

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) March 29, 2005

FRANKLIN COVEY CO.

(Exact name of registrant as specified in its charter)

Utah

1-11107

87-0401551

(State or other jurisdiction of
incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

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

(Address of principal executive offices including zip code)

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

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

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

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

Item 1.01 Entry into a Material Definitive Agreement.

Val J. Christensen, Executive Vice President, General Counsel and Secretary, terminated service as an executive officer on March 29, 2005. Under the terms of the Separation Agreement, the Company will pay to Mr. Christensen the lump sum severance amount of \$900,000, less applicable withholdings. Such amount represents the Company's severance obligation to Mr. Christensen in the amount of \$450,000, representing one year's target cash compensation, and another \$450,000, representing payment for a one year sabbatical leave to which Mr. Christensen was entitled, but did not take, as an executive officer who served the Company for approximately 17 years. In addition, he will receive the cash performance bonus he would have been entitled to for our current fiscal year as if he had remained employed in his prior position and his performance objectives for the year were met, the amount of which we estimate at \$150,000. In addition, his options and restricted stock vested, we waived the requirement that options be exercised in 90 days and we will pay him \$57,000 to offset income taxes resulting from the acceleration of restricted stock awards.

Subsequent to entering into the Separation Agreement, on March 29, 2005, the Company and Mr. Christensen entered into a Legal Services Agreement effective as of such date (the "Legal Services Agreement"). Under the terms of the Legal Services Agreement, the Company will retain Mr. Christensen as independent legal counsel to provide services to the Company for 1,000 hours per year. This will allow us to continue to benefit from Mr. Christensen's extensive institutional knowledge and experience gained from serving at the Company for approximately 17 years and representing the Company as outside counsel for several years prior to joining the Company, while allowing Mr. Christensen one-half of his time to pursue other interests apart from providing

legal services. We will pay Mr. Christensen an annual retainer in the amount of \$225,000, effectively allowing us to obtain the services of Mr. Christensen at the rate of \$225 per hour for 1,000 hours annually, a rate which we believe to be below market for legal counsel with similar capacity and experience. In addition, the Company will pay Mr. Christensen \$325 for every hour of legal services, if any, provided in excess of the initial 1,000 hours of legal services provided in any given year, payable following any month in which Mr. Christensen provides more than 83.3 hours of legal services. Mr. Christensen will be an independent contractor and not entitled to company benefits for performing these services.

The foregoing summaries of the separation and legal services agreements are subject to, and qualified in its entirety by, the full text of those documents filed herewith. See Item 9.01 of this Report.

Item 1.02 Termination of a Material Definitive Agreement.

The disclosure contained in Item 1.01 above is hereby incorporated into this Item 1.02 by reference.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

On March 29, 2005, Mr. Christensen terminated employment as our Executive Vice President, General Counsel and Secretary. See Item 1.01 of this Report.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

99.1 Separation Agreement between the Company and Val J. Christensen, dated March 29, 2005.

99.2 Legal Services Agreement between the Company and Val J. Christensen, dated March 29, 2005.

SIGNATURES

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

FRANKLIN COVEY CO.

Date: April 4, 2005

By: /s/ ROBERT A. WHITMAN

Name: Robert A. Whitman

Title: Chief Executive Officer

EXHIBIT INDEX

- 99.1 Separation Agreement between the Company and Val J. Christensen, dated as of March 29, 2005.
- 99.2 Legal Services Agreement between the Company and Val J. Christensen, dated March 29, 2005.

March 29, 2005

Val John Christensen
1781 East Lorien Drive
Bountiful, Utah 84010

Dear Val:

This letter memorializes the details of your separation from Franklin Covey.

1. Termination of Employment. Your employment as Executive Vice President and General Counsel of Franklin Covey Co. (the "Company") shall terminate effective March 29, 2005.
2. Severance Payment and Performance Bonus. The Company shall, within 10 days after the date of execution of this letter agreement, pay you a lump sum severance in the gross amount of \$900,000, less all applicable withholdings. This sum represents (i) the Company's severance obligation to you in the amount of \$450,000, representing one year's target cash compensation, plus (ii) \$450,000, representing the one year sabbatical leave to which you were entitled, but did not take, as an executive officer who served the Company for more than 16 years. In addition, the Company shall pay you, at the time or times it pays such bonuses to the executive officers of the Company, each cash performance bonus to which you would have been entitled with respect to the Company's fiscal year 2005 performance as if your employment as an executive officer of the Company had continued through the end of fiscal year 2005 and as if each of your personal performance objectives for fiscal 2005 had been met. Assuming the Company achieves the fiscal 2005 performance goals upon which the maximum fiscal 2005 performance bonus you would have received are based, the aggregate amount of this payment would be \$150,000.
3. COBRA and Other Benefits. Following termination of your employment on March 29, 2005, you will be eligible for continued health care coverage pursuant to COBRA. Franklin Covey will pay COBRA premiums for the entire 18 month period during which you are eligible for COBRA benefits. All other benefits will terminate effective March 29, 2005.
4. Existing Stock Options and Restricted Share Awards. You shall continue to own, hold and maintain all Franklin Covey stock options and restricted share awards owned and held by you as of the date of this letter agreement, subject to the following terms:
 - a. All such stock options and restricted share awards, to the extent not yet vested, shall vest immediately. In addition, the Company shall, consistent with its policy and practice relative to other Restricted Share Award recipients, pay you the gross sum of \$57,330.00 (.40 x \$2.73 x 52,500 shares) to partially offset federal and state income taxes resulting from the vesting of your restricted shares.
 - b. The Company agrees to waive the requirement in your stock option agreements that you exercise your options within 90 days after the termination of your employment, the effect of which waiver is to allow you to continue to hold and exercise all vested options granted thereunder for the term specified therein. You acknowledge that by virtue of this waiver, all Incentive Stock Options shall become non-qualified stock options for Federal income tax purposes.
5. Franklin Covey Laptop Computer. You acknowledge that the only item of Franklin Covey property in your possession is your laptop computer (identification number 112774), which you agree to return to Franklin Covey within 15 days after the date of FranklinCovey's written request therefor.
6. Noncompete; Nondisclosure; Nonsolicitation; Nondisparagement. During the course of your employment with Franklin Covey, you have obtained information or knowledge that is confidential or proprietary in nature relating to Franklin Covey's business, operations, services, products or equipment. To remain eligible to receive the payments and benefits described herein, you agree that for a period of two (2) years, you will not; (i) exploit, disclose or assist others in exploiting, using or disclosing, to compete or to assist others to compete, directly or indirectly, with the business of Franklin Covey, and Franklin Covey proprietary information or proprietary documents including, without limitation: (a) market, business or alliance strategies or initiatives; (b) pricing and material pricing information or strategies; (c) new products or services concepts, or ideas; (d) customer lists; and (e) vendor and supplier lists. Further, you agree that for a period of two (2) years, you will not make any statements to third parties that disparage, demean, or criticize Franklin Covey officers, management, employees, business practices, strategies, products, or

services. The foregoing shall not prevent you from making truthful statements under oath as a witness in a proceeding by a court of competent jurisdiction or administrative agency.

7. General Release. For and in consideration of the payments and benefits described herein, the receipt and sufficiency of which you hereby acknowledge, on your own behalf, and on behalf of your heirs and assigns, and all persons claiming under you, you hereby fully and forever unconditionally release and discharge Franklin Covey Co., all of its affiliated and related corporations, their predecessors, successors and assigns, together with their divisions and departments, and all past or present officers, directors, employees, insurers and agents of any of them (hereinafter referred to collectively as "Releasees") of and from, and you covenant not to sue or assert against Releasees, for any purpose, all claims, administrative complaints, demands, actions and causes of action, of every kind and nature whatsoever, whether at law or in equity, and both negligent and intentional, arising from or in any way related to your employment by Franklin Covey, based in whole or in part upon any act or omission occurring on or before the date of this general release, without regard to your present actual knowledge of the act or omission, which you may now have, or which you, or any person acting on your behalf may at any future time have or claim to have, including specifically, but not by way of limitation, matters which may arise at common law or under federal, state or local laws, such as the Fair Labor Standards Act, the Employee Retirement Income Security Act, the National Labor Relations Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Older Workers Protection Act, the Rehabilitation Act of 1973, the American With Disabilities Act, and the Equal Pay Act. You warrant that you have not assigned or transferred any right or claim described in this general release. You expressly assume all risk that the facts and law concerning this general release may be other than as presently known to you. You acknowledge that, in signing this general release, you are not relying on any information provided to you by Releasees or upon Releasees to provide information not known to you.

8. Acknowledgment. You acknowledge that you have read this agreement, understand its terms, and have had an opportunity to have answered to your satisfaction any questions concerning the terms hereof. You execute this agreement voluntarily and of your own free will and choice, after having been advised to seek your own legal counsel, without threat, coercion or duress, intending to be legally bound.

9. Waiver of Review Period. You acknowledge that Franklin Covey provided you with a copy of this letter agreement for your review and consideration on March 10, 2005, and advised you that you have twenty-one (21) days in which to consider and review this letter agreement prior to signing it, and that you have knowingly waived that twenty-one (21) day review period prior to your execution of this letter agreement. You further acknowledge that for a period of seven (7) days following the execution of this letter agreement, you may revoke this agreement by providing notice of such revocation to Franklin Covey. You agree that any such notice shall be given to Franklin Covey Co., Attn. Robert A. Whitman, 2200 West Parkway Boulevard, Salt Lake City, Utah 84119. Such notice, if given, must be actually received by Franklin Covey (7) days following your execution of this letter agreement. You agree that if you exercise your revocation right, the respective rights and obligations of the parties to this agreement will be automatically void and you will immediately pay to Franklin Covey, upon demand, any and all payments made by Franklin Covey to you under this letter agreement. You acknowledge that the irrevocable termination of your employment as of the date stated in Section 1, above, will not be altered by your exercise of your revocation right.

10. Remedies. In addition to any other legal or equitable remedies Franklin Covey may have, all unpaid payments and benefits described in this agreement shall be immediately canceled, terminated and forfeited in their entirety in the event you violate any of the provisions hereof.

11. Governing Law. The laws of the State of Utah shall govern this agreement. This is the entire agreement between the parties. No other promises or agreements have been made to you except as stated in this agreement. This agreement may not be changed or modified except by a written document signed by the parties.

12. Entire Agreement. This letter agreement reflects the entire agreement of the parties relative to the subject matter hereof and supercedes any oral or written agreements relating thereto.

Please signify your agreement with the foregoing by signing both original letters where indicated below and returning one original to me.

Sincerely,

/s/ ROBERT A. WHITMAN

Robert A. Whitman
President and CEO
Franklin Covey Co.

ACCEPTED AND AGREED

This 29th day of March, 2005.

/s/ VAL JOHN CHRISTENSEN

Val John Christensen

LEGAL SERVICES AGREEMENT

Background

From December 1989, until March 30, 2005, Val J. Christensen ("Christensen") served Franklin Covey, Co. and its subsidiaries (collectively the "Company") as a senior executive officer and full-time General Counsel. From August 1984 until December 1989, Christensen served as outside independent legal counsel to the Company. For over 20 years, both as independent and in-house counsel, Christensen has had responsibility for providing a wide range of general and specialized legal services, representing (or supervising others who have represented) the Company in judicial and administrative matters, and providing business and transaction advisory services to the Company, its management and board of directors (the "Services"). As Christensen reestablishes a private law practice, the Company desires to retain Christensen and Christensen is willing to be retained, as an independent contractor, to provide the Services for at least 1000 hours per year for the three-year term described below, on the terms and conditions set forth herein.

Agreement

In consideration of the mutual promises set forth herein, the Company hereby engages Christensen, and Christensen agrees to be engaged as independent legal counsel to provide a minimum of 1000 hours of Services for and on behalf of the Company, subject to the following terms and conditions:

- Retainer and Hourly Fees. Christensen shall make himself available and accessible to render Services to the Company for not less than 1000 hours per year, for the three year Term, as defined below. The Company shall pay Christensen an annual retainer in the amount of \$225,000.00, payable in monthly installments of \$18,500 on the 15th day of each month during the Term (the "Retainer Fee"), commencing April 15, 2005. In addition to the Retainer Fee, the Company shall pay Christensen an hourly fee in the amount of \$325 per hour for each hour of Services he renders in excess of 1000 hours per year ("Additional Services Fee"). The Additional Services Fee shall be payable on a monthly basis if Christensen performs Services in excess of 83.3 hours during the month. Christensen shall submit, within 5 days after the end of each month of the Term, an itemized description of Services rendered and a record of his time spent thereon during said month, which record shall be accompanied by an invoice for Additional Services Fees, if any, payable for said month. Invoices for Additional Services Fees shall be payable within 30 days after the date the invoice is received by the Company. Christensen and the Company shall review billings on a quarterly basis and make appropriate payment adjustments in the succeeding quarter that are necessary to true up for underpayment or overpayment for Services performed during the quarter.
- Office, Furniture, Equipment and Materials. Christensen shall (i) provide all equipment and materials necessary to perform the Services, and (ii) have the right to perform the Services in the manner, at the times and locations, and using the means Christensen in his sole discretion deems necessary and appropriate; provided, however, that if the Company determines, in its sole discretion, that it better facilitates its communication with Christensen and enhances work product delivery and efficiency, Christensen may be allowed to use surplus office space and furniture at the Company's headquarters and have access to and utilize the Company's email, voice mail and computer network systems (the "Systems") on the same terms and conditions governing the use of office space and Systems by other independent contractors.
- Expense Reimbursement. Christensen shall be responsible for his own business expenses incurred in rendering the Services pursuant to this Agreement; provided, however, that the Company shall reimburse Christensen for expenses incurred for duplication of documents, fax and long distance telephone charges, special messengers, couriers, postal services, expenses associated with computerized legal research, and travel expenses (when travel is requested by the Company), including airfare, meals, lodging and other similar business expenses.
- Term of Agreement. The term of this Agreement shall be for a period of three (3) years, commencing on the date hereof and expiring on March 30, 2008 (the "Term"); provided, however, that the Term shall automatically be extended for successive one (1) year periods unless either party gives written notice of non-renewal prior to 5:00 PM of the date one year prior to the expiration date of the Term, or any extended period of the Term. The foregoing notwithstanding, in the event Christensen gives written notice to the Company of his intent to accept a bona fide third-party offer of employment that would preclude him from performing part or all of the Services during any portion of the Term or extended term, Christensen shall, at the option of the Company, continue to provide Services on a winding down transition basis for a period not to exceed 90 days, at the end of which period this Agreement shall terminate.
- Federal and State Income Taxes. The Company shall have no responsibility for federal or state income tax withholding, FICA, worker's compensation insurance, or any other state or federal payments for or on behalf of Christensen.

Christensen is personally liable for all income tax, FICA and other similar obligations incurred with respect to payments made by the Company to Christensen pursuant to this Agreement and on the earnings paid to any workers hired by Christensen, and Christensen shall indemnify and hold the Company harmless from and against any such liabilities, claims or obligations.

6. Company Benefits. Other than COBRA and any other benefits to which he is entitled as a former employee of the Company, Christensen will not be eligible to participate in any medical, health, life, disability, or other insurance programs or other benefits provided by the Company to its regular employees.

7. Independent Attorney. Christensen represents that he a member of the Utah and California Bar Associations and holds himself out to the business community as an attorney licensed to practice law in the states of Utah and California. The Company acknowledges that Christensen is not prohibited from providing legal and business consulting services to others, and that he does in fact offer to perform and performs such services for others in the course of operating his own business.

8. Confidentiality. Christensen agrees to maintain in confidence all Company or Company client-related information which Christensen may receive as a result of his attorney-client relationship with the Company. Further, Christensen agrees that he will not disclose to anyone, for any reason, or use directly or indirectly to compete with The Company, any confidential information, including, without limitation, client information, client and prospective client lists, trade secrets, etc., that may be accessible to Christensen in connection with his working relationship with the Company.

9. Independent Contractor. Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third party to create the relationship of employer and employee, it being expressly understood and agreed that neither any provision contained in this Agreement nor any act or acts of the parties hereto shall be deemed to create any relationship between the Christensen and the Company other than the relationship of an attorney and his client.

10. Choice of Law. This Agreement shall be interpreted according to the laws of the State of Utah.

11. Entire Agreement. This Legal Services Agreement reflects the entire agreement between the parties relative to the subject matter hereof and supercedes any oral or written agreements relating thereto.

Date: March 29, 2005

/s/ VAL JOHN CHRISTENSEN

Val John Christensen

FRANKIN COVEY CO.

Date: March 29, 2005

By: /s/ ROBERT A. WHITMAN

Robert A. Whitman

Its: Chairman & CEO