price of our common and preferred shares to fluctuate significantly. In addition, in recent years, the stock markets have experienced significant volatility which often may have been unrelated to the operating performance of the affected companies. This volatility may adversely affect the market price of our common and preferred shares.

#### FRANKLIN COVEY FACES RISKS RELATED TO THE YEAR 2000 PROBLEM

We are actively engaged in assessing and correcting potential year 2000 information system problems. During fiscal 1997, we initiated a business reengineering and information system implementation project that affects nearly every aspect of the our operations. In an effort to address compliance issues, the scope of the project was expanded to ensure year 2000 compliance for newly acquired software and hardware, as well as test existing systems for compliance. From this process, a team was created to specifically work toward year 2000 compliance. The project has three significant phases that are designed to improve both operating processes and information systems capabilities. Phase one, which involved the testing and certification of hardware and software for our financial reporting and manufacturing operations, was completed during fiscal 1998. Phase two, which focused on payroll and human resource applications, was completed in January 1999. The final phase addresses various parts of our "order to collect" systems. Applications for order entry, retail sales and invoicing have already been determined to be compliant. Applications for seminar registration, order fulfillment and order shipping are expected to be made compliant in various stages through the year 2000, with critical applications expected to be compliant before the end of 1999. Although we anticipate that the risks related to our information and non-information systems will be mitigated by current efforts being made in conjunction with the project as well as ongoing assessment and correction programs, no assurances can be made as to whether our programs will be timely or successfully completed.

We believe the primary year 2000 risk to our operations is from external vendors and service providers. As part of our assessment of year 2000 issues, we have gathered information from suppliers and other external vendors regarding the status of their year 2000 compliance. Based on information received to date, the most significant risk to our operations appears to be from a few critical international suppliers that, despite their best efforts, may be affected by utility outages and may not be able to meet delivery deadlines. In addition, we have not yet received year 2000 compliance certification from our two largest shipping service providers. Although we are currently pursuing

contingency plans to mitigate this risk, there can be no assurance that we will be successful. Based on inquiry responses, we do not anticipate any significant problems from our utility, telephone and financial service providers. Although we are not aware of other external risks, we have no means of ensuring that all external vendors and service providers will be year 2000 compliant. The inability of external vendors or service providers to complete their year 2000 remediation efforts in a timely manner could materially affect our operations, although the exact impact is not readily determinable. We have also assessed year 2000 compliance issues related to our products available for sale and do not believe that the year 2000 presents a material exposure for us related to our products.

We have completed formal contingency plans for most critical business units. An integrated, company-wide contingency plan, based upon business unit plans, is expected to be completed by November 30, 1999.

As of August 31, 1999, we had spent approximately \$16.3 million in the aggregate in connection with our business reengineering and information system implementation project, which includes year 2000 assessment and compliance, and we expect to spend an additional \$4.1 million to complete this project. However, no assurance can be given that, due to unforeseen issues or difficulties, actual costs will not be higher.

## RECENT DEVELOPMENTS

### STRATEGIC REALIGNMENT AND ORGANIZATION RESTRUCTURE

On October 12, 1999, we announced a strategic realignment and organizational restructure of our core businesses to lay strategic, operational, organizational and financial foundations for profitable growth. The restructuring aligns our products, services and channels to focus our resources on providing integrated strategic solutions to individuals and organizations, in the following main areas:

- productivity;
- leadership;
- communication;
- application tools, and
- assessment measurement.

We are undertaking an intense scrutiny of every part of our business. Non-strategic functions and products will be outsourced, sold, discontinued or repositioned in order to focus on growing our business. We expect to recognize a \$16.6 million pre-tax restructuring charge during the fourth quarter of fiscal 1999 to write-off certain impaired assets related to discontinued lines of services and products.

Also as part of this strategic realignment, we plan to reduce our staff from approximately 4,200 to approximately 3,600 personnel worldwide. This headcount reduction, approximately 30% of which has been completed to date, is expected to result in annualized pre-tax cost savings of approximately \$20 million. We are also establishing eight regional sales offices to be closer to our customers and achieve deeper market penetration and growth. Accordingly, we plan to significantly reduce our leased space in Provo, Utah and consolidate most of the remaining operations to our Salt Lake City headquarters. As a result of the planned associate terminations and facility closures, we expect to record a \$16.2 million pre-tax restructuring charge during the fourth quarter of fiscal 1999.

### FOURTH QUARTER AND YEAR-END RESULTS

We estimate that our sales for the fourth quarter of fiscal 1999 will be \$168.2, a 7% increase compared to the previous years' fourth quarter, and that we will have a net loss for the quarter of approximately \$21.6 million, compared to net income of \$15.6 million for the comparable quarter of the previous year. For fiscal 1999, we estimate that our sales will be approximately \$554.9 million, a 2% increase from fiscal 1998, and that we will have a net loss of approximately \$8.8 million compared to net income of \$40.1 million for fiscal 1998. The estimated net losses for the fourth quarter and fiscal 1999 include the pre-tax charges for restructuring and impairments discussed above. All of these estimates are unaudited and preliminary and we can not assure you that actual audited results will not differ materially from the estimates.

### REFINANCING OF DEBT

In September 1999 we increased our revolving line of credit from \$75 million to \$110 million. Concurrently with this increase, we borrowed \$85 million under this line of credit and used the proceeds to pay off all outstanding indebtedness in respect of our 6.64% Senior Notes due 2008.

### THE SUBSCRIPTION OFFERING

#### SUBSCRIPTION RIGHT

We will dividend nontransferable rights to those shareholders who held Franklin Covey common shares on \_\_\_\_\_, 1999. You will receive one right for every common share that you owned on that

date. For every 27 rights that you exercise, you will be able to purchase one of our Series A preferred shares for \$100. This means that you will be able to purchase one Series A preferred share for every 27 of our common shares that you owned on \_\_\_\_\_, 1999 at a price of \$100 per preferred share. We will not issue fractional shares. Instead we will round the number of Series A preferred shares for which you are entitled to subscribe down to the nearest whole number. We will send you certificates representing the Series A preferred shares that you purchase pursuant to your rights as soon as practicable after you exercise your rights.

#### EXPIRATION DATE

The rights will expire at 5:00 p.m., Mountain time, on \_\_\_\_\_, 1999, unless we decide to extend the subscription offering. If you do not exercise your rights prior to \_\_\_\_\_, 1999, your rights will be null and void. We will not be required to issue Series A preferred shares to you if our subscription agent receives your subscription agreement, your payment or any other required documentation after that date, regardless of when you sent them.

#### DETERMINATION OF SHARE PRICE

Our Board of Directors decided to set a subscription price of \$100 per share as a result of arms-length negotiations with Knowledge Capital, a private investor. The \$100 per share price should not be considered an indication of the actual value of our company or our Series A preferred shares. The market price of our common shares may increase or decrease during the subscription offering. You also may not be able to sell the Series A preferred shares purchased during the subscription offering at a price equal to or greater than the \$100 per share subscription price.

#### TRANSFERABILITY OF RIGHTS

Your subscription rights are not transferable.

#### EXERCISE OF RIGHTS

You may exercise your rights by delivering to the subscription agent on or prior to 5:00 p.m., Mountain time, on \_\_\_\_\_, 1999:

- A properly completed and duly executed subscription agreement; and
- Payment in full of \$100 for each Series A preferred share to be purchased through the exercise of rights.

You should deliver your subscription agreement and payment to the address set forth below under "--Subscription Agent."

You may exercise all or any portion of the rights granted to you to purchase our Series A preferred shares.

#### METHOD OF PAYMENT

Payment for the Series A preferred shares must be made by one of the following methods:

- check or money order payable to "Zions First National Bank, as subscription agent"; or
- wire transfer of funds to the account maintained by the subscription agent for such purpose at:

Zions First National Bank

ABA Number: 124000054  
A/C Number: 80-00005-2  
Reference: Corporate Trust



Payment will be deemed to have been received by the subscription agent only upon:

- clearance of any uncertified check;
- receipt by the subscription agent of any certified check or bank draft drawn upon a U.S. bank or of any postal, telegraphic or express money order; or
- receipt of funds by the subscription agent through the wire transfer.

PLEASE NOTE THAT FUNDS PAID BY UNCERTIFIED PERSONAL CHECK MAY TAKE AT LEAST FIVE BUSINESS DAYS TO CLEAR. ACCORDINGLY, IF YOU WISH TO PAY BY MEANS OF AN UNCERTIFIED PERSONAL CHECK, WE URGE YOU TO MAKE PAYMENT SUFFICIENTLY IN ADVANCE OF \_\_\_\_\_, 1999 TO ENSURE THAT THE PAYMENT IS RECEIVED AND CLEARS BEFORE THAT DATE. WE ALSO URGE YOU TO CONSIDER PAYMENT BY MEANS OF CERTIFIED OR CASHIER'S CHECK, MONEY ORDER OR WIRE TRANSFER OF FUNDS.

#### SIGNATURE GUARANTEES

Signatures on the subscription agreement must be guaranteed by an eligible guarantor institution, as defined in the federal securities laws, subject to the standards and procedures adopted by the subscription agent. Eligible guarantor institutions generally include banks, brokers, dealers, credit unions, national securities exchanges and savings associations.

Signatures do not need to be guaranteed if:

- the subscription agreement provides that the Series A preferred shares to be purchased are to be delivered directly to you, the record owner of our common shares; or
- the subscription agreement is submitted for the account of a member firm of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

#### SHARES HELD FOR OTHERS

If you held Franklin Covey common shares on \_\_\_\_\_, 1999 for the account of others--for example, as a broker, a trustee or a depository for securities--you should notify the respective beneficial owners of those shares as soon as possible to obtain instructions with respect to the rights beneficially owned by them.

If you are a beneficial owner of common shares held by a holder of record, such as a broker, trustee or a depository for securities, you should contact the holder and ask him/her to effect transactions in accordance with your instructions.

You may use the documentation accompanying this prospectus for that purpose.

#### COMMON SHARES HELD THROUGH OUR EMPLOYEE STOCK PURCHASE PLAN

Holders of common shares through Franklin Covey's employee stock purchase plan, who desire to exercise their rights to purchase Series A preferred stock in the subscription offering, must instruct Merrill Lynch Group Employee Services, as administrator of the employee stock purchase plan, by properly completing, duly executing and returning to Merrill Lynch the direction form sent to such holder by Merrill Lynch as explained in the letter on yellow paper included herewith. TO PROPERLY EXERCISE SUBSCRIPTION RIGHTS APPLICABLE TO COMMON SHARES ACQUIRED PURSUANT TO OUR EMPLOYEE STOCK PURCHASE PLAN, A PARTICIPANT IN THE PLAN MAY NOT DELIVER A SUBSCRIPTION AGREEMENT WITH REGARD TO SUCH SHARES. PROPER EXERCISE OF SUBSCRIPTION RIGHTS APPLICABLE TO ANY COMMON SHARES CREDITED TO YOUR ACCOUNT UNDER THE EMPLOYEE STOCK PURCHASE PLAN CAN ONLY BE MADE BY MERRILL LYNCH. THE DEADLINE FOR SUBMITTING DIRECTION FORMS TO MERRILL LYNCH IS SET BY MERRILL LYNCH AND IS EARLIER THAN \_\_\_\_\_, 1999, THE EXPIRATION DATE. In addition to following the special instructions provided by Merrill Lynch for

directing Merrill Lynch to exercise of subscription rights applicable to any of your employee stock purchase plan common shares, if you desire to exercise subscription rights applicable to other common shares that you did not acquire through the employee stock purchase plan, then you must also properly complete and execute a subscription agreement and deliver it along with your subscription payment to the subscription agent. Any questions regarding the subscription offering applicable to the employee stock purchase plan common shares should be directed to Merrill Lynch at the number provided in the separate materials.

#### AMBIGUITIES IN EXERCISE OF THE RIGHTS

If you do not specify the number of rights being exercised on your subscription agreement, or if your payment is not sufficient to pay the total purchase price for all of the Series A preferred shares that you indicated you wished to purchase, you will be deemed to have exercised the maximum number of rights that could be exercised for the amount of the payment that the subscription agent receives from you.

If your payment exceeds the aggregate subscription price for the number of Series A preferred shares shown on your subscription agreement or the maximum number of Series A preferred shares for which you are eligible to subscribe, your payment will be applied only for the number of shares which you indicated, or the maximum number of Series A preferred shares for which you are eligible to subscribe, whichever is lower. To the extent any portion of the aggregate subscription price delivered exceeds the aggregate subscription price for the number of shares for which you subscribed, or the maximum number of Series A preferred shares for which you are eligible to subscribe, the subscription agent will return such excess amount to you, without interest or deduction, as soon as practicable.

PLEASE CAREFULLY READ THE INSTRUCTIONS ACCOMPANYING THE SUBSCRIPTION AGREEMENT AND FOLLOW THOSE INSTRUCTIONS IN DETAIL.

DO NOT SEND YOUR SUBSCRIPTION AGREEMENT TO US.

You are responsible for choosing the payment and delivery method for your subscription agreement and payment, and you bear the risks associated with the delivery. If you choose to deliver your subscription agreement and payment by mail, we recommend that you use registered mail, properly insured, with return receipt requested. We also recommend that you allow a sufficient number of days to ensure delivery to the subscription agent and clearance of payment prior to , 1999. Because uncertified personal checks may take at least five business days to clear, we strongly urge you to pay, or arrange for payment, by means of certified or cashier's check, money order or wire transfer of funds.

OUR DECISION AS TO TIMELINESS, VALIDITY, FORM AND ELIGIBILITY IS BINDING

All questions concerning the timeliness, validity, form and eligibility of any exercise of rights will be determined by us and our determinations will be final and binding. We may waive any defect or irregularity, or permit a defect or irregularity to be corrected within an amount of time as we may determine, or reject the purported exercise of any right by reason of any defect or irregularity in the exercise. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as we determine in our reasonable discretion. Neither we nor the subscription agent will be under any duty to give notification of any defect or irregularity in connection with the submission of the subscription agreement or incur any liability for failure to give such notification.

NO REVOCATION

After you have exercised your rights and submitted your subscription agreement to the subscription agent, you may not revoke that exercise for any reason.

#### SUBSCRIPTION AGENT

We have appointed Zions First National Bank, our transfer agent, as subscription agent for the rights offering. The subscription agent's address for packages sent by mail is:

P.O. Box 30880  
Salt Lake City, Utah 84130  
Attn: Corporate Trust Department

or if sent by courier or overnight delivery:

10 E. South Temple  
3rd Floor  
Salt Lake City, Utah 84130  
Attn: Corporate Trust Department

The subscription agent's telephone number is:

(800) 789-8833, Ext. 2268

You should deliver your subscription agreement and payment of the subscription price along with any other required documents, if any, to the subscription agent.

We will pay the fees and expenses of the subscription agent, which we estimate to be approximately \$75,000. We have also agreed to indemnify the subscription agent from any liability which it may incur in connection with the subscription offering.

#### IF YOU HAVE QUESTIONS

If you have questions or need assistance concerning the procedure for exercising rights, or if you would like additional copies of this prospectus or the instructions, you should contact Richard Putnam, our Director of Investor Relations, at the following address and telephone number:

Franklin Covey Co.  
2200 West Parkway Boulevard  
Salt Lake City, Utah 84119-2331  
(801) 975-1776

#### COMPLETION OF THE SUBSCRIPTION OFFERING

Certificates representing the Series A preferred shares will be delivered to subscribers as soon as practicable after the expiration date of the subscription offering. We expect that this may take two weeks or longer, due to the need to allow checks to clear.

#### ANNOUNCEMENT OF EXTENSION OR TERMINATION

We may cancel the subscription offering at any time, in which case we will return your subscription payment without interest. Any extension of the expiration date beyond \_\_\_\_\_, 1999 or termination of the subscription offering will be followed as promptly as practicable by making a public announcement. In the case of an extension, the announcement will be issued no later than 9:00 a.m., Mountain time, on the next business day after the previously scheduled expiration date. Without limiting the manner in which we may choose to make any public announcement, we currently intend to make announcements by issuing a press release to the Dow Jones News Service.

#### USE OF PROCEEDS

The net proceeds of this subscription offering, which will be approximately \$74.9 million if all eligible shareholders purchase all of the 750,000 Series A preferred shares offered pursuant to this offering, will be added to our working capital and used for general corporate purposes, which could include financing our future growth through possible acquisitions, although we have not entered into any agreement providing for any such acquisition, developing new products and delivery channels and expanding our geographic reach.

DESCRIPTION OF THE SERIES A PREFERRED SHARES

We have authorized 4,000,000 preferred shares, 1,500,000 of which are designated as Series A preferred shares. As of August 31, 1999, 750,000 Series A preferred shares were outstanding, all of which are owned by Knowledge Capital. The following is a summary of the principal terms of our Series A preferred shares:

- RANKING:..... The Series A preferred shares rank senior to our common shares and will rank senior to any other series of preferred shares which we may issue in the future, in each case as to the payment of dividends or distributions or upon liquidation or dissolution.
- LIQUIDATION VALUE:..... \$100 per share plus accrued and unpaid dividends. Neither a consolidation or merger, nor a sale of all or part of our assets is considered a liquidation for this purpose.
- DIVIDENDS PER SHARE:..... Holders of the Series A preferred shares are entitled to receive dividends at an annual rate of \$10 per share, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. Dividends accrue whether or not declared by our Board of Directors and whether or not there are funds legally available for payment. Prior to July 1, 2002, dividends may be paid in cash or in additional Series A preferred shares at the option of Franklin Covey. Thereafter, dividends are payable only in cash. In addition, holders of the Series A preferred shares are entitled to receive all dividends and other distributions paid with respect to Franklin Covey common shares, based on the number of common shares issuable upon conversion of the Series A preferred shares at the time of payment of the dividend or distribution.
- VOLUNTARY CONVERSION:..... Holders of Series A preferred shares have the right, at any time, to convert all or a portion of their Series A preferred shares plus accrued and unpaid dividends into that number of common shares determined by dividing \$100 plus accrued and unpaid dividends by the conversion price. The conversion price is \$14 per common share, equitably adjusted for stock dividends, distributions, splits, mergers consolidations and other dilutive events as described under "--Anti-Dilution Rights" below.
- FORCED CONVERSION/REDEMPTION:..... Beginning July 1, 2004, at any time after the common shares have traded at a price above 130% of the then applicable conversion price for the Series A preferred shares for at least 60 consecutive New York Stock Exchange trading days, we may, upon 15 business days' prior written notice, redeem all, but not less than all, outstanding Series A preferred shares at 104% of their liquidation value plus accrued and unpaid dividends. During the 15-day notice period, holders of Series A preferred shares are entitled to exercise their conversion rights.

ADDITIONAL REDEMPTION RIGHT:..... All, but not less than all, of the Series A preferred shares are redeemable, at Franklin Covey's option, at 105% of their liquidation value plus accrued and unpaid dividends on 30 days' prior written notice if less than 100,000 Series A preferred shares remain outstanding and our common shares trade at a price above 120% of the then applicable conversion price for the Series A preferred shares for 30 consecutive New York Stock Exchange trading days. During the 30-day notice period, holders of Series A preferred shares are entitled to exercise their conversion rights.

VOTING RIGHTS:..... Except as described below, holders of the Series A preferred shares have the same voting rights as holders of our common shares and vote together with the common shares on an as-converted basis. In addition, holders of the Series A preferred shares, voting separately as a class, have the right to approve:

- Any amendment to our charter or bylaws which would adversely effect the rights of the holders of the Series A preferred shares;
- Any issuance of capital stock which would rank equal or senior to the Series A preferred stock with respect to dividends or other distributions or upon liquidation or dissolution, or any issuance of any junior capital stock other than common shares;
- Any subdivision, reclassification or split of the Series A preferred shares, whether in a merger, consolidation recapitalization, reorganization or otherwise;
- Mergers, consolidations, recapitalizations, reorganizations or other similar transactions, or the sale, assignment, transfer or other disposition of all or substantially all of Franklin Covey's assets, subject to a narrow exception for transactions where the rights of the holders of the Series A preferred shares are preserved;
  - The issuance of additional Series A preferred shares other than pursuant to payment in kind of dividends; and
  - Dividends declared on our common shares and other restricted payments in excess of 10% of our net income during the immediately preceding 12 months, unless approved by 80% of our Board of Directors.

OTHER EXTRAORDINARY ACTIONS:..... The following extraordinary actions require the affirmative vote of 80% of our Board of Directors unless, in the case of debt incurrence or divestitures, after giving pro forma effect to the transaction, our net worth would be at least \$275.0 million, our fixed charge coverage ratio for the most recent four fiscal quarters would be at least 3.5 to 1.0, and our EBITDA would be at least \$65.0 million:

- Debt incurrence other than existing debt and any refinancing of such debt;
- Divestitures if the business or property sold represents revenues in excess of 25% of our consolidated revenues for the previous four fiscal quarters and in which less than 80% of the consideration received by Franklin Covey consists of cash; and
- Acquisitions involving more than \$50 million, including debt assumed, where the purchase price exceeds seven times the acquired entity's EBITDA for the four most recent fiscal quarters.

BOARD OF DIRECTORS:..... If we fail to pay dividends in an amount equal to six quarterly dividends, the size of our board will be increased by two members, with the holders of Series A preferred shares having the right to elect the two additional directors. This right, as well as the term of the two additional directors so elected, terminates immediately upon the payment in full of all accrued and unpaid dividends.

REPURCHASE UPON CHANGE OF CONTROL:..... In the event of any change of control of Franklin Covey or other transaction which results, within 90 days, in Standard & Poors Corporation or Moody's Investor Service lowering the credit rating of the Series A preferred shares or any indebtedness of Franklin Covey, the holders of the Series A preferred shares have the right to receive, in exchange for their Series A preferred shares and in preference to the holders of our common shares, a cash amount equal to the greater of:

- the amount the holders of the Series A preferred shares would have received had they converted their preferred shares into common shares immediately prior to such event; and
- 101% of their liquidation value plus accrued and unpaid dividends.

ANTI-DILUTION RIGHTS:..... The conversion price of the Series A preferred shares is subject to adjustment to avoid dilution in the event that we issue additional equity, other than issuances pursuant to employee stock plans or shareholder rights plans, at a price less than the volume weighted average as reported on the BLOOMBERG NEWS SERVICE, at the time of issuance. The conversion price is also subject to proportional adjustments for stock splits, combinations, dividends, recapitalizations, reorganizations, mergers, consolidations, a sale of all or substantially all of our assets and similar transactions or events.

RESTRICTION ON TRANSFER:..... Until June 2, 2002, the Series A preferred shares will not be transferable unless the shares are offered first to Franklin Covey, except for transfers:

- pursuant to a registered public offering or a transaction effected on the New York Stock Exchange;
- to a qualified institutional buyer in a transaction exempt from or not subject to the registration requirements of the Securities Act; or
- to an affiliate of the transferor.

For a more detailed description of the right of first offer, you should refer to the subscription agreement and, in particular, Exhibit A thereto.

The description of the Series A preferred shares provided above is a summarization of the key terms and is not meant to be complete. This summary is qualified in its entirety by the "Certificate of Designation of Series A Preferred Stock" which has been filed as an exhibit to the registration statement of which this prospectus is a part.

## STOCKHOLDERS' AGREEMENT

As a result of its purchase of 750,000 Series A preferred shares in June 1999, Knowledge Capital beneficially owns approximately 6,055,343 common shares or approximately 24% of our outstanding common shares assuming the conversion of all 750,000 Series A preferred shares held by Knowledge Capital into common shares. In connection with its investment, we entered into a stockholders agreement with Knowledge Capital. The stockholders' agreement terminates on the earliest to occur of June 2, 2009, the termination of the agreement by Knowledge Capital under limited circumstances relating to an actual or possible change in control of Franklin Covey, and when Knowledge Capital and its affiliates collectively own less than 375,000 Series A preferred shares (or any securities into which such shares were exchanged or converted). Under the terms of the stockholders' agreement, Knowledge Capital is entitled to designate three directors, one of whom is required to be named as our Chairman of the Board.

Under the stockholders' agreement, until June 2, 2002, the Series A preferred shares are not transferable unless they are first offered to Franklin Covey, except for transfers:

- pursuant to a registered public offering or a transaction effected on the New York Stock Exchange;
- to a qualified institutional buyer in a transaction exempt from or not subject to the registration requirements of the Securities Act; or
- to an affiliate of Knowledge Capital.

Knowledge Capital has agreed not to purchase or otherwise acquire beneficial ownership of any of our voting capital stock, or any securities convertible into or exchangeable for voting capital stock, if after a purchase or acquisition, Knowledge Capital and its permitted transferees would, collectively, beneficially own 25% or more of our total outstanding voting capital stock, except for any purchase or acquisition:

- pursuant to this subscription offering;
- with the prior approval of a majority of our directors who were not nominated or elected and are not affiliates or associates of Knowledge Capital or its permitted transferees;
- with the prior approval of a majority of the holders of our outstanding voting capital stock;
- of common shares upon conversion of Series A preferred shares;
- of Series A preferred shares pursuant to a payment-in-kind dividend; or
- which does not increase their collective beneficial ownership of common shares by more than 10% in any consecutive 12-month period.

Knowledge Capital has also agreed that, without the approval of a majority of our directors who are not employees or officers of Franklin Covey or its affiliates or nominated or elected by Knowledge Capital and its affiliates, neither Knowledge Capital nor any of its affiliates will solicit proxies from other shareholders, except for matters on which holders of the Series A preferred shares are entitled to vote as a class, form a "group" for purposes of Section 13(d)(3) of the Exchange Act, or enter into any voting agreement or arrangement.

In July 1999, Robert A. Whitman, our Chairman of the Board and a principal of Knowledge Capital, was named our Chief Executive Officer.



## REGISTRATION RIGHTS

In connection with its investment in the Series A preferred stock, we granted to Knowledge Capital the right to require us, up to three times, to register the Series A preferred shares, and any securities into which the Series A preferred shares are exchanged or converted, owned by Knowledge Capital, its affiliates and permitted transferees under the Securities Act. In addition, subject to narrow limitations, we granted Knowledge Capital unlimited rights to request inclusion of Series A preferred shares, and any securities into which the Series A preferred shares are exchanged or converted, owned by Knowledge Capital, its affiliates and permitted transferees in any registration of equity securities filed by us under the Securities Act, whether or not for our own account.

## FEDERAL INCOME TAX CONSIDERATIONS

The following discussion of the expected material United States federal income tax consequences to Franklin Covey shareholders with respect to the subscription offering for Series A preferred shares is based upon current provisions of the Internal Revenue Code, existing temporary and final regulations, thereunder, and current administrative rulings and court decisions. Future legislative, judicial or administrative actions or decisions, which may be retroactive in effect, may affect the accuracy of the statements in this prospectus with respect to the transactions entered into or contemplated prior to the effective date of any changes. No attempt has been made to comment on all United States federal income tax consequences of the subscription offering for Series A preferred shares that may be relevant to you. The tax discussion set forth below is included for general information only and should not be construed to be legal or tax advice to a particular stockholder. No rulings have been or will be sought from the Internal Revenue Service. The IRS could challenge part or all of the treatment of the transactions described below.

You should recognize no gain or loss in the receipt or exercise of rights in the subscription offering for Series A preferred shares. A sale of your Series A preferred shares may result in a taxable gain or loss. In addition, disposition of your Series A preferred shares will generally result in recognition of ordinary income to the extent of the fair market value of the stock rights received in the subscription offering (determined as of the day you received those rights) even if you have an overall economic loss on the transaction. Since the exercise price of the stock rights is the same as the per-share amount recently paid by Knowledge Capital in acquiring identical preferred shares, Franklin Covey believes that the fair market value of the stock rights should be nominal. No assurance can be given, however, that the IRS will agree with this belief. If you convert your Series A preferred shares to common stock and those shares are subsequently sold, any gain or loss thus realized will generally be treated as capital in nature. Tax matters are very complicated. The tax consequences of the subscription offering to you will depend on the facts of your own situation. You should consult your tax advisor for a full understanding of the tax consequences to you of the subscription offering.

THIS DISCUSSION MAY NOT APPLY TO PARTICULAR CATEGORIES OF FRANKLIN COVEY SHAREHOLDERS SUBJECT TO SPECIAL TREATMENT UNDER THE CODE, SUCH AS INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, BROKER-DEALERS, TAX-EXEMPT ORGANIZATIONS, NON-U.S. SHAREHOLDERS AND HOLDERS WHOSE SHARES WERE ACQUIRED PURSUANT TO THE EXERCISE OF EMPLOYEE STOCK OPTIONS OR OTHERWISE AS COMPENSATION. FRANKLIN COVEY SHAREHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES OF MATTERS REFERRED TO HEREIN, INCLUDING THE STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES OF THE TRANSACTIONS AND MATTERS REFERRED TO HEREIN, AND OF POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

## PLAN OF DISTRIBUTION

We are offering Series A preferred shares directly to you pursuant to this subscription offering. We have not employed any brokers, dealers or underwriters in connection with the solicitation or exercise of subscription privileges in the subscription offering, and no commissions, fees or discounts will be

paid in connection with the subscription offering. Certain of our officers and other employees may solicit responses from you, but such officers and other employees will not receive any commissions or compensation for such services other than their normal employment compensation.

#### SUBSCRIPTION AGENT

We have appointed Zions First National Bank as subscription agent for the subscription offering. The address to which subscription agreements and payment of the subscription price should be delivered, is set forth on the back cover of this prospectus.

We will pay the fees and expenses of the subscription agent and will indemnify the subscription agent from any liability which it may incur in connection with the subscription offering.

#### WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the U.S. Securities and Exchange Commission. You may read and copy this information at the SEC's public reference rooms, which are located at:

450 Fifth Street, NW  
Washington, DC 20549

7 World Trade Center,  
Suite 1300  
New York, NY 10048

500 West Madison Street,  
Suite 1400  
Chicago, IL 60661-2511

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. This information is also available on-line through the SEC's Electronic Data Gathering, Analysis, and Retrieval System, commonly known as "EDGAR," located on the SEC's web site (<http://www.sec.gov>).

Also, we will provide you (free of charge) with any of our documents filed with the SEC. To get your free copies, please call or write:

Franklin Covey Co.  
Attention: Richard Putnam,  
Director of Investor Relations  
2200 West Parkway Boulevard  
Salt Lake City, Utah 84119-2331  
(801) 975-1776

We have filed a registration statement with the SEC on Form S-3 with respect to the subscription offering. This prospectus is a part of the registration statement, but the prospectus does not include all of the information that you can find in the registration statement, reports and other documents that we have filed with the SEC. The SEC allows us to "incorporate by reference" other documents filed with the SEC, which means that we can disclose important information to you by referring you to other documents. The documents that are incorporated by reference are legally considered to be a part of this prospectus. The documents incorporated by reference are:

- Annual Report on Form 10-K for the year ended August 31, 1998;
- Quarterly Report on Form 10-Q for the fiscal quarter ended May 29, 1999;
- Quarterly Report on Form 10-Q for the fiscal quarter ended February 27, 1999;
- Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1998; and
- Any filings with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934 between the date of this prospectus and the expiration of the subscription offering.

As you read the above documents, you may find some inconsistencies in information from one document to another. If you find inconsistencies between the documents, or between a document and this prospectus, you should rely on the statements made in the most recent document.

You should rely only on the information in this prospectus or incorporated by reference. We have not authorized anyone to provide you with any different information.

This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any state where the offer or sale is not permitted. This prospectus is not an offer to sell nor is it seeking an offer to buy securities other than the Series A preferred shares to be issued in accordance with the subscription offering. The information contained in this prospectus is correct only as of the date of this prospectus, regardless of the time of the delivery of this prospectus or any sale of these securities.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the Series A preferred shares or possession or distribution of this prospectus in any such jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable in that jurisdiction.

#### EXPERTS

Our audited consolidated financial statements as of August 31, 1997 and 1998 and for each of the three years in the period ended August 31, 1998 have been incorporated by reference in this prospectus in reliance upon the report of Arthur Andersen LLP, independent public accountants, and upon the authority of that firm as experts in accounting and auditing.

Until we file a post-effective amendment indicating that all of the rights to purchase Series A preferred shares have been exercised, or deregistering Series A preferred shares that remain unsubscribed, the audited financial statements, as of August 31, 1997 and 1998, and for each of the three years in the period ended August 31, 1998, incorporated by reference to reports and documents that we file in accordance with Sections 13(a), 13(c) 14, and 15(d) of the Exchange Act are incorporated in reliance upon the reports of Arthur Andersen LLP, and any other independent public accountants, relating to these financial statements and upon the authority of those independent public accountants as experts in accounting and auditing in giving such reports to the extent that the particular firm has audited the financial statements and consented to the use of their reports in them.

#### LEGAL MATTERS

Certain legal matters relating to the subscription rights and the Series A preferred shares are being passed upon for Franklin Covey by Val John Christensen, our General Counsel.

Facsimile copies of the subscription agreement will be accepted. The subscription agreement and all other required documents should be sent by each holder or his/her broker, dealer, commercial bank, trust company or nominee to the subscription agent at the address set forth below.

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The subscription agent is:  
ZIONS FIRST NATIONAL BANK  
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BY REGISTERED MAIL:

P.O. Box 30880  
Salt Lake City, Utah  
84130

BY HAND:

10 E. South Temple  
Street  
3rd Floor  
Salt Lake City,  
Utah 84111

BY OVERNIGHT  
COURIER:

10 E. South Temple  
Street  
3rd Floor  
Salt Lake City,  
Utah 84111

BY FACSIMILE:

(801) 524-4838

CONFIRM BY  
TELEPHONE:

(801) 524-4696

-or-

(801) 524-2268

FOR INFORMATION  
CALL:

(800) 789-8833,  
Ext. 2268

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Any questions or requests for assistance or additional copies of the prospectus, the subscription agreement or any documents incorporated by reference into the prospectus may be directed to Richard Putnam, our Director of Investor Relations, at Franklin Covey Co., 2200 West Parkway Boulevard, Salt Lake City, Utah 84119, telephone (801) 975-1776. You may also contact your broker, dealer, commercial bank or trust company for assistance concerning this subscription offering.

PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following are expenses incurred or to be incurred by us in connection with this offering. All of these expenses are estimated, except for the SEC registration fee.

SEC registration fee.....	\$20,850
Blue Sky fees and expenses.....	1,500
Printing, mailing and distribution expenses.....	15,000
Legal fees and expenses.....	25,000
Accounting fees and expenses.....	7,000
Subscription Agent's fees and expenses.....	5,000
Miscellaneous.....	5,650
	-----
Total.....	\$80,000
	=====

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Article IX of our Revised Articles of Incorporation provide that a director shall not be personally liable to us or our shareholders for monetary damages for breach of fiduciary duty, except as expressly provided in Section 16-10a-841 of the Utah Business Corporation Act.

Section 16-10a-841 of the Act provides that the liability of a director may not be eliminated or limited for:

- the amount of financial benefit received by a director to which he is not entitled;
- an intentional infliction of harm on the corporation or its shareholders;
- a violation of Section 16-10a-842 of the Act which prohibits unlawful distributions by a corporation to its shareholders; or
- an intentional violation of criminal law.

Article VIII of our Revised Articles of Incorporation and Article VI of our Amended and Restated Bylaws also provide for indemnification of our officers and directors to the fullest extent permitted by the Utah Business Corporation Act, or as otherwise permitted by law.

Section 16-10a-902 of the Act provides that a corporation may indemnify an individual who was, is, or is threatened to be made a defendant or respondent in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, because he is or was director of the corporation or is or was serving at its request as a director, officer, partner, trustee, employee, fiduciary or agent of another corporation or of an employee benefit plan, against any obligation incurred with respect to a proceeding, including any judgment, settlement, penalty, fine or reasonable expenses (including attorneys' fees), incurred in the proceeding if:

- his conduct was in good faith;
- he reasonably believed that his conduct was in, or not opposed to, the best interests of the corporation; and
- he had no reasonable cause to believe his conduct was unlawful;

except that

- indemnification under Section 902 in connection with proceeding by or in the right of the corporation is limited to payment of reasonable expenses (including attorneys' fees) incurred in connection with the proceeding, and
- the corporation may not indemnify a director in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation, or in connection with any other proceeding charging that the director derived an improper personal benefit, whether or not involving action in his official capacity, in which proceeding he was adjudged liable on the basis that he derived an improper personal benefit.

Section 16-10a-903 of the Act provides that, unless limited by its articles of incorporation, a corporation shall indemnify a director who was successful, on the merits or otherwise, in the defense of any proceeding, or in the defense of any claim, issue or matter in the proceeding in which he was a defendant or respondent because he is or was a director of the corporation, against reasonable expenses (including attorneys' fees) incurred by him in connection with the proceeding or claim with respect to which he has been successful.

In addition to the indemnification provided by Sections 902 and 903, Section 16-10a-905 of the Act provides that, unless otherwise limited by a corporation's articles of incorporation, a director may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. On receipt of an application and after giving any notice the court considers necessary:

- the court may order mandatory indemnification under Section 903, in which case the court shall also order the corporation to pay the director's reasonable expenses incurred to obtain court-ordered indemnification, or
- upon the court's determination that the director is fairly and reasonably entitled to indemnification in view of all the relevant circumstances and regardless of whether the director met the applicable standard of conduct set forth in Section 902, or was adjudged liable as described in Section 902(4), the court may order indemnification as the court determines to be proper, except that indemnification with respect to certain proceedings resulting in a director being found liable for certain actions against the corporation may be limited to reasonable expenses (including attorneys' fees) incurred by the director.

Section 16-10a-904 of the Act provides that a corporation may pay for or reimburse the reasonable expenses (including attorneys' fees) incurred by a director who is defendant or respondent in a proceeding in advance of the final disposition of the proceeding if:

- the director furnishes the corporation a written affirmation of his good faith belief that he has met the applicable standard of conduct described in Section 902;
- the director furnishes to the corporation a written undertaking, executed personally or in his behalf, to repay the advance if it is ultimately determined that he did not meet the required standard of conduct; and
- a determination is made that the facts then known to those making the determination would not preclude indemnification under Section 904.

Section 16-10a-907 of the Act provides that, unless a corporation's articles of incorporation provide otherwise:

- an officer of the corporation is entitled to mandatory indemnification under Section 903 and is entitled to apply for court ordered indemnification under Section 905, in each case to the same extent as a director;
- the corporation may indemnify and advance expenses to an officer, employee, fiduciary or agent of the corporation to the same extent as a director; and

- a corporation may also indemnify and advance expenses to an officer, employee, fiduciary or agent who is not a director to a greater extent than the right of indemnification granted to directors, if not inconsistent with public policy, and if provided for by its articles of incorporation, bylaws, general or specific action of its board of directors or contract.

Indemnification may be granted pursuant to any other agreement, bylaw, or vote of shareholders or directors. In addition to the foregoing, Franklin Covey maintains insurance from commercial carriers against certain liabilities which may be incurred by its directors and officers.

ITEM 16. EXHIBITS

EXHIBIT NO. -----	EXHIBIT -----
4.1	Revised Articles of Incorporation of the Registrant (filed as Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (Reg. No. 33-47283) as filed with the Commission on April 17, 1992 and incorporated herein by reference)
4.2	Amended and Restated Bylaws of the Registrant (filed as Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (Reg. No. 33-47283) as filed with the Commission on April 17, 1992 and incorporated herein by reference)
4.3	Certificate of designation of Series A Preferred Stock (contained in the Articles of Amendment to Articles of Incorporation of Franklin Covey Co. filed as Exhibit 2 to Schedule 13D (CUSIP No. 353469109) as filed with the Commission on June 2, 1999 and incorporated herein by reference)
4.4	Stockholders Agreement, dated June 2, 1999 (filed as Exhibit 3 to Schedule 13D (CUSIP No. 353469109) as filed with the Commission on June 2, 1999 and incorporated herein by reference)
4.5	Registration Rights Agreement, dated June 2, 1999 (filed as Exhibit 4 to Schedule 13D (CUSIP No. 353469109) as filed with the Commission on June 2, 1999 and incorporated herein by reference)
5.1	Opinion of Val John Christensen, General Counsel of Franklin Covey Co.
12.1	Calculation of ratio of combined fixed charges and preferred stock dividends to earnings
23.1	Consent of Independent Public Accountants
23.2	Consent of Val John Christensen, General Counsel of Franklin Covey Co. (included in Exhibit 5.1)
24.1	Powers of Attorney
99.1	Form of Subscription Agreement
99.2	Form of Letter to Common Shareholders
99.3	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
99.4	Form of Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees
99.5	Form of Letter to Participants in Franklin Covey's Employee Stock Purchase Plan

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to include any material information with respect to the plan of

distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

- (2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof;
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and
- (4) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.



SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Franklin Covey Co. certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, there unto duly authorized, in Salt Lake City, State of Utah on October 22, 1999.

FRANKLIN COVEY CO.

By: /s/ ROBERT A. WHITMAN

-----  
Robert A. Whitman  
CHAIRMAN OF THE BOARD  
AND CHIEF EXECUTIVE OFFICER

Pursuant to the requirements of the Securities Act of 1933, this registration statement on Form S-3 has been signed by the following persons, in the capacities indicated, on October 22, 1999.

NAME -----	TITLE -----
/s/ ROBERT A. WHITMAN ----- Robert A. Whitman	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)
----- Hyrum W. Smith	Vice Chairman
----- Stephen R. Covey	Vice Chairman
* ----- John L. Theler	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
* ----- J. Scott Nielsen	Chief Accounting Officer (Principal Accounting Officer)
* ----- Stephen M. R. Covey	Executive Vice President, President--Training and Education Division and Director
* ----- Steven C. Wheelwright	Director

NAME -----	TITLE -----
* ----- Robert H. Daines	Director
* ----- E. J. "Jake" Garn	Director
* ----- Dennis G. Heiner	Director
* ----- Joel C. Peterson	Director
* ----- E. Kay Stepp	Director
* ----- Brian Krisak	Director
* ----- Donald J. McNamara	Director

\* The undersigned, by signing his name hereto, does sign and execute this registration statement on Form S-3 pursuant to powers of attorney executed by the above-named officers and directors and filed herewith.

FRANKLIN COVEY CO.

By: /s/ ROBERT A. WHITMAN

-----  
Robert A. Whitman  
CHAIRMAN OF THE BOARD  
AND CHIEF EXECUTIVE OFFICER

EXHIBIT NO.

EXHIBIT

PAGE NO.

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5.1	Opinion of Val John Christensen, General Counsel of Franklin Covey Co.	
12.1	Calculation of ratio of combined fixed charges and preferred stock dividends to earnings	
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24.1	Powers of Attorney	
99.1	Form of Subscription Agreement	
99.2	Form of Letter to Common Shareholders	
99.3	Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees	
99.4	Form of Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees	
99.5	Form of Letter to Participants in Franklin Covey's Employee Stock Purchase Plan	

[Franklin Covey Letterhead]

October 11, 1999

Franklin Covey Co.  
2200 West Parkway Boulevard  
Salt Lake City, Utah 84119-2331

Ladies and Gentlemen:

I am the General Counsel of Franklin Covey Co., a Utah corporation (the "Company"), and have acted in such capacity in connection with the offering (the "Offer") by the Company of nontransferable rights to purchase up to 750,000 shares of its Series A Preferred Shares, no par value (the "Preferred Shares"), as contemplated by the Company's Registration Statement on Form S-3 (the "Registration Statement").

I have examined such documents, records, and matters of law as I have deemed necessary for purposes of this opinion and, based on such examination, I am of the opinion that the Preferred Shares are duly authorized, and, when issued and sold in accordance with the Registration Statement and the provisions of the Certificate of Designation for the Series A Preferred Shares and delivered to the purchaser or purchasers thereof upon receipt by the Company of such lawful consideration therefor as contemplated by the Offer, will be validly issued, fully paid and nonassessable.

In rendering the foregoing opinion, my examination of matters of law has been limited to the laws of the State of Utah, as in effect on the date hereof.

I hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to me in the Prospectus under the caption "Legal Matters."

Very truly yours,

/s/ Val John Christensen  
Val John Christensen

## FRANKLIN COVEY

## RATIO OF FIXED CHARGES AND PREFERRED DIVIDENDS TO EARNINGS

(IN THOUSANDS)

	NINE MONTHS ENDED 5/29/99	FISCAL YEAR ENDED AUGUST 31,				
		1998	1997	1996	1995	1994
<b>Earnings:</b>						
Consolidated Net Income.....	12,875	40,058	38,865	34,239	38,746	30,917
<b>Add:</b>						
Cumulative effect of accounting change.....		2,080				
Income taxes.....	9,323	29,893	27,498	24,002	25,484	20,078
Interest expense.....	7,290	8,316	2,344	630	578	885
Long-term lease expense.....	12,982	16,777	11,734	8,925	5,587	3,710
Earnings available for fixed charges.....	42,470	97,124	80,441	67,796	70,395	55,590
<b>Fixed Charges:</b>						
Interest expense.....	7,290	8,316	2,344	630	578	885
Long-term lease expense.....	12,982	16,777	11,734	8,925	5,587	3,710
Total fixed charges.....	20,272	25,093	14,078	9,555	6,165	4,595
Ratio of fixed charges to earnings.....	0.48x	0.26x	0.18x	0.14x	0.09x	0.08x

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP  
ARTHUR ANDERSEN LLP

Salt Lake City, Utah  
October 20, 1999

POWER OF ATTORNEY

By signing below, I hereby constitute and appoint each of Robert A. Whitman and Val John Christensen, my true and lawful attorney and agent to do any and all acts and things and to execute any and all instruments in my name and behalf in my capacities as director and/or officer of Franklin Covey Co., a Utah corporation (the "Company"), which said attorney and agent may deem necessary or advisable or which may be required to enable the Company to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with a Registration Statement on Form S-3 (or any other appropriate form) for the purpose of registering pursuant to the Securities Act up to 750,000 of the Company's Series A Preferred Shares, including specifically, but without limiting the generality of the foregoing, the power and authority to sign for me, in my name and behalf in my capacities as director and/or officer of the Company (individually or on behalf of the Company), such Registration Statement and any such abbreviated registration statement, and any and all amendments and supplements thereto, and to file the same, with all exhibits thereto and other instruments or documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that said attorneys and agents, or any of them, may do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have executed this Power of Attorney as of October 22, 1999.

----- Hyrum W. Smith -----	/s/ STEPHEN M. R. COVEY ----- Stephen M. R. Covey -----
----- Stephen R. Covey -----	/s/ STEVEN C. WHEELWRIGHT ----- Steven C. Wheelwright -----
/s/ JOHN L. THELER ----- John L. Theler -----	/s/ ROBERT H. DAINES ----- Robert H. Daines -----
/s/ J. SCOTT NIELSEN ----- J. Scott Nielsen -----	/s/ E.J. JAKE GARN ----- E.J. "Jake" Garn -----
/s/ DENNIS G. HEINER ----- Dennis G. Heiner -----	/s/ JOEL C. PETERSON ----- Joel C. Peterson -----
/s/ E. KAY STEPP ----- E. Kay Stepp -----	

POWER OF ATTORNEY

By signing below, I hereby constitute and appoint each of Robert A. Whitman and Val John Christensen, my true and lawful attorney and agent to do any and all acts and things and to execute any and all instruments in my name and behalf in my capacities as director and/or officer of Franklin Covey Co., a Utah corporation (the "Company"), which said attorney and agent may deem necessary or advisable or which may be required to enable the Company to comply with the Securities Act of 1933, as amended (the "Securities Act"), and any rules, regulations or requirements of the Securities and Exchange Commission in respect thereof, in connection with a Registration Statement on Form S-3 (or any other appropriate form) for the purpose of registering pursuant to the Securities Act up to 750,000 of the Company's Series A Preferred Shares, including specifically, but without limiting the generality of the foregoing, the power and authority to sign for me, in my name and behalf in my capacities as director and/or officer of the Company (individually or on behalf of the Company), such Registration Statement and any such abbreviated registration statement, and any and all amendments and supplements thereto, and to file the same, with all exhibits thereto and other instruments or documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that said attorneys and agents, or any of them, may do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have executed this Power of Attorney as of October 22, 1999.

/s/ BRIAN KRISAK

/s/ DONALD J. MCNAMARA

-----  
Brian Krisak

-----  
Donald J. McNamara



SUBSCRIPTION AGREEMENT  
OFFER TO SUBSCRIBE FOR AND PURCHASE SERIES A PREFERRED SHARES  
OF  
FRANKLIN COVEY CO.  
PURSUANT TO THE PROSPECTUS DATED , 1999

THE SUBSCRIPTION OFFERING EXPIRES AT 5:00 P.M., MOUNTAIN TIME, ON , 1999,  
UNLESS EXTENDED. THE EXERCISE OF YOUR SUBSCRIPTION RIGHTS MAY NOT BE REVOKED BY  
YOU FOR ANY REASON.

The Subscription Agent for the Offer is:  
ZIONS FIRST NATIONAL BANK

BY MAIL:  
P.O. Box 30880  
Salt Lake City, Utah 84130  
Attn: Corporate Trust Department

BY HAND AND OVERNIGHT DELIVERY:  
10 E South Temple, 3rd Floor  
Salt Lake City, Utah 84111  
Attn: Corporate Trust Department

Pursuant to the prospectus dated , 1999, Franklin Covey is offering you the nontransferable right to subscribe for and purchase one of its Series A preferred shares for every 27 of its common shares that you owned on , 1999 at a subscription price of \$100.00 per preferred share. We will not issue fractional Series A preferred shares and we will not pay cash to you in place of rights.

FOR A MORE COMPLETE DESCRIPTION OF THE TERMS AND CONDITIONS OF THE SUBSCRIPTION OFFERING, PLEASE REFER TO THE PROSPECTUS, THE TERMS AND CONDITIONS OF WHICH ARE INCORPORATED HEREIN BY REFERENCE. COPIES OF THE PROSPECTUS ARE AVAILABLE UPON REQUEST FROM ZIONS FIRST NATIONAL BANK (TOLL FREE (800) 789-8833, EXT. 2268).

To subscribe for Series A preferred shares, you should complete and sign this subscription agreement and forward it, together with payment in full in an amount equal to the number of Series A preferred shares subscribed for multiplied by \$100.00, to the subscription agent by one of the methods and to the address set forth above, prior to the expiration date, which is 5:00 p.m. Mountain Time on , 1999. Any rights not exercised prior to the expiration date will thereafter be null and void. DELIVERY OF THE SUBSCRIPTION AGREEMENT AND/OR PAYMENT TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS ACCOMPANYING THIS SUBSCRIPTION AGREEMENT SHOULD BE READ  
CAREFULLY  
BEFORE THIS SUBSCRIPTION AGREEMENT IS COMPLETED.

-----  
Number of Series A Preferred Shares You May Subscribe For

, 1999  
Expiration Date, unless  
extended

To exercise your subscription rights, you should complete the following  
chart (See Instructions 1, 4, 5 and 6):

-----  
NAME(S) AND ADDRESS(ES) OF SHAREHOLDER(S)      NUMBER OF COMMON SHARES OWNED ON , 1999      NUMBER OF SERIES A PREFERRED SHARES SUBSCRIBED FOR      AGGREGATE SUBSCRIPTION PRICE FOR SERIES A PREFERRED SHARES SUBSCRIBED FOR\*

-----  
\* Determined by multiplying the number of Series A preferred shares subscribed for by \$100.  
-----

Please indicate form of payment (See Instruction 2):

/ / Check or money order payable to "Zions First National Bank, as  
subscription agent"

/ / Wire transfer directed to Zions First National Bank, Account  
No. 80-00005-2, ABA No. 124000054, Attention: Corporate Trust

If the aggregate amount enclosed or transmitted is insufficient to purchase the total number of Series A preferred shares indicated, or if the number of shares being subscribed for is not specified or exceeds the rights granted, you will be deemed to have subscribed for the maximum number of Series A preferred shares that you are eligible to purchase which could be subscribed for upon payment of the amount enclosed. If you do not make payment of any amounts due, Franklin Covey reserves the right to exercise any and all other rights and remedies to which it may be entitled. If your payment exceeds the aggregate subscription price for the number of Series A preferred shares subscribed for as indicated in the above table, your payment will be applied only for the number of shares indicated by you in the above table. To the extent any portion of the aggregate subscription price delivered exceeds the aggregate subscription price for the number of shares for which you subscribed or for which you are eligible to subscribe, whichever is lower, the subscription agent will return the excess amount to you, without interest or deduction, as soon as practicable.

NOTE: SIGNATURE(S) MUST BE PROVIDED BELOW.

Ladies and Gentlemen:

The undersigned hereby irrevocably subscribes for the number of Series A preferred shares indicated above at a purchase price of \$100 per preferred share, on the terms and conditions set forth in the prospectus, the receipt of which is hereby acknowledged, and in this subscription agreement. The undersigned will, upon request, execute and deliver to the subscription agent any additional documents deemed by Franklin Covey or the subscription agent to be necessary or desirable to complete the subscription.

The undersigned represents and warrants that the undersigned was a shareholder of record of Franklin Covey common shares as of the close of business on \_\_\_\_\_, 1999.

All authority herein conferred or agreed to be conferred shall not be affected by, and shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives and successors of the undersigned. The undersigned may not transfer or assign any rights under the subscription offer or this subscription agreement.

EXCEPT AS STATED IN THE PROSPECTUS, THE EXERCISE OF SUBSCRIPTION RIGHTS IS IRREVOCABLE.

Unless otherwise indicated below under "Special Issuance Instructions" or "Special Delivery Instructions," please issue a share certificate evidencing the number of Series A preferred shares subscribed for in the name(s) of the undersigned and mail the share certificate to the address indicated in the table above. If "Special Issuance Instructions" or "Special Delivery Instructions" is completed, please issue the share certificate and/or mail the share certificate to the person(s) so indicated.

The undersigned recognizes that, under certain circumstances described in the prospectus, Franklin Covey may terminate or amend the subscription offer or may postpone the expiration date. In the event the offer is terminated, Franklin Covey will return any subscription price paid, without interest, to the undersigned at the address indicated in the table above.

The undersigned understands that all questions concerning the timeliness, validity, form and eligibility of any exercise of rights will be determined by Franklin Covey and will be final and binding. Franklin Covey may waive any defect or irregularity, or permit a defect or irregularity to be corrected within an amount of time as it may determine, or reject the purported exercise of any right by reason of any defect or irregularity in the exercise. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as Franklin Covey determines in its reasonable discretion. Neither Franklin Covey nor the subscription agent will be under any duty to give notification of any defect or irregularity in connection with the submission of the subscription agreement or incur any liability for failure to give such notification.

The undersigned understands and acknowledges that Franklin Covey will rely on the representations, warranties, agreements and information provided herein by the undersigned when issuing the Series A preferred shares pursuant to the exercise of the subscription right by the undersigned. All information contained herein with respect to the undersigned shall be true, accurate and complete on the date hereof and on the date that Franklin Covey accepts this subscription agreement. The undersigned shall indemnify and hold harmless Franklin Covey and its directors, officers, employees and agents from and against all claims, losses, damages and liabilities, including without limitation reasonable attorneys' fees and costs, resulting from or arising out of any misrepresentation or any inaccuracy in or breach of any statement or provision contained in this subscription agreement.

Until June 2, 2002, the Series A preferred shares will not be transferable unless the shares are offered first to Franklin Covey in accordance with the procedures set forth in Exhibit A to this subscription agreement, except for transfers pursuant to a registered public offering or a transaction effected on the New York Stock Exchange, to a qualified institutional buyer in a transaction exempt

from or not subject to the registration requirements of the Securities Act, or to an affiliate of the transferor. Each certificate representing Series A referred shares will bear a legend on the face thereof substantially to the following effect:

UNTIL JUNE 2, 2002 THE SHARES OF SERIES A PREFERRED STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A RIGHT OF FIRST OFFER IN FAVOR OF FRANKLIN COVEY CO., CONTAINED IN A SUBSCRIPTION AGREEMENT BETWEEN FRANKLIN COVEY CO. AND EACH HOLDER OF SERIES A PREFERRED SHARES, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OR OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH SUBSCRIPTION AGREEMENT.

This subscription agreement shall be construed in accordance with and governed by the laws of the State of Utah, without regard to its choice of law principles.

-----  
SPECIAL ISSUANCE INSTRUCTIONS  
(SEE INSTRUCTIONS 8 AND 9)

To be completed only if the share certificate representing the Series A preferred shares subscribed for is to be issued in the name of someone other than the undersigned. Issue certificate to:

Name \_\_\_\_\_  
(PLEASE PRINT)

Address \_\_\_\_\_

\_\_\_\_\_  
(INCLUDE ZIP CODE)

\_\_\_\_\_  
(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NO.)

-----  
SPECIAL DELIVERY INSTRUCTIONS  
(SEE INSTRUCTIONS 8 AND 9)

To be completed only if the share certificate representing the Series A preferred shares subscribed for is to be mailed to someone other than the undersigned or to the undersigned at an address other than that shown in the table above. Mail certificate to:

Name \_\_\_\_\_  
(PLEASE PRINT)

Address \_\_\_\_\_

\_\_\_\_\_  
(INCLUDE ZIP CODE)

-----  
PLEASE SIGN HERE  
(SEE INSTRUCTIONS 4, 5 AND 9)

X  
X

SIGNATURE(S) OF SHAREHOLDER(S) \_\_\_\_\_ DATE \_\_\_\_\_

Telephone Number: ( ) \_\_\_\_\_

If signed by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth the following information:

Name(s): \_\_\_\_\_  
(PLEASE TYPE OR PRINT)

Capacity: \_\_\_\_\_

Address: \_\_\_\_\_  
(INCLUDE ZIP CODE)

-----  
GUARANTEE OF SIGNATURE(S)  
(SEE INSTRUCTION 9)

Certain signatures must be guaranteed by an eligible institution.

Name of Firm \_\_\_\_\_

Authorized Signature \_\_\_\_\_

Dated \_\_\_\_\_, 1999

-----  
NOTE: THE FOLLOWING MUST BE COMPLETED AND SIGNED IF THE UNDERSIGNED IS A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE SHAREHOLDER THAT HELD FRANKLIN COVEY COMMON SHARES ON \_\_\_\_\_, 1999 FOR MORE THAN ONE BENEFICIAL SHAREHOLDER (SEE INSTRUCTION 5).

NOMINEE SHAREHOLDER CERTIFICATION

The undersigned is a broker, dealer, commercial bank, trust company or other nominee which held Franklin Covey common shares of record on \_\_\_\_\_, 1999 for the account of more than one beneficial owner. The undersigned hereby certifies to Franklin Covey and Zions First National Bank, as subscription agent, that:

- the undersigned has subscribed for, on behalf of beneficial owners of Franklin Covey common shares (which may include the undersigned), the total number of Franklin Covey Series A preferred shares specified below pursuant to the subscription rights,
- the undersigned held on \_\_\_\_\_, 1999 the aggregate number of Franklin Covey common shares specified below for each beneficial owner (indicated below by number without identifying any such beneficial owner) on whose behalf it has subscribed for Series A preferred shares, and
- the undersigned has subscribed for the aggregate number of shares of Series A preferred shares specified below on behalf of each such beneficial owner.

ATTACH ADDITIONAL LISTS AS NECESSARY

BENEFICIAL OWNER NUMBER	AGGREGATE NUMBER OF COMMON SHARES HELD ON BEHALF OF SUCH BENEFICIAL OWNER AS OF _____, 1999	AGGREGATE NUMBER OF SERIES A PREFERRED SHARES SUBSCRIBED FOR ON BEHALF OF SUCH BENEFICIAL OWNER
1	-----	-----
2	-----	-----
3	-----	-----
4	-----	-----
5	-----	-----
6	-----	-----
7	-----	-----
8	-----	-----
9	-----	-----
10	-----	-----
TOTAL:		TOTAL:

PLEASE SIGN AND DATE HERE:

-----  
Name of Nominee Shareholder

Dated:-----

By: -----  
Name:  
Title:

EXHIBIT A

Until June 2, 2002 (the "ROFO Period"), prior to any shareholder effecting a Transfer (as defined below) to any person (a "Third-Party Sale"), such shareholder (the "Offering Stockholder") will deliver to the Company a written notice (an "Offer Notice") specifying the amount of consideration (the "Offer Price") for which the Offering Stockholder proposes to sell the Securities to be offered in such Third-Party Sale (the "Offered Stock").

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

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

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

For purposes of this right of first offer, the value of any consideration other than cash that is payable or receivable in the Third Party Sale will be as determined by the Board in good faith.

As used herein the term "Transfer" means a transfer, sale, assignment, pledge, hypothecation or other disposition, whether directly or indirectly pursuant to the creation of a derivative security, the



grant of an option or other right, the imposition of a restriction on disposition or voting or transfer by operation of law. Notwithstanding the foregoing, "Transfer" does not include any Transfer:

- as a result of a change of control of the Offering Shareholder;
- to an affiliate of the Offering Shareholder;
- pursuant to a public offering or a transaction effected on the New York Stock Exchange;
- to a "Qualified Institution Buyer" (as defined in Rule 144A under the Securities Act); or
- to a bank or other lender to secure indebtedness for borrowed money.

INSTRUCTIONS  
FORMING PART OF THE TERMS AND CONDITIONS OF THE SUBSCRIPTION OFFER

1. GENERAL. For the subscription right to be validly exercised, a properly completed and duly executed subscription agreement (or facsimile thereof), payment in full of the subscription price for each share of Series A preferred stock subscribed for and any other required documents must be received by the subscription agent prior to \_\_\_\_\_, 1999, the expiration date (as set forth in the prospectus). Once you have exercised your subscription right, your exercise may not be revoked.

2. METHOD OF PAYMENT OF SUBSCRIPTION PRICE. Payment of the subscription price must be by (i) check or money order payable to Zions First National Bank, as subscription agent, or (ii) wire transfer of funds to the account maintained by the subscription agent for such purpose at Zions First National Bank, Account No. 80-00005-2; ABA No. 124000054; Attention: Corporate Trust (reference should be made to Franklin Covey, Co. and your name should be indicated).

The subscription price will be deemed to have been received by the subscription agent only upon (i) clearance of any uncertified check, (ii) receipt by the subscription agent of any certified check or bank draft drawn upon a U.S. bank or of any money order, or (iii) receipt of immediately available funds in the subscription agent's account designated above. If paying by uncertified personal check, please note that the funds paid thereby may take at least five business days to clear. Accordingly, if you wish to pay the subscription price by means of uncertified personal check, you are urged to make payment sufficiently in advance of the expiration date to ensure that such payment is received and clears by 5:00 p.m., Mountain time, on the expiration date and are urged to consider payment by means of certified or cashier's check, money order or wire transfer of funds.

3. METHOD OF DELIVERY. This subscription agreement, together with payment in full of the subscription price for each share of Series A preferred stock subscribed for pursuant to the subscription right, should be delivered by mail or otherwise to the subscription agent at its address set forth on the cover of this subscription agreement. PLEASE DO NOT SEND THIS SUBSCRIPTION AGREEMENT OR PAYMENT OF THE SUBSCRIPTION PRICE DIRECTLY TO FRANKLIN COVEY.

The method of delivery of the subscription agreement and payment of the subscription price to the subscription agent will be at your election and risk, but if sent by mail it is recommended that the subscription agreement and such payment be sent by registered mail, with return receipt requested, and that a sufficient number of days be allowed to ensure delivery to the subscription agent and clearance of payment prior to 5:00 p.m., Mountain time, on the expiration date.

4. SIGNATURE(S). Each of the signatures on this subscription agreement must be that of the eligible shareholder of record. If any common shares were held of record on the record date by two or more persons, all such persons must sign this subscription agreement. If this subscription agreement is signed by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Franklin Covey and the subscription agent of the authority of such person to so act must be submitted with this subscription agreement.

5. COMMON STOCK HELD BY NOMINEES. Only holders of record of common stock on the record date may exercise the subscription right. Therefore, eligible shareholders, such as brokers, dealers, commercial banks, and trust companies, that on the record date held common stock for the account of others, should notify the respective beneficial owners of such common stock as soon as possible to ascertain such beneficial owners' intentions and to obtain instructions with respect to the subscription right. Beneficial owners of common stock held through such a nominee holder on the record date should contact the eligible shareholder and request the eligible shareholder to effect transactions in accordance with the beneficial owner's instructions. If the beneficial owner so instructs, the eligible shareholder should complete a subscription agreement and submit it, together with the proper payment,

to the subscription agent. Each broker, dealer, commercial bank, trust company or other nominee holder that held common stock on the record date for more than one beneficial owner must certify to Franklin Covey and the subscription agent:

- the total number of shares of Series A preferred stock subscribed for by such nominee on behalf of beneficial owners pursuant to the subscription right,
- the aggregate number of shares of common stock held by it as of the record date on behalf of each beneficial owner for which it has exercised the subscription right, and
- the aggregate number of shares of Series A preferred stock being subscribed for by it on behalf of each such beneficial owner.

6. NO FRACTIONAL SHARES. No fractional shares of Series A preferred stock will be issued. The number of shares of Series A preferred stock for which an eligible shareholder may subscribe is proportional to the number of common shares held by such shareholder on the record date. For purposes of calculating the number of Series A preferred shares an eligible shareholder is entitled to subscribe for the aggregate number of common shares held by such eligible shareholder will be divided by 27 and rounded down to the nearest whole number. Every 27 shares of common stock held by an eligible shareholder on the record date will entitle such shareholder to purchase one Series A preferred share.

7. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance or additional copies of this subscription agreement should be directed to Richard Putnam, Franklin Covey's Director of Investor Relations at 2200 West Parkway Boulevard, Salt Lake City, Utah 84119-2331, or by telephone at (801) 817-1776.

8. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If the Series A preferred shares purchased are to be issued in the name of or delivered to a person other than the person(s) signing this subscription agreement or to an address other than that shown above in the subscription chart, then the boxes captioned "Special Issuance Instructions" and/or "Special Delivery Instructions" on this subscription agreement should be completed.

9. GUARANTEE OF SIGNATURES. Except as otherwise provided below, all signatures on this subscription agreement must be guaranteed by an eligible institution. An eligible institution means a firm that is a member of a registered national securities exchange or the National Association of Securities Dealers, Inc., or by a commercial bank or trust company having an office or correspondent in the United States which is a participant in an approved Signature Guarantee Medallion Program. Signatures on this subscription agreement need not be guaranteed if:

- this subscription agreement is signed by the registered holder(s) of the common shares (which term, for purposes of this document, shall include any participant in one of the book-entry transfer facilities whose name appears on a security position listing as the owner of common shares) tendered herewith and such holder(s) have not completed the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on this subscription agreement; or
- this subscription agreement is submitted for the account of a member firm of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

10. SUBSTITUTE FORM W-9 AND FORM W-8. The purchasing shareholder is required to provide the subscription agent with either a correct Taxpayer Identification Number ("TIN") on Substitute Form W-9, which is provided below, or a properly completed Form W-8. Failure to provide the information on either Substitute Form W-9 or Form W-8 may subject the tendering stockholder to a

\$50 penalty imposed by the Internal Revenue Service and to a 31% federal income tax backup withholding on any dividends or sales proceeds with respect to the Series A preferred shares. The box in Part 2 of Substitute Form W-9 may be checked if the tendering shareholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future. If the box in Part 2 is checked and the paying agent is not provided with a TIN by the time of any payment, backup withholding tax of 31% on all payments thereafter will be withheld until a TIN is provided.

TO BE COMPLETED BY ALL TENDERING HOLDERS

PAYER'S NAME: ZION'S FIRST NATIONAL BANK

SUBSTITUTE FORM W-9  
DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
PAYER'S REQUEST FOR TAXPAYER  
IDENTIFICATION NUMBER (TIN)

PART 1--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT  
AND CERTIFY BY SIGNING AND DATING BELOW.

Social Security Number  
OR  
Employer Identification Number

PART 2--Certification--Under penalties of perjury, I certify that:

PART 3--Awaiting TIN

- (1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting / / Awaiting TIN for a number to be issued to me) and
- (2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding.

Certificate Instructions--You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).

Signature \_\_\_\_\_ Date\_\_\_\_\_

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE SUBSCRIPTION OFFERING. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS. YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 2 OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of any payment in respect of the Series A Preferred Shares, 31% of all payments of dividends made to me thereafter will be withheld until I provide a number.

Signature \_\_\_\_\_ Date\_\_\_\_\_

FRANKLIN COVEY CO.  
2200 West Parkway Boulevard  
Salt Lake City, Utah 84119-2331

, 1999

Dear Franklin Covey Shareholder:

On behalf of the Board of Directors of Franklin Covey Co., we are pleased to provide details on our offer to shareholders of record as of the close of business on , 1999 of rights purchase one of our Series A preferred shares for every 27 common shares owned on that date at a subscription price of \$100 per share.

In connection with the offer, enclosed are copies of the following documents:

1. the prospectus relating to the subscription offer;
2. the subscription agreement pursuant to which rights may be exercised; and
3. a return envelope addressed to Zions First National Bank, the subscription agent.

The enclosed prospectus describes the subscription offering and the procedure to follow if you choose to exercise your rights. Please read the prospectus and other enclosed materials carefully.

NEITHER FRANKLIN COVEY NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO EXERCISE OR REFRAIN FROM EXERCISING SUBSCRIPTION RIGHTS OR, IF EXERCISED, AS TO THE NUMBER OF SERIES A PREFERRED SHARES TO PURCHASE. SHAREHOLDERS MUST MAKE THEIR OWN DECISIONS.

YOUR PROMPT ACTION IS REQUESTED. THE EXPIRATION OF THE SUBSCRIPTION OFFERING IS 5:00 P.M. MOUNTAIN TIME, , 1999, UNLESS EXTENDED.

To exercise your rights to subscribe for and purchase Series A preferred shares, you must complete and sign the subscription agreement and forward it, together with payment in full in an amount equal to the number of Series A preferred shares subscribed for multiplied by \$100.00.

The subscription offer is being made to all common shareholders of record as of , 1999 solely pursuant to the prospectus and the subscription agreement. The offer is not being made (nor will the exercise of subscription rights be accepted from or on behalf of) shareholders in any jurisdiction in which the making of the offer or the acceptance of any exercise of subscription rights therein would not be in compliance with the laws of such jurisdiction.

Additional copies of the enclosed materials may be obtained from the subscription agent by calling toll-free (800) 789-8833 or by contacting Richard Putnam, our Director of Investor Relations, at (801) 975-1776.

Sincerely,

-----  
Robert A. Whitman  
Chairman of the Board and  
Chief Executive Officer

FRANKLIN COVEY CO.  
 2200 West Parkway Boulevard  
 Salt Lake City, Utah 84119-2331

, 1999

To Brokers, Dealers, Commercial Banks,  
 Trust Companies and Other Nominees:

Re: Subscription offering for Series A preferred shares of Franklin Covey Co.

Upon the terms and subject to the conditions set forth in the enclosed prospectus dated , 1999, Franklin Covey Co. is offering, to record holders of its common shares on , 1999, the right to subscribe for and purchase one Series A preferred share for every 27 common shares owned on that date at a subscription price of \$100 per preferred share.

We are asking you to contact those of your clients for whom you hold Franklin Covey common shares registered in your name or in the name of your nominee, and those of your clients who hold common shares registered in their own names, to obtain instructions as to whether your clients would like you to purchase the Series A preferred shares pursuant to the subscription offering.

Enclosed are copies of the following documents:

1. the Prospectus;
2. the subscription agreement pursuant to which rights may be exercised for your use and for the information of your clients;
3. a letter to Franklin Covey's shareholders from Robert A. Whitman, its Chairman of the Board and Chief Executive Officer;
4. a form of a letter which may be sent to clients for whose accounts you hold Franklin Covey common shares registered in your name or the name of your nominee with a form for obtaining client's instructions with regard to the subscription offer;
5. a Substitute Form W-9 (included in the subscription agreement) and accompanying instructions relating to backup federal income tax withholding; and
6. a return envelope addressed to Zions First National Bank, as subscription agent.

YOUR PROMPT ACTION IS REQUESTED. THE EXPIRATION OF THE SUBSCRIPTION OFFERING IS 5:00 P.M. MOUNTAIN TIME, , 1999, UNLESS EXTENDED.

Franklin Covey will not pay any fees or commission to any broker, dealer or other person for soliciting the exercise of rights pursuant to the offer.

To participate in the rights offering, a properly completed and executed subscription agreement and payment in full for all Series A preferred shares purchased must be delivered to the subscription agent prior to the expiration date as provided in the prospectus and the subscription agreement.

NEITHER FRANKLIN COVEY NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO EXERCISE OR REFRAIN FROM EXERCISING SUBSCRIPTION RIGHTS OR, IF EXERCISED, AS TO THE NUMBER OF SERIES A PREFERRED SHARES TO PURCHASE. SHAREHOLDERS MUST MAKE THEIR OWN DECISIONS.

The subscription offer is being made to all common shareholders of record as of , 1999 solely pursuant to the prospectus and the subscription agreement. The offer is not being made (nor will the exercise of subscription rights be accepted from or on behalf of) shareholders in any jurisdiction in which the making of the offer or the acceptance of any exercise of subscription rights therein would not be in compliance with the laws of such jurisdiction.

Additional copies of the enclosed materials may be obtained from Zions First National Bank. Their toll-free telephone number is (800) 789-8833.

Very truly yours,

FRANKLIN COVEY CO.

NOTHING HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF FRANKLIN COVEY OR THE SUBSCRIPTION AGENT, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENTS ON BEHALF OF EITHER OF THEM WITH RESPECT TO THE SUBSCRIPTION OFFERING, EXCEPT FOR STATEMENTS EXPRESSLY MADE IN THE PROSPECTUS.



FRANKLIN COVEY CO.  
SUBSCRIPTION OFFERING

To Our Clients:

Enclosed for your consideration is a prospectus, dated \_\_\_\_\_, 1999, relating to an offer by Franklin Covey Co. to holders of record of its common shares on \_\_\_\_\_, 1999 of rights to subscribe for and purchase one Series A preferred share for every 27 common shares held on that date at the subscription price of \$100.00 per share. Holders are entitled to subscribe for all or any portion of the Series A Preferred shares underlying their subscription right.

The materials enclosed are being forwarded to you as the beneficial owner of Series A preferred shares held by us for your account but not registered in your name. Exercises of subscription rights may only be made by us as the holder of record and pursuant to your instructions. The subscription agreement is furnished to you for your information only and may not be used by you to exercise rights in the subscription offer relating to common shares held by us for your account.

Accordingly, we request instructions as to whether you wish us to subscribe for any Series A preferred shares for which you are entitled to subscribe for pursuant to the terms and conditions set forth in the enclosed prospectus and subscription agreement. HOWEVER, WE URGE YOU TO READ THESE DOCUMENTS CAREFULLY BEFORE INSTRUCTING US TO EXERCISE ANY SUBSCRIPTION RIGHTS.

Your instructions to us should be forwarded as promptly as possible in order to permit us to exercise the subscription rights on your behalf in accordance with the provisions of the subscription offer. The subscription offer will expire at 5:00 p.m., Mountain time, on \_\_\_\_\_, 1999, unless extended. ONCE YOU HAVE EXERCISED YOUR SUBSCRIPTION RIGHTS, YOU MAY NOT REVOKE YOUR ELECTION FOR ANY REASON.

NEITHER FRANKLIN COVEY NOR ITS BOARD OF DIRECTORS MAKES ANY RECOMMENDATION TO ANY SHAREHOLDER AS TO WHETHER TO EXERCISE OR REFRAIN FROM EXERCISING SUBSCRIPTION RIGHTS OR, IF EXERCISED, AS TO THE NUMBER OF SERIES A PREFERRED SHARES TO PURCHASE. SHAREHOLDERS MUST MAKE THEIR OWN DECISIONS.

If you wish to have us exercise, on your behalf, any or all of your rights to purchase Series A preferred shares, please so instruct us by completing, executing and returning to us, and not the subscription agent, the attached instruction form along with proper payment for the number of shares for which you are subscribing at the subscription price.

The subscription offer is being made to all common shareholders of record as of \_\_\_\_\_, 1999 solely pursuant to the prospectus and the subscription agreement. The offer is not being made (nor will the exercise of subscription rights be accepted from or on behalf of) shareholders in any jurisdiction in which the making of the offer or the acceptance of any exercise of subscription rights therein would not be in compliance with the laws of such jurisdiction.

Any questions or requests for assistance concerning the offering should be directed to Richard Putnam, Franklin Covey's Director of Investor Relations, at (801) 975-1776.

Very truly yours,

FRANKLIN COVEY CO.  
INSTRUCTIONS TO THE HOLDER OF RECORD TO SUBSCRIBE FOR FRANKLIN COVEY SERIES A  
PREFERRED SHARES  
PURSUANT TO THE SUBSCRIPTION OFFER

The undersigned acknowledge(s) receipt of your letter and the enclosed materials referred to therein relating to the Franklin Covey's offer of rights to purchase one of its Series A preferred shares for every 27 common shares held of record on \_\_\_\_\_, 1999.

As the beneficial holder of Franklin Covey common shares on \_\_\_\_\_, 1999, the undersigned is eligible to subscribe for \_\_\_\_\_ Series A preferred shares and hereby instructs you as follows:

Box 1. / / Please do not exercise my rights to purchase Franklin Covey Series A preferred shares.

Box 2. / / Please exercise my rights to purchase \_\_\_\_\_ shares of Franklin Covey Series A preferred shares, at the subscription price of \$100 per preferred share.

I am paying by the following checked method: \_\_\_\_\_ In the amount of: \_\_\_\_\_

Box 1. / / money order or check,  
payable to Zions First National Bank,  
which I have enclosed with this  
instruction form. \_\_\_\_\_ \$  
-----

Box 2. / / deduction from the following account  
maintained by you,  
  
Account No. ----- and Account Type  
-----.  
\_\_\_\_\_ \$  
-----

I understand that my payment will then be forwarded by you, by one of the prescribed methods, to the Subscription Agent.

Signature(s) of Beneficial Owner(s):

X \_\_\_\_\_ Date: \_\_\_\_\_

X \_\_\_\_\_ Date: \_\_\_\_\_

If signed by a trustee, executor, administrator, guardian, officer or other person acting in a fiduciary or representative capacity, please set forth the following information:

Name(s): \_\_\_\_\_  
(Please type or print)

Capacity: \_\_\_\_\_

Address: \_\_\_\_\_  
(Include zip code)

[LOGO]

October , 1999

Dear Client:

We have been advised that Franklin Covey Co. is conducting a subscription offering for individuals who owned its common stock on record date XXXX, 1999. Enclosed, for information purposes, are the prospectus relating to the subscription offering and related materials.

Shareholders are eligible to purchase one Franklin Covey Series A preferred share for every 27 common shares held as of the record date, at a subscription cost equal to \$100 for each Series A preferred share subscribed for. SUFFICIENT FUNDS MUST BE MADE AVAILABLE IN YOUR CREDIT BALANCE BY XXXXX, XXXXX, 1999.

If you wish to subscribe for shares of Franklin Covey's Series A preferred stock based on this offer, you MUST contact a Client Service Representative at our toll-free Client Services number 1-800-637-3766 (U.S. residents) or our overseas Client Services number 1-732-563-7305 by 3:30 p.m. (Eastern Standard Time), XXXX, XXXX, 1999. Our representatives are available Monday through Friday 8:00 a.m. to 7:00 p.m. (EST).

Sincerely,

Merrill Lynch Group Employee Services