SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 1997

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file no. 1-11107

FRANKLIN COVEY CO.

(Exact name of registrant as specified in its charter)

Utah	87-0401551
(State of incorporation)	(I.R.S. Employer Identification No.)
2200 West Parkway Boulevard Salt Lake City, Utah	84119-2331
(Address of principal executive offices)	(Zip code)
Registrant's telephone number, including area code:	(801) 975-1776

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X]
No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock as of the latest practicable date:

25,325,607 shares of Common Stock as of June 25, 1997

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

FRANKLIN COVEY CO.

CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands, except share amounts)

	May 31, 1997	August 31, 1996
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46,741	$ 24,041
Accounts receivable, less allowance for doubtful accounts of $1,216 and $889	27,314	28,706
Inventories	48,520	49,463
Income taxes receivable	16,191	5,064
Other current assets	7,492	5,743
Total current assets	146,258	113,017
Property and equipment, net	105,194	102,063
Intangible assets, net	84,174	51,115
Other long-term assets	8,506	2,250
	$ 344,132	$268,445
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 13,961	$ 12,585
Other current liabilities	29,600	16,092
Total current liabilities	43,561	28,677
Long-term debt, less current portion	53,821	5,500
Deferred income taxes	2,787	2,433
Total liabilities	100,169	36,610
Shareholders' equity:		
Common stock, $0.05 par value, 40,000,000 shares authorized, 22,025,000 shares issued	1,101	1,101
Additional paid-in capital	134,299	132,959
Retained earnings	160,044	130,849
Deferred compensation	(1,702)	(1,240)
Cumulative translation adjustments	(1,015)	(940)
	292,727	262,729
Less 1,763,388 and 1,497,407 shares of treasury stock, at cost	(48,764)	(30,894)
Total shareholders' equity	243,963	231,835
	$ 344,132	$268,445

(See Notes to Consolidated Condensed Financial Statements)

FRANKLIN COVEY CO.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	1997	1996	1997	1996
	(unaudited)		(unaudited)	
Sales	$79,840	$72,465	$288,175	$257,938
Cost of sales	33,612	30,861	119,953	110,291
Gross margin	46,228	41,604	168,222	147,647
Operating expenses	40,852	31,299	119,616	94,941
Income from operations	5,376	10,305	48,606	52,706
Interest and other, net	(142)	329	255	1,253
Income before provision for income taxes	5,234	10,634	48,861	53,959
Provision for income taxes	2,107	4,349	19,666	21,892
Net income	$ 3,127	$6,285	$29,195	$32,067
Net income per share	$ 0.15	$ 0.28	$ 1.41	$ 1.42
Weighted average number of common and common equivalent shares	20,537	22,447	20,742	22,583

(See Notes to Consolidated Condensed Financial Statements)

FRANKLIN COVEY CO.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	Nine Months Ended May 31,	
	1997	1996
	(unaudited)	
Cash flows from operating activities:		
Net income	$29,195	$32,067
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,777	11,636
Other changes in assets and liabilities	(9,661)	(2,889)
Net cash provided by operating activities	35,311	40,814
Cash flows from investing activities:		
Acquisition of businesses	(33,024)	(7,608)
Purchases of property and equipment	(11,214)	(14,381)
Net cash used in investing activities	(44,238)	(21,989)
Cash flows from financing activities:		
Proceeds from short-term borrowings	3,256	
Payments on short-term borrowings	(133)	
Proceeds from long-term debt	48,357	
Payments on long-term debt	(2,398)	(2,477)
Purchase of treasury shares	(18,377)	(19,070)
Proceeds from treasury stock issuance	997	1,462
Net cash provided by (used in) financing activities	31,702	(20,085)
Effect of foreign exchange rates	(75)	(208)
Net increase (decrease) in cash and cash equivalents	22,700	(1,468)
Cash and cash equivalents at beginning of period	24,041	35,006
Cash and cash equivalents at end of period	$46,741	$33,538
Supplemental disclosure of cash flow information:		
Income taxes paid	$27,916	$21,247
Interest paid	757	461
Fair value of assets acquired	45,542	11,019
Cash paid for net assets	(33,024)	(7,608)
Liabilities assumed from acquisitions	12,518	3,411
Supplemental schedule of non-cash investing and financing activities:		
Tax effect of exercise of affiliate stock options	13	175

(See Notes to Consolidated Condensed Financial Statements)

FRANKLIN COVEY CO.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - BASIS OF PRESENTATION

Effective June 2, 1997 Franklin Quest Co. (the "Company", see Note 6) merged (the "Merger") with the Covey Leadership Center, Inc. ("Covey") to form Franklin Covey Co. Since the Merger became effective subsequent to May 31, 1997, the accompanying financial statements do not include the financial position and results of operations for Covey.

The attached unaudited consolidated condensed financial statements reflect, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position and results of operations of the Company as of the dates and for the periods indicated.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the Securities and Exchange Commission rules and regulations. The Company suggests the information included in this report on Form 10-Q be read in conjunction with the financial statements and related notes included in the Company's Annual Report to Shareholders for the fiscal year ended August 31, 1996. It should also be read in conjunction with the definitive Proxy Statement relating to the Merger which was filed with the Securities and Exchange Commission on April 30, 1997 which includes certain pro forma financial information giving effect to the Merger.

Certain reclassifications have been made in the consolidated condensed financial statements to conform with the current year presentation.

The results of operations for the nine months ended May 31, 1997 are not necessarily indicative of results for the entire fiscal year ending August 31, 1997.

NOTE 2 - NET INCOME PER COMMON SHARE

Net income per common share is computed based on the weighted average number of common and common equivalent (stock options) shares outstanding for the periods presented.

NOTE 3 - INVENTORIES

Inventories are comprised of the following (in thousands):

	May 31, 1997	August 31, 1996
	(unaudited)	
Finished Goods	$ 33,825	$ 36,156
Work in Process	4,626	4,969
Raw Materials	10,069	8,338
	$ 48,520	$ 49,463

NOTE 4 - TRUENORTH ACQUISITION

Effective October 1, 1996, the Company acquired the assets of TrueNorth Corporation, which now operates as the Personal Coaching Division ("Coaching") of the Company. Coaching, a Utah corporation, is a leading provider of post-instructional personal coaching to corporations and individuals. The Coaching Division develops and delivers one-on-one personalized coaching which is designed to augment the effectiveness and duration of training curricula. The cash purchase price was $10.0 million. In addition, contingent payments may be made over the next five years based on Coaching's operating performance during the five years following the acquisition. Coaching had sales for the twelve months ended July 31, 1996 of approximately $16.0 million.

NOTE 5 - PREMIER AGENDAS ACQUISITION

Effective March 1, 1997, the Company acquired Premier Agendas, Inc. and Premier School Agendas, Ltd., located in Bellingham, Washington, and Abbotsford, British Columbia, respectively (collectively, "Premier"). The combined cash purchase price was $23.2 million with additional contingent payments being made over the next three years based upon Premier's operating performance over that same time period. Premier is the leading provider of academic and personal planners for students from kindergarten to college throughout the U.S. and Canada. Premier's revenues were approximately $35.4 million for the year ended December 31, 1996.

NOTE 6 - SUBSEQUENT EVENT

Effective June 2, 1997, the Company and Covey Leadership Center, Inc. merged to form Franklin Covey Co. In the Merger, the Company issued 5,030,894 shares of its Common Stock in exchange for all of the issued and outstanding capital stock of Covey. The Company's shares were valued in the exchange at $22.1625 per share, which was the average of the per share closing sale price of the Company's Common Stock on the New York Stock Exchange for the twenty consecutive trading days ending on May 28, 1997. All outstanding options to purchase Covey Common Stock were converted into 382,100 options to purchase the Company's Common Stock, exercisable at $5.97 per share. In connection with the Merger, the Company acquired from Stephen R. Covey certain license rights for $27.0 million in cash.

This Form 10-Q contains forward-looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Additional written or oral forward-looking statements may be made by the Company from time to time, in filings with the Securities and Exchange Commission or otherwise. Statements contained herein that are not historical facts are forward-looking statements made pursuant to the safe harbor provisions referenced above. Forward-looking statements may include, but are not limited to, projections of revenue, income or loss and capital expenditures, statements regarding future operations, financing needs, compliance with financial covenants in loan agreements, plans for the acquisition and sale of assets or businesses and consolidation of operations of newly acquired businesses, and plans relating to products or services of the Company, assessments of materiality, predictions of future events and the effects of pending and possible litigation, as well as assumptions relating to the foregoing. In addition, when used in this discussion, the words "anticipates", "believes", "estimates", "expects", "intends", "plans" and variations thereof and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified based on current expectations. Consequently, future events and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements contained in this Quarterly Report. Statements in this Quarterly Report, particularly in the Notes to Consolidated Condensed Financial Statements and in Management's Discussion and Analysis of Financial Condition and Results of Operations, describe certain factors, among others, that could contribute to, or cause such differences. Other factors that could contribute to or cause such differences include, but are not limited to, unanticipated developments in any one or more of the following areas: the integration of acquired or merged businesses, management of growth, dependence on products or services, the rate and consumer acceptance of new product introductions, competition, the number and nature of customers and their product orders, pricing, pending or threatened litigation, the availability of key personnel and other risk factors which may be detailed from time to time in the Company's Press Releases, reports to shareholders and in Securities and Exchange Commission filings.

Readers are cautioned not to place undue reliance on any forward-looking statements contained herein, which speak only as of the date hereof. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events.

FRANKLIN COVEY CO.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements, the Notes thereto and the Management's Discussion and Analysis included in the Company's Annual Report to Shareholders for the fiscal year ended August 31, 1996.

RESULTS OF OPERATIONS

The following table sets forth selected data concerning the sales of the Company's products and services:

	Three Months Ended May 31,			Nine Months Ended May 31,		
	1997	1996	Change	1997	1996	Change
	(in thousands)			(in thousands)		
Product sales	$50,908	$48,667	5%	$206,031	$185,409	11%
Training sales	22,964	18,200	26%	64,273	53,988	19%
Services	5,968	5,598	7%	17,871	18,541	-4%
	$79,840	$72,465	10%	$288,175	$257,938	12%

Three Months Ended May 31, 1997 Compared with Three Months Ended May 31, 1996

Sales for the three months ended May 31, 1997, increased 10.2%, or $7.4 million, over the same period in fiscal 1996. Total sales for the three months ended May 31, 1997 included approximately $3.9 million of sales from Coaching, which was acquired effective October 1, 1996. Without the sales from Coaching, overall sales growth would have been 4.8% for the three months ended May 31, 1997. Premier's sales come primarily from the educational markets and occur predominantly in the Company's fourth fiscal quarter. Accordingly, no significant sales increase was recognized from the acquisition of Premier for the three months ended May 31, 1997.

Product sales increased $2.2 million, or 4.6%, compared to the corresponding three months of the prior fiscal year. Retail store sales growth of $3.3 million was partially offset by weaker than expected sales performance by Productivity Plus, and the timing of certain Network Marketing sales which are expected to occur in the fourth quarter of Fiscal 1997. The increase in retail store sales was primarily due to the number of stores opened during the past twelve months. At May 31, 1996 there were 84 retail stores compared to 103 such stores at May 31, 1997. Comparable store sales increased 6.0% for the three months ended May 31, 1997 compared to the three months ended May 31, 1996.

Training sales increased $4.8 million, or 26.2%, for the three months ended May 31, 1997 compared to the corresponding period in the prior fiscal year. Approximately $3.9 million of this increase was a result of the acquisition of Coaching, which was effective October 1, 1996. Without Coaching, training sales growth would have been 4.7%.

Gross margin was 57.9% of sales in the three months ended May 31, 1997, compared to 57.4% for the same period in 1996. The improvement is primarily due to Coaching, which has a higher gross margin than the Company's core products and services. Without the sales and cost of sales from Coaching, gross margin would have been 57.2% for the three months ended May 31, 1997.

Operating expenses, consisting primarily of selling, general and administrative expenses, increased to $40.9 million, or 51.2% of sales, during the three months ended May 31, 1997 compared to $31.3 million, or 43.2% of sales, for the same period of 1996. The operating expense increase was primarily due to the acquisition of Premier, which added $4.3 million of operating expenses, and Coaching, which added $2.3 million of operating expenses in the three months ended May 31, 1997. Due to the seasonal nature of Premier's business, this acquisition added a notable amount of operating expenses without providing significant corresponding sales activity. Without Premier, operating expenses would have been 46.1% of sales. The remaining increase came primarily in the area of employee expenses which resulted from staff increases in the areas of sales and technology support. There were also increased marketing program expenses in the third quarter of fiscal 1997 compared to the same quarter a year ago. Depreciation and leasehold amortization charges were higher by $660,000 because of new equipment purchased, the addition of leasehold improvements in new stores and the expansion of facilities at the Franklin Quest Institute of Fitness. Amortization charges increased $613,000 primarily due to amortization of intangible assets acquired in connection with the Premier and Coaching acquisitions.

Income taxes were provided using an effective rate of 40.3% for the three months ended May 31, 1997, and 40.9% for the same quarter of fiscal 1996. The decrease was caused by a reduction in the Company's estimated effective state income tax rates.

Nine Months Ended May 31, 1997 Compared with Nine Months Ended May 31, 1996

Sales for the nine months ended May 31, 1997 increased $30.2 million, or 11.7%, over the same period in fiscal 1996. Sales for the nine months ended May 31, 1997 included $9.6 million from Coaching which was not acquired until October 1996. Without sales from Coaching, overall sales would have increased by 8.0% over the corresponding period of the prior fiscal year.

Product revenue for the nine months ended May 31, 1997 increased $20.6 million, or 11.1%, as compared to the nine months ended May 31, 1996. Retail store sales comprised $11.9 million of this increase which represented a 16.4% increase compared to the same period of fiscal 1996. Comparable store sales increased 6.2% for the nine months ended May 31, 1997. Most of the remaining increase was realized in catalog sales and international product sales.

Training revenue for the nine months ended May 31, 1997 increased by approximately $10.3 million, or 19.1%, compared to the same period a year ago. Training sales growth was primarily attributable to Coaching, which added $9.6 million in sales during the nine months ended May 31, 1997. Without sales from Coaching, training sales would have increased 1.3% over the same period in fiscal 1996.

Gross margin was 58.4% of sales in the first nine months of fiscal 1997 compared to 57.2% in the comparable nine months of fiscal 1996. The increase was primarily a result of the addition of the Personal Coaching Division which generates higher gross margins than the Company's core products and services. Without the sales and cost of sales of the Personal Coaching Division, gross margin for the nine months ended May 31, 1997 would have been 57.7%.

Operating expenses increased to 41.5% of sales for the nine months ended May 31, 1997 compared to 36.8% for the comparable nine months of the previous year. The increase is primarily due to the acquisition of Premier, which was effective March 1, 1997, and increased technology and marketing activity. As discussed above, the Premier acquisition added $4.3 million in operating expenses without a corresponding increase in sales activity. Without Premier, operating expenses would have been 40.1% of sales. In addition, staff increases in the areas of sales and technology support generated increased employee expenses for the nine months ended May 31, 1997 compared to the nine months ended May 31, 1996. Also, the operating expenses of Coaching are generally higher as a percentage of sales than operating expenses in the Company's core business.

Depreciation and leasehold amortization charges were higher by $2.2 million compared to the same period a year ago because of new equipment purchased to augment management information systems, improve customer service, the addition of leasehold improvements in new stores and expansion of the facilities at the Franklin Quest Institute of Fitness. Amortization charges increased by $1.4 million primarily due to amortization of intangible assets acquired in connection with the Premier and Coaching acquisitions.

The consummation of the Covey Merger, effective June 2, 1997, will have a material impact on the financial position and results of operations of the Company. The Company intends to integrate product offerings, training services, distribution channels, administration, sales and marketing efforts. There can be no assurance that integration will result in substantial improvements in the results of operations and financial condition of the combined Company.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's primary sources of capital have been net cash provided by operating activities, long-term borrowing, capital lease financing and the sale of Common Stock. Working capital requirements have also been financed through short-term borrowing. At May 31, 1997, the Company had $46.7 million in cash and cash equivalents, although $27.0 million was committed to fund the acquisition of license rights in connection the Covey Merger which was effective June 2, 1997.

Net cash provided by operating activities during the nine months ended May 31, 1997 was $35.3 million. Net cash used in investing activities was $44.2 million. Of this total, $11.2 million was invested in property and equipment, and the balance was used primarily in the acquisitions of Premier and Coaching. During the first nine months of fiscal 1997, the Company used $18.4 million to repurchase 970,000 shares of its Common Stock on the open market. Management also has Board authorization to purchase up to an additional 1,545,000 shares of Common Stock. Should such authority be exercised at current prices, the Company would utilize approximately $40.7 million in cash.

Working capital during the period increased by $18.4 million. Management believes that cash flows and available credit facilities are sufficient to meet working capital requirements, including anticipated increases in accounts receivable and inventories associated with sales increases.

At May 31, 1997 the Company had utilized $48.0 million of its long-term line of credit primarily to complete payment on the acquisition of Premier, make estimated income tax payments, to draw down $27.0 million to fund the purchase of license rights from Stephen R. Covey and for use in other general operating areas. The Company has remaining available lines of credit totaling $52.0 million at May 31, 1997.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings:

Not applicable.

Item 2. Changes in Securities:

On June 2, 1997 the Company issued 5,030,894 shares of its Common Stock, $.05 par value, in connection with the Merger of Covey, a Utah corporation with and into the Company.

The shares issued in connection with the Merger were not publicly offered and were issued to the former shareholders of Covey in exchange for all of the issued and outstanding capital stock of Covey.

The shares of the Company were valued at $22.1625 per share for purposes of the Merger.

The shares were issued in the Merger in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act of 1933 for transactions not involving any public offering. Each of the 15 Covey shareholders was provided a Joint Proxy Statement of the Company and Covey prepared and filed in accordance with Section 14 of the Securities and Exchange Act of 1934 which constituted the Disclosure Statement of the Company in connection with the Merger. Each of the Covey shareholders acquired the shares for investment without a view to further distribution and each certificate issued bears a legend restricting further transfer in the absence of registration or an opinion that registration is not required.

Item 3. Defaults upon Senior Securities:

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders:

A special meeting of Stockholders was held on May 30, 1997 at the Company's headquarters in Salt Lake City, Utah to vote upon the Merger with Covey. A Joint Proxy Statement dated April 30, 1997 was delivered in accordance with Securities and Exchange Commission regulations to both the Company's and Covey's stockholders prior to the meeting.

The number of Company shares voting in favor of the Merger was 12,573,402, the number of shares voting against the Merger was 111,457, the number of shares that abstained was 24,244 and there were no broker non-votes.

Item 5. Other information:

In September 1996, the Board of Directors approved the repurchase of up to 2,000,000 shares of the Company's Common Stock. As of June 30, 1997, the Company had acquired 455,000 shares at an average price of $18.95.

On March 21, 1997, the Company signed a definitive merger agreement with Covey. See Note 6 to the financial statements included in this report.

Item 6. Exhibits and Reports on Form 8-K:

(A) Exhibits:

S-K No.		Exhibit No.
10.1	Purchase agreement between the Company and Premier Holding Company	1
10.2	Amendment to the long-term line of credit agreement between the Company, Zions First National Bank and The First National Bank of Chicago	2

(B) Reports on Form 8-K:

The Company filed a Current Report on Form 8-K with the Securities and Exchange Commission on June 3, 1997 to report the completion of the Merger with Covey.

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 thereunto duly authorized.

FRANKLIN COVEY CO.

Date: _____ By: _____
Jon H. Rowberry
President
Chief Operating Officer

Date: _____ By: _____
John L. Theler
Executive Vice President
Chief Financial Officer

PURCHASE AGREEMENT

BY AND AMONG

PREMIER HOLDING COMPANY

THE SHAREHOLDERS OF PREMIER HOLDING COMPANY

PREMIER AGENDAS, INC.

PREMIER SCHOOL AGENDAS LTD.

PREMIER GRAPHICS, L.P.

THE LIMITED PARTNERS OF PREMIER GRAPHICS

FRANKLIN QUEST CO.

AND

FRANKLIN QUEST CANADA, LTD.

MARCH 1, 1997

TABLE OF CONTENTS

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (the "Agreement") is entered into effective as of March 1, 1997, by and among Premier Agendas, Inc., a Washington corporation ("Premier Agendas"), Premier School Agendas Ltd., a corporation incorporated under the Canada Business Corporations Act and registered to do business in British Columbia ("PSA"), Premier Graphics L.P., a limited partnership organized under the laws of the State of Washington ("Premier Graphics"), Premier Holding Company, a Nova Scotia unlimited company ("Premier Holding"), the shareholders of Premier Holding (collectively the "Premier Holding Shareholders"), the limited partners of Premier Graphics (collectively, the "Partners") (Premier Holding, the Premier Holding Shareholders and the Partners are collectively referred to herein as the "Sellers" and sometimes individually referred to herein as a "Seller") and Franklin Quest Co., a Utah corporation ("Franklin"), and Franklin Quest Canada, Ltd., an Ontario corporation ("Franklin Canada") (Franklin and Franklin Canada are collectively referred to as the "Buyers" and sometimes individually referred to herein as a "Buyer").

RECITALS

WHEREAS, Premier Holding owns all of the issued and outstanding shares of capital stock of Premier Agendas (the "Premier Agendas Shares"), and all of the issued and outstanding capital stock of PSA (the "PSA Shares") (the Premier Agendas Shares and the PSA Shares are collectively referred to as the "Shares"); and

WHEREAS, the Partners own all of the limited partnership interests in Premier Graphics and Premier Agendas is the general partner of Premier Graphics (the limited partnership interests in Premier Graphics held by the Partners are collectively referred to herein as the "Partnership Interests"); and

WHEREAS, Franklin desires to purchase from Premier Holding all of the Premier Agendas Shares, Franklin Canada wishes to purchase from Premier Holding all of the PSA shares and Franklin wishes to purchase from the Partners all of the Partnership Interests; and

WHEREAS, in order to induce Franklin and Franklin Canada to purchase the Premier Agenda Shares, the PSA Shares and the Partnership Interests on the terms and conditions set forth in this Agreement, the Sellers are willing to make the representations, warranties, covenants and indemnities set forth herein; and

WHEREAS, in order to induce Sellers to sell the Premier Agenda Shares, the PSA Shares and the Partnership Interests, Buyers are willing to make the representations, warranties and covenants set forth herein;

AGREEMENT

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

ARTICLE I

SALE OF SHARES; CLOSING

1.1 PURCHASE AND SALE OF SHARES. Subject to the terms and conditions of this Agreement, at the Closing, certain of the Sellers shall sell, transfer and deliver to Buyers, and the Buyers will purchase from such Sellers the Shares and Partnership Interests as follows:

(a) Premier Holding shall sell, transfer and deliver to Franklin and Franklin shall purchase from Premier Holding, all of the Premier Agendas Shares.

(b) Premier Holding shall sell, transfer and deliver to Franklin Canada and Franklin Canada shall purchase from Premier Holding, all of the PSA Shares.

(c) The Partners shall sell, transfer and deliver to Franklin and Franklin shall purchase from the Partners, all of the Partnership Interests.

1.2 PURCHASE PRICE. The aggregate purchase price (the "Purchase Price") for the Shares and the Partnership Interests shall be the sum of:

(a) Nineteen Million Five Hundred Thousand Dollars (US $19,500,000) (the "Initial Payment"), subject to adjustment as provided in Section 1.5 hereof, which shall be allocated among Premier Agendas, PSA and the Partnership Interests as set forth on Schedule 1.2(a). The portion of the Initial Payment allocated to the Partnership Interests shall constitute payment in full for each such Partner's share of the Purchase Price and shall be divided among and paid to the Partners in the amounts set forth on Schedule 1.2(a). No Partner will be entitled to receive any portion of an Earn-Out Payment, if any. All Earn-Out Payments, if any, shall be paid to Premier Holding only.

(b) The Earn-Out Payments, if any, required to be paid by Buyers to Premier Holding in accordance with the terms of Section 1.7. Each Earn-Out Payment shall be attributed to and allocated among Premier Agendas and PSA in the same ratio as set forth on Schedule 1.2(a).

(c) Buyers shall be jointly and severally liable for payment of the Initial Payment and Earn-Out Payments, if any.

(d) All references to $ or money herein shall be to United States dollars. If, for any purpose, it is or becomes necessary to calculate at any time the United States currency equivalent of any amount expressed or determined in Canadian currency, the United States currency equivalent of such Canadian currency amount shall be determined at the spot rate at which Canadian currency can be exchanged into United States currency as set out in the Money and Investing Sections of The Wall Street Journal. The spot rate shall be determined as of the Transaction Date.

1.3 CLOSING. The purchase and sale (the "Closing") provided for in this Agreement will take place at Vancouver, British Columbia, upon satisfaction of all conditions of Closing in Articles IV and V, but no later than March 3, 1997 (the "Termination Date"). All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in Article X hereof.

1.4 CLOSING OBLIGATIONS. At the Closing:

(a) Premier Holding and the Partners, as the case may be, will deliver to Buyers:

(i) certificates representing all of the Premier Agendas Shares and the PSA Shares duly endorsed for transfer (or accompanied by duly executed stock powers), to Franklin and Franklin Canada, respectively;

(ii) Assignments of Partnership Interests duly executed by the Partners assigning the Partnership Interests to Franklin;

(iii) Releases executed by each of the Sellers releasing any claim of such Seller, other than those created by this Agreement, against any of Premier Agendas, PSA or Premier Graphics (collectively, the "Sellers' Releases");

(iv) Employment Agreements, incorporating non-competition and non-disclosure provisions (the "Employment Agreements") and as provided in Section 4.14, in form reasonably acceptable to Buyers executed by each of the persons identified on Schedule 1.4(a)(iv);

(v) a certificate executed by the President of each of Premier Agendas and PSA and the general partner of Premier Graphics (Premier Agendas, PSA and Premier Graphics are sometimes collectively referred to herein as the "Acquired Companies" and individually as an "Acquired Company") representing and warranting to Buyers that each of the representations and warranties made by the Acquired Companies and Sellers in this Agreement (other than the individual representations and warranties made by the Sellers in Sections 2.28 through 2.32 hereof) was accurate in all material respects as of the date of this Agreement and is accurate as of the Closing Date as if made on the Closing Date (giving full effect to any supplements to the Disclosure Letter that were delivered by the Sellers and the Acquired Companies to Buyers prior to the Closing Date in accordance with Section 6.8) and that the conditions set forth in Sections 4.1 and 4.2 have been satisfied; and

(vi) such other documents as are required to be provided pursuant to Article IV or as reasonably requested by Buyers to close the transactions contemplated hereby.

(b) Buyer will deliver to Sellers:

(i) the amounts, as set forth in the Allocation Schedule, to be paid at the Closing to Premier Holding and each Partner, by bank cashier's, certified check or by wire transfer to accounts specified by each person or entity entitled to a portion of such amounts, subject to adjustment as provided in Sections 1.5 hereof;

(ii) a certificate executed by an authorized officer of Buyers to the effect that each of Buyers' representations and warranties in this Agreement was accurate in all material respects as of the date of this Agreement and is accurate in all material respects as of the Closing Date as if made on the Closing Date;

(iii) such other documents as are required to be provided pursuant to Article V or as reasonably requested by Sellers to close the transactions contemplated hereby.

1.5 ADJUSTMENTS TO INITIAL PAYMENT.

(a) In the event that the Combined Net Assets of the Acquired Companies as of December 31, 1996, are more or less than US$[219,000.00] then the amount of the Initial Payment set forth in Section 1.2 shall be adjusted as follows:

(i) If the Combined Net Assets of the Acquired Companies as of December 31, 1996, is greater than US$[219,000.00] then the amount of the Initial Payment shall be increased by an amount equal to the difference between the Combined Net Assets of the Acquired Companies as of December 31, 1996, and US$[219,000.00].

(ii) If the Combined Net Assets of the Acquired Companies as of December 31, 1996, is less than US$[219,000.00], then the amount of the Initial Payment shall be decreased by an amount equal to the difference between US$[219,000.00] and the Combined Net Assets of the Acquired Companies as of December 31, 1996. Sections 1.5(a)(i) and (ii) are collectively referred to as the "Purchase Price Adjustment."

(b) The Purchase Price Adjustment shall be paid by the appropriate party upon the approval of the Combined Post-Closing Balance Sheet by both parties pursuant to Section 1.6 and shall be allocated among Premier Agendas and PSA in the same ratio as set forth on Schedule 1.2(a).

1.6 COMBINED POST-CLOSING BALANCE SHEET.

(a) Within thirty (30) days following the Closing Date, Sellers shall prepare and deliver to Buyers a combined post-closing balance sheet for Buyer, effective as of December 31, 1996, showing the final status of all assets and liabilities as of December 31, 1996 (the "Combined Post-Closing Balance Sheet"). The Combined Post-Closing Balance Sheet shall be reviewed by the Buyers and, if the Buyers have any objections to the Combined Post-Closing Balance Sheet, Buyers and Sellers shall work reasonably and in good faith to resolve such objections.

(b) If Buyers and Sellers are not able to resolve their disagreements and objections with respect to the Combined Post-Closing Balance Sheet within thirty (30) days after Sellers deliver the Combined Post-Closing Balance Sheet to Buyers, then the issues in dispute will be submitted to independent certified public accountants (the "Accountants"), for resolution. If issues in dispute are submitted to the Accountants for resolution, (i) each party will furnish to the Accountants such work papers and other documents and information relating to the disputed issues as the Accountants may request and are available to that party or its Subsidiaries (or its independent public accountants), and will be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; (ii) the determination by the Accountants, as set forth in a notice delivered to both parties by the Accountants, will be binding and conclusive on the parties; and (iii) Buyers and Sellers shall each bear 50% of the fees of the Accountants for such determination.

(c) Upon finalization of the Combined Post-Closing Balance Sheet and the calculation of the Combined Net Assets of the Acquired Companies as of December 31, 1996, the Purchase Price Adjustment shall be paid by the appropriate party within seven (7) days after approval of the Combined Post-Closing Balance Sheet by both parties or the submission by the Accountants of its determination.

1.7 EARN-OUT PAYMENT.

(a) Premier Holding shall be entitled to receive, and the Buyers agree to pay, as part of the Purchase Price to be paid to Premier Holding, the following:

(i) If, but only if, the Pre-Tax Net Income of the Acquired Companies for the twelve-month period commencing on September 1, 1996 and ending on August 31, 1997 (herein referred to as the "first Earn-Out Year") is more than US$2,750,000, an amount equal to 1.65 multiplied by the amount (if any) by which the Pre-Tax Net Income for the first Earn-Out Year exceeds US$2,750,000;

(ii) If, but only if, the Pre-Tax Net Income of Acquired Companies for the twelve-month period commencing on September 1, 1997 and ending on August 31, 1998 (herein referred to as the "second Earn-Out Year") is more than US$4,000,000, an amount equal to 1.65 multiplied by the amount (if any) by which the Pre-Tax Net Income for the second Earn-Out Year exceeds US$4,000,000; and

(iii) If, but only if, the Pre-Tax Net Income of Acquired Companies for the twelve-month period commencing on September 1, 1998 and ending on August 31, 1999 (herein referred to as the "third Earn-Out Year") is more than US$7,200,000, an amount equal to 1.65 multiplied by the amount (if any) by which the Pre-Tax Net Income for the third Earn-Out Year exceeds US$7,200,000.

The first, second, and third Earn-Out Years are collectively referred to herein as the "Earn-Out Period," and individually as an "Earn-Out Year." The payments to be made to Premier Holding pursuant to this Section 1.7, are collectively referred to as the "Earn-Out Payments," and individually as an "Earn-Out Payment."

(b) Immediately following each Earn-Out Year, Buyers shall cause the Acquired Companies to prepare combined financial statements of the Acquired Companies for the twelve-month period ended on the last day of such Earn-Out Year, in strict accordance with US GAAP consistently applied and consistent with the accounting methods used by the Acquired Companies in previous periods except for such changes as may be necessary to conform with US GAAP. The combined financial statements of the Acquired Companies shall be prepared and delivered to Franklin within 45 days after the close of each Earn-Out Year. Sellers shall be given full access to the books and records of the Acquired Companies in order to prepare the combined financial statements. Such financial statements shall be reviewed or audited by Franklin and/or Buyers' Auditors. Franklin's and/or Buyers' Auditors shall make such adjustments, changes, and modifications to such financial statements as they deem appropriate and shall submit to Premier Holding for consideration and comment within 30 days of Franklin's receipt of such combined financial statements (i) the reviewed or audited combined financial statements of the Acquired Companies for the respective Earn-Out Year, and (ii) a detailed summary of the calculation of Pre-Tax Net Income for such Earn-Out Year and the amount of the Earn-Out Payment based on such Pre-Tax Net Income. Premier Holding shall deliver any comments or objections it has concerning the audited or reviewed combined financial statements or the calculation of Pre-Tax Income or the Earn-Out Payment to Franklin within 60 days of receiving such information and, if Premier Holding does not object within that period, the amount of the Earn-Out Payment for that Earn-Out Year shall conclusively be deemed to have been established on the day immediately following the expiration of that period unless Premier Holding gives written notice to Franklin that it accepts Franklin's determination of the amount of the Earn-Out Payment for that Earn-Out

Year, in which case the amount of the Earn-Out Payment for that Earn-Out Year shall conclusively be deemed to have been established on the day Franklin receives or is deemed to receive that notice. Franklin and Premier Holding shall work reasonably and in good faith to resolve such objections. If Franklin and Premier Holding are not able to resolve such objections within ten (10) days after delivery of Premier Holding's objections to Franklin, then the issues in dispute shall be submitted to the Accountants for resolution. If issues in dispute are submitted to the Accountants for resolution, (i) each party will furnish to the Accountants such work papers and other documents and information relating to the disputed issues as the Accountants may request and are available to that party or its Subsidiaries (or its independent public accountants), and will be afforded the opportunity to present to the Accountants any material relating to the determination and to discuss the determination with the Accountants; and (ii) the determination by the Accountants, as set forth in a notice delivered to Buyers and Premier Holding by the Accountants, will be binding and conclusive on the parties. The costs and expenses of the Accountants shall be borne solely by Franklin if the determination reached by the Accountants results in a change in Pre-Tax Income of more than 5% from the amount of the Pre-Tax Income finally determined by Franklin's and/or Buyers' Auditors prior to submission of the disputed issues to the Accountants. The costs and expenses of the Accountants shall be borne solely by Premier Holding if the determination reached by the Accountants results in a change in Pre-Tax Income of 5% or less from the amount of the Pre-Tax Income finally determined by Franklin's and/or Buyers' Auditors prior to submission of the disputed issues to the Accountants. The Earn-Out Payment for that Earn-Out Year shall conclusively be deemed to be established on the day after the date on which Franklin and Premier Holding resolve Premier Holding's objection or the date of the Accountant's determination, as the case may be.

(c) Not later than ten (10) days after the final Pre-Tax Net Income for an Earn-Out Year has been established, Buyers shall pay to Premier Holding the Earn-Out Payment for such Earn-Out Year, if any, subject to Buyers' right to offset the Earn-Out Payment as set forth in Section 1.7(d). Interest at the most favorable rate paid by Franklin on funds borrowed from its primary bank shall accrue on any portion of any Earn-Out Payment not paid within 75 days after the last day of an Earn-Out Year.

(d) Without limiting the generality of Buyers' remedies, Buyers shall be entitled to deduct and set-off against any amount due to Sellers under this Agreement, including, without limitation, any Earn-Out Payments under this Section 1.7, the amount of (i) any claim for indemnification or payment of damages to which either of the Buyers may be entitled to under the terms of this Agreement, or (ii) any other obligations or liabilities of, or monies owing by, any Seller to either of the Buyers.

(e) All amounts paid to Premier Holding pursuant to this Section 1.7 shall be deemed to be part of the Purchase Price.

1.8 MANAGEMENT OF ACQUIRED COMPANIES DURING EARN-OUT PERIOD.

(a) During the Earn-Out Period, Existing Management shall retain control of, and shall be responsible for managing, the day-to-day operations of the Acquired Companies, subject to the review and oversight of the Boards of Directors of the Acquired Companies and subject to the provisions of this Section 1.8. Concurrently with the Closing, the existing members of the Boards of Directors of the Acquired Companies shall resign and be replaced with the following persons:

13

Premier Agenda Board	PSA Board
Hendrik A. Berends	Hendrik A. Berends
David L. Loeppky	David L. Loeppky
Harry Stel	Harry Stel
James S. Gibson	James S. Gibson
Gerrit Kuik	Gerrit Kuik
Val John Christensen will be Secretary of both companies	

Subject to the provisions of Section 1.8(f), Buyers agree to vote their shares in the Acquired Companies so as to cause the foregoing persons, or their designates, to be elected directors of the Acquired Companies during each Earn-Out Year.

(b) Existing Management will conduct the business of the Acquired Companies only in the Ordinary Course of Business, in compliance with all Legal Requirements and good business practices, and shall use their Best Efforts to preserve intact the current business organization of the Acquired Companies, keep available the services of the current officers, employees, and agents of the Acquired Companies, and maintain the relations and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with the Acquired Companies. In addition, Existing Management of the Acquired Companies shall confer with their respective Boards of Directors concerning operational matters of a material nature and obtain the input and approval of said Boards of Directors for all actions related to operational matters of a material nature. Buyers shall not during the Earn-Out Period, without the consent of Existing Management of an Acquired Company, (i) terminate or modify any contract or other relationship that an Acquired Company has with a supplier or vendor, including, but not limited to, Premier Printing Ltd., or (ii) sell any asset or interest in the Acquired Companies, merge or combine the Acquired Companies with any other entity, or otherwise restructure or reorganize the Acquired Companies. During the Earn-Out Period, Buyers:

(i) shall provide to the Acquired Companies working capital and/or bank guarantees according to a budget approved by Franklin and the Board of Directors of the Acquired Companies; provided, however, that Buyers shall have no affirmative duty to provide assistance or resources (except as required herein), to generate or increase revenues, or manage or reduce any costs or expenses associated with the generation of Pre-Tax Net Income; and

(ii) shall not engage in any business, directly or indirectly, which is in direct competition with the business of the Acquired Companies, it being understood by the parties that any business now carried on by the Covey Group of companies shall not be considered to be in competition with the Acquired Companies.

(c) Without obtaining the prior approval and authorization of Buyers, Existing Management will not:

(i) cause the Acquired Companies to engage in or effect any new business activity outside of the scope of the activities currently engaged in by the Acquired Companies in the Ordinary Course of Business or change the strategic direction of the Acquired Companies;

(ii) change any of the accounting methods or controls used by the Acquired Companies except as necessary to comply with GAAP;

(iii) sell or transfer any assets of the Acquired Companies except for the sale or transfer of inventory or obsolete or defective assets in the Ordinary Course of Business;

(iv) enter into any material Contract or other arrangement, or modify or amend any existing material Contract or other arrangement, with Existing Management, any Seller, any Related Person of Existing Management, or any Related Person of any Seller;

(d) Within 30 days after the execution of this Agreement, and at least 45 days before the end of each Earn-Out Year thereafter, Existing Management shall prepare and submit to the Boards of Directors an annual operating budget (the "Annual Budget") covering the activities of each of the Acquired Companies for the following year. The Boards of Directors and Existing Management shall work together to make changes to the Annual Budget as deemed appropriate by the Boards of Directors and which must be reasonably consistent with and based upon the prior year's history and future forecasts. The Annual Budget must be submitted to Buyers for prior approval, which approval shall not be unreasonably withheld, and adopted by the Boards of Directors. Existing Management and the Boards of Directors shall use their Best Efforts to adopt the Annual Budget prior to the beginning of each Earn-Out Year. Following the adoption of the Annual Budget, it may be amended only with the approval of the Boards of Directors. The final Annual Budget, as it may be amended from time to time during any year, shall bind Existing Management in their management of the day-to-day operations of the Acquired Companies.

(e) Existing Management shall prepare a monthly written report for the Boards of Directors discussing the status of the business, operations and finances of the Acquired Companies and the operating results for the month and a comparison of actual operating results versus budgeted operating results which report shall be delivered to the Boards of Directors within 15 days after the end of each month. Existing Management shall also meet with the Boards of Directors, or committees thereof, from time to time as requested by the Boards of Directors to discuss the status of the business operations and finances of the Acquired Companies.

(f) The Boards of Directors and Buyers shall retain the right to terminate Existing Management's control of, and responsibility for, the day to day operations of the Acquired Companies upon the occurrence of any of the following events:

(i) The Boards of Directors or Buyers determine during an Earn-Out Year, acting reasonably (including due consideration of the seasonal nature of the business of the Acquired Companies), that in such Earn-Out Year it is readily apparent that the Acquired Companies will not, on a reasonable basis, achieve the Minimum Performance Standard for such Earn-Out Year; or

(ii) Within thirty (30) days after written notice from the Buyers to Existing Management setting out the particulars of any action inconsistent with or in breach of the

provisions of this Section 1.8, Existing Management fails to take any action required to be taken pursuant to this Section 1.8, continues to engage in or condone, or fails to prevent any action inconsistent with or in breach of the provisions of this Section 1.8; or

(iii) Within thirty (30) days after written notice from the Buyers to Existing Management setting out the particulars of any action inconsistent with or in breach of the provisions of this Section 1.8, any member of Existing Management continues to engage in any activity in competition with any activity of the Acquired Companies or the Buyers, or contrary or harmful to the interests of the Acquired Companies or the Buyers.

1.9 ALLOCATION. Premier Holding, the Premier Holding Shareholders and each Partner agree that (i) the Initial Payment and Purchase Price adjustments shall be made to Premier Holding and allocated between Premier Holding and the Partners in accordance with the Allocation Schedule without regard to specific adjustments to the financial statements of individual Acquired Companies, and (ii) any Earn-Out Payment shall be made to Premier Holding and shall be allocated between Premier Agendas and PSA in accordance with the Allocation Schedule, and without regard to the operating results of individual Acquired Companies during the Earn-Out Years.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF SELLERS

Premier Holding and the Warranting Shareholders, jointly and severally, represent and warrant to Franklin with respect to each representation and warranty set forth below which is applicable to Premier Agendas as follows; Premier Holding and the Warranting Shareholders, jointly and severally, represent and warrant to Franklin Canada with respect to each representation and warranty set forth below which is applicable to PSA as follows; Premier Holding and each of the Partners, jointly and severally, represent and warrant to Buyers with respect to each representation and warranty set forth below which is applicable to Premier Graphics as follows; and each Seller hereby represents and warrants as to itself with respect to the representations and warranties set forth in Sections 2.28 through 2.32, as follows:

2.1 ORGANIZATION AND GOOD STANDING; SUBSIDIARIES; RESIDENCE.

(a) Part 2.1(a) of the Disclosure Letter contains a complete and accurate list for each of the Acquired Companies of such entity's name, its jurisdiction of incorporation, other jurisdictions in which it is authorized to do business, and its capitalization (including the identity of each stockholder or partner and the number of shares or interest held by each). Each Acquired Company (other than Premier Graphics) is a corporation duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization, with full corporate power and authority to conduct its business as it is now being conducted, to own or use the properties and assets that it purports to own or use, and to perform all its obligations under Applicable Contracts. Premier Graphics is a limited partnership duly organized, validly existing, and in good standing under the laws of the State of Washington with full partnership power and authority to conduct its business as it is now being conducted, to own or use the properties that it purports to own or use, and to perform all of its obligations under Applicable Contracts. Each Acquired Company is duly qualified to do business and is in good standing under the laws of each state, province or other jurisdiction in which either the ownership or use of the properties owned, leased or used by it, or the nature of the activities conducted by it, requires such qualification, except

where the failure to so qualify would not have a material adverse effect on such Acquired Company or its operations.

(b) Sellers have delivered to Buyers copies of the Organizational Documents of each Acquired Company, as currently in effect on or prior to the date hereof.

(c) Other than as listed on Part 2.1(c) of the Disclosure Letter, the Acquired Companies (i) have no Subsidiaries, (ii) do not own or control (directly or indirectly) any capital stock, bonds or other securities of, and do not have any proprietary interest in, any other corporation, general or limited partnership, firm, association or business organization, entity or enterprise, and (iii) do not control (directly or indirectly) the management or policies of any other corporation, partnership, firm, association or business organization, entity or enterprise.

(d) Premier Holding is not a non-resident of Canada within the meaning of the Tax Act.

2.2 AUTHORITY; NO CONFLICT.

(a) This Agreement constitutes the legal, valid, and binding obligation of Premier Holding enforceable against Premier Holding in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting creditor's rights generally. Premier Holding has the absolute and unrestricted right, power, authority, and capacity to execute and deliver this Agreement and to perform its respective obligations under this Agreement.

(b) Except as set forth in Part 2.2(b) of the Disclosure Letter, neither the execution and delivery of this Agreement nor the consummation or performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time):

(i) contravene, conflict with, or result in a violation of (A) any provision of the Organizational Documents of the Acquired Companies, Premier Holding or any of the other Sellers to the extent such Seller is not an individual, or (B) any resolution adopted by the board of directors, the shareholders or partners of any Acquired Company, Premier Holding or any of the other Sellers to the extent such Seller is not an individual;

(ii) contravene, conflict with, or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the Contemplated Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which any Acquired Company or any Seller, or any of the assets owned, leased or used by, any Acquired Company, may be subject which would have a material adverse affect on any Acquired Company;

(iii) contravene, conflict with, or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate, or modify, any Governmental Authorization that is held by any Acquired Company or that otherwise relates to the business of, or any of the assets owned, leased or used by, any Acquired Company;

(iv) contravene, conflict with, or result in a violation or breach of any provision of, or give any Person the right to declare a default or exercise any remedy under, or to

accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract; or

(v) result in the imposition or creation of any Encumbrance upon or with respect to any of the assets owned, leased or used by any Acquired Company.

Except as set forth in Part 2.2(b) of the Disclosure Letter, no Seller or any Acquired Company is or will be required to give any notice to or obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

2.3 CAPITALIZATION.

(a) The authorized equity securities of Premier Agendas consists of 1,000,000 shares of common stock, no par value, 11,200 of which are issued and outstanding and constitute the Premier Agendas Shares. No equity securities of any class or nature are authorized or issued with respect to Premier Agendas, except the Premier Agenda Shares. The authorized equity securities of PSA consists of an unlimited number of common shares for an unlimited consideration, 100 of which are issued and outstanding and constitute the PSA Shares. No equity securities of any class or nature are authorized or issued with respect to PSA, except the PSA Shares. All of the ownership interests in Premier Graphics are held by the Partners or Premier Agendas. Sellers are and will be on the Closing Date the record and beneficial owners and holders of the Shares and Partnership Interests free and clear of all Encumbrances. The Shares and Partnership Interests listed on Schedule 2.3(a) represent all of the holdings of securities of the Acquired Companies, all of which are owned by the Sellers. Other than as set forth on Part 2.3 of the Disclosure Letter, no legend or other reference to any purported Encumbrance appears upon any certificate representing equity securities of each Acquired Company. All of the outstanding equity securities of any Acquired Company have been duly authorized and validly issued and are fully paid and nonassessable.

(b) There are no outstanding options, warrants or other securities or rights that may be exercised to purchase or are convertible into equity or debt securities of the Acquired Companies and there are no Applicable Contracts relating to the issuance, sale, or transfer of any equity securities or other securities of any Acquired Company. None of the outstanding securities of any Acquired Company was issued in violation of the Securities Act or any equivalent securities laws in Canada or any state of the United States or province of Canada or any other Legal Requirement. Other than as set forth on Part 2.3 of the Disclosure Letter, no Acquired Company owns, or has any Contract to acquire, any securities of any Person (other than Acquired Companies) or any direct or indirect equity or ownership interest in any other business.

2.4 FINANCIAL STATEMENTS AND OTHER INFORMATION. The Sellers and the Acquired Companies have, or will have prior to the Closing, delivered or made available to Buyers:

(a) Reviewed balance sheets, together with combining schedules, of the Acquired Companies as of December 31st in each of the years 1994 through 1995, and the related statements of income, changes in shareholders' equity or partners' capital, and cash flow for the year ended December 31, 1995 and the three months ended December 31, 1994, together with the report thereon by the preparers thereof, for the periods through December 31, 1995. Such financial statements and notes fairly present the financial condition and the results of operations, changes in shareholders' equity or partners' capital, and cash flow of the Acquired Companies as

at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP; the financial statements referred to in this Section 2.4 reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements. No financial statements of any Person other than the Acquired Companies are required by GAAP to be included in the financial statements of the Acquired Companies. Part 2.4(a) of the Disclosure Letter sets forth the accounting treatment of certain items that may be an exception to this representation and warranty. Sellers have, or will have prior to Closing, delivered to the Buyers unaudited combined balance sheets of the Acquired Companies as of December 31, 1996 (the "Balance Sheet"), and the related statements of income for the year then ended which fairly present the financial condition and results of operations of the Acquired Companies as of December 31, 1996, and for the year then ended, all in accordance with GAAP and reflect the consistent application of such accounting principles throughout the periods involved, except for normal recurring year-end adjustments which are not and are not expected to be material in amount.

(b) All information in the Sellers' and Acquired Companies' possession or control, or of which the Acquired Companies or Sellers have Knowledge, concerning the operation, business and prospects of the Acquired Companies as may be requested by either Buyer, including, without limitation, making the working papers of the Acquired Companies' Accountants available for inspection and copying by the Buyers' Auditors (except for proprietary information of Sellers' and Acquired Companies' Accountants), and all other information requested by the Buyers concerning any of the Acquired Companies' assets, liabilities, and any aspect of the Acquired Companies' business.

2.5 BOOKS AND RECORDS. The books of account, minute books, stock record books, partnership records, and other records of the Acquired Companies, all of which have been made available to Buyers, are complete and correct in all material respects and have been maintained in accordance with reasonable business practices. At the Closing, all of those books and records will be in the possession or control of the Acquired Companies.

2.6 TITLE TO PROPERTIES; ENCUMBRANCES.

(a) The Acquired Companies own (with good and marketable fee title in the case of real property, subject only to the matters permitted by Section 2.6(b)), all the properties and assets (whether real, personal, or mixed and whether tangible or intangible) reflected as owned in the books and records of the Acquired Companies, including all of the properties and assets reflected in the Balance Sheet (except for assets held under capitalized leases disclosed or not required to be disclosed in Part 2.6 of the Disclosure Letter and properties and assets sold since the date of the Balance Sheet, as the case may be, in the Ordinary Course of Business), and all of the properties and assets purchased or otherwise acquired by the Acquired Companies since the date of the Balance Sheet (except for properties and assets acquired and sold since the date of the Balance Sheet in the Ordinary Course of Business), which subsequently purchased or acquired properties and assets having an individual value in excess of $10,000.00, excluding the improvements to the property located at 2000 Kentucky Street, Bellingham, Washington, costing approximately $300,000.00 (other than inventory and short-term investments), are listed in Part 2.6 of the Disclosure Letter.

(b) Except as set forth in Part 2.6 of the Disclosure Letter, all properties and assets reflected in the Balance Sheet are free and clear of all Encumbrances and are not, in the case of real property, subject to any boundary disputes, rights of way, easements, building, mining

or other use restrictions, variances, reservations, United States state or federal patents or limitations (but, with respect to Canadian real property, such property is subject to reservations in the original or any subsequent grant from the Crown), of any nature, except, with respect to all such properties and assets, (i) mortgages or security interests shown on the Balance Sheet as securing specified liabilities or obligations, with respect to which no default (or event that, with notice or lapse of time or both, would constitute a default) exists, (ii) mortgages or security interests incurred in connection with the purchase of property or assets after the date of the Balance Sheet (such mortgages and security interests being limited to the property or assets so acquired), with respect to which no default, or event that, with notice or lapse of time or both, is reasonably likely to constitute a default exists, (iii) liens for current taxes and assessments not yet due, or in the case of real property due but not yet delinquent, and (iv) with respect to real property. (x) easements or restrictions which, individually or in the aggregate, would not have a material adverse effect on the use of such real property by the Acquired Company for the purposes for which it is intended, and (y) current zoning laws and other land use restrictions.

(c) Part 2.6 of the Disclosure Letter contains a complete and accurate list of all real property, leaseholds, or other interests in real property owned or leased by any Acquired Company, and a list of all real property, leaseholds or other interests in real property previously owned or leased by any Acquired Company or a company owned by an Acquired Company. The Acquired Companies have already delivered or made available to Buyers copies of the recorded deeds by which the Acquired Companies acquired fee title to all such real property owned by the Acquired Companies and copies of fully executed leases pertaining to real property currently leased by the Acquired Companies. Premier Holding and the Acquired Companies have also delivered copies of all title insurance policies, opinions, abstracts, permits, certificates, plans (including all reclamation plans), studies, investigations, reports and surveys in the possession of any Acquired Company or Seller and relating to the ownership, use or operation of such real property.

(d) Except as set forth in Part 2.6 of the Disclosure Letter, no Acquired Company has received notice of a proposed general plan amendment, zone reclassification, modification, expiration or cancellation of any conditional use permit or other public land use action which would affect any part of the real property owned or leased by any Acquired Company. No current use of the real property owned or leased by any Acquired Company, or any currently anticipated future use, conflicts with any present general plan or zoning classification or use permit which affects any part of such real property. All buildings, plants and structures owned by any of the Acquired Companies lie wholly within the legal boundaries of the real property owned by or leased by such Acquired Company and do not encroach upon the property of, or otherwise conflict with the property rights of, any other Person. Except as set forth on Part 2.6 of the Disclosure Letter, no Acquired Company has received or been threatened with any notice or communication of any violation of any Legal Requirement pertaining to the real property owned or leased by any Acquired Company, including without limitation, environmental regulations affecting the Property. No commitment to or agreement with any Governmental Authority exists which could affect such real property, including but not limited to any dedication agreement, operation restrictions, and formation of any special assessment or taxing district, except as disclosed in this Agreement. None of such real property is located in an area designated as (i) having special flood hazards on any official flood hazard map published by the United States Department of Housing and Urban Development (except as may pertain to possible 100 year flood plan status), or (ii) a wetland area on any official wetland inventory map published by the United States Department of the Interior, or similar state law. Each real property owned or leased by any Acquired Company has valid legal access to a public street or road and no

restrictions exist pertaining to truck traffic to and from such real property except for general vehicular registrations governing speed and weight limits. The buildings and structures located on any real property owned, leased, or used by the Acquired Companies have not been insulated with a urea formaldehyde foam type installation.

2.7 INTELLECTUAL PROPERTY. The term "Intellectual Property Assets" shall include the names of the Acquired Companies, all other fictitious business names and trade names under which the Acquired Companies have conducted their businesses, registered and unregistered trademarks, service marks and applications (collectively, "Marks") used in connection with the Acquired Companies' businesses, all copyrights in both published works and unpublished works (collectively, "Copyrights") owned, developed or used by any of the Acquired Companies in connection with the operation of the businesses, and all designs, inventions, know-how, trade secrets, confidential information, software, technical information, workbooks, consulting plans and products (collectively, "Trade Secrets") owned, developed or used by any of the Acquired Companies in connection with the operation of the businesses. All of the Intellectual Property Assets of the Acquired Companies are described in Part 2.7 of the Disclosure Letter. The Intellectual Property Assets are all the intellectual property necessary or used in the operation of the Acquired Companies' business. There are no pending Proceedings or threatened disputes or disagreements with respect to the Intellectual Property Assets. The Acquired Companies are the owners of all right, title and interest in and to each of the Intellectual Property Assets free and clear of all Encumbrances. No such Intellectual Property Asset infringes upon or, to the Knowledge of Acquired Companies, has been alleged to infringe upon the intellectual property rights of any other Person.

2.8 CONDITION AND SUFFICIENCY OF ASSETS. Except as set forth on Part 2.8 of the Disclosure Letter, the buildings, plants, structures, and equipment of the Acquired Companies, including all equipment not shown on the Balance Sheet of each Acquired Company which is held by such Acquired Company pursuant to the terms of operating leases, are structurally sound, are in reasonable operating condition and repair, subject to ordinary wear and tear, and are adequate for the uses to which they are being put. All buildings, plants, structures and equipment of the Acquired Companies that are capitalized on the Balance Sheet and all equipment held under operating leases are described in Part 2.8 of the Disclosure Letter. The building, plants, structures, and equipment of the Acquired Companies are sufficient for the continued conduct of the Acquired Companies' businesses after the Closing in substantially the same manner as conducted prior to the Closing.

2.9 ACCOUNTS RECEIVABLE. All accounts receivable of the Acquired Companies that are reflected on the Balance Sheet or on the accounting records of the Acquired Companies as of the close of business on December 31, 1996 and from such date through the Closing Date (collectively, the "Accounts Receivable") represent or will represent valid obligations arising from sales actually made or services actually performed in the Ordinary Course of Business. Unless paid prior to the Closing Date, the Accounts Receivable are or will be as of the Closing Date current and collectible net of the respective reserves shown on the Balance Sheet. Except as set forth in Part 2.9 of the Disclosure Letter, there is no material contest or claim other than returns in the Ordinary Course of Business, under any Applicable Contract with any maker of an Accounts Receivable relating to the amount or validity of such Accounts Receivable. Part 2.9 of the Disclosure Letter contains a complete and accurate list of all Accounts Receivable posted on each of the Acquired Companies' books as of December 31, 1996, which list sets forth the aging of such Accounts Receivable as well as a list of all receipts as well as billings for the period ending on the last business date prior to the Closing.

2.10 INVENTORY. The quantities of each item of inventory (whether raw materials, work-in-process, or finished goods) are not excessive, but are reasonable in the present circumstances of the Acquired Companies. None of such inventory is obsolete and all of it is useable and saleable in the Ordinary Course of Business. Part 2.10 of the Disclosure Letter contains a complete and accurate list of all inventory of the Acquired Companies as of close of business on December 31, 1996, as updated to the last business day prior to the Closing.

2.11 NO UNDISCLOSED LIABILITIES. Except as set forth in Part 2.11 of the Disclosure Letter, none of the Acquired Companies has any material liabilities or obligations of any nature (whether known or unknown and whether absolute, accrued, contingent, or otherwise), or guarantees of any material liabilities or obligations, except for liabilities or obligations reflected or reserved against in the Balance Sheet and current liabilities incurred in the Ordinary Course of Business since the respective dates thereof. None of such liabilities relate to a criminal proceeding, violation of law, breach of contract or tort obligation.

2.12 TAXES.

(a) The Acquired Companies filed or caused to be filed on a timely basis all Tax Returns that are or were required to be filed by or with respect to any of them, either separately or as a member of a group of corporations, pursuant to applicable Legal Requirements. The Acquired Companies have delivered to Buyers copies of, and Part 2.12 of the Disclosure Letter contains a complete and accurate list of, all such Tax Returns relating to income or franchise taxes filed since January 1, 1994. The Acquired Companies have paid, or made provision for the payment of, all Taxes that have or may have become due pursuant to those Tax Returns or otherwise, or pursuant to any assessment received by any Acquired Company, except such Taxes, if any, as are listed in Part 2.12 of the Disclosure Letter and are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided in the Balance Sheet.

(b) Federal Canadian income tax assessments have been issued to PSA covering all past periods through the fiscal year ended December 31, 1995 (and such assessments, if any amounts were owing in respect thereof, have been paid or, where permitted by law, security therefor has been provided. Except as set forth on Part 2.12(b) of the Disclosure Letter, the United States federal and state income Tax Returns of each Acquired Company subject to the United States Taxes described in Section 2.12(a) have not been audited by the IRS or relevant state tax authorities and the Canadian federal and provincial Tax Returns of each Acquired Company subject to the Canadian Taxes described in Section 2.12(a) have not been audited by Revenue Canada or applicable provincial taxing authorities. Except as described in Part 2.12 of the Disclosure Letter, no Seller or Acquired Company has given or been requested to give waivers or extensions (or is or would be subject to a waiver or extension given by any other Person) of any statute of limitations relating to the payment of Taxes of any Acquired Company or for which any Acquired Company may be liable.

(c) The charges, accruals, and reserves with respect to Taxes on the respective books of each Acquired Company are adequate (determined in accordance with GAAP) and are at least equal to that Acquired Company's liability for Taxes. There exists no proposed tax assessment against any Acquired Company except as disclosed in the Balance Sheet or in Part 2.12 of the Disclosure Letter. No consent to the application of Section 341(f)(2) of the Code has been filed with respect to any property or assets held, acquired, or to be acquired by any Acquired Company. All Taxes that any Acquired Company is or was required by Legal

Requirements to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Governmental Body or other Person.

(d) All Tax Returns filed by (or that include on a combined basis) any Acquired Company are true, correct, and complete.

2.13 NO MATERIAL ADVERSE CHANGE. Since the date of the Balance Sheet other than for general economic conditions or as disclosed in Part 2.13 of the Disclosure Letter, there has not been any material adverse change in the business, operations, properties, prospects, assets, liabilities or condition of the Acquired Companies, taken as a whole, and no event has occurred or circumstance exists that is reasonably likely to result in such a material adverse change. In addition, since the date of the Balance Sheet, there has been no material adverse change in the composition of the assets of the Acquired Companies.

2.14 EMPLOYEE BENEFITS. Except as described in Part 2.14 of the Disclosure Letter, none of the Acquired Companies maintains or operates any Employee Benefit Plan nor has any such Employee Benefit Plan been maintained or operated during the past three years. None of the Acquired Companies maintains or contributes to any Guaranteed Pension Plan or Multiemployer Plan. With respect to each Employee Benefit Plan listed in Part 2.14 of the Disclosure Letter, to the extent applicable,

(a) each such Employee Benefit Plan affecting employees of Premier Agendas and/or Premier Graphics has been maintained and operated in all material respects in compliance with its terms and with all applicable provisions of ERISA, the Code and all applicable regulations, rulings and other authority issued thereunder and, in the case of PSA, all applicable legislation, regulations, rulings and other authority issued thereunder;

(b) all contributions required by law to have been made under each such Employee Benefit Plan to any fund or trust established thereunder or in connection therewith have been made by the due date thereof;

(c) each such Employee Benefit Plan intended to qualify under Section 401(a) of the Code is the subject of a favorable unrevoked determination letter issued by the Internal Revenue Service as to its qualified status under the Code, which determination letter may still be relied upon as to such tax qualified status, and no circumstances have occurred that would adversely affect qualified status of any such Employee Benefit Plan;

(d) no Employee Benefit Plan affecting employees of Premier Agendas and/or Premier Graphics is subject to Title IV of ERISA;

(e) none of such Employee Benefit Plans affecting employees of Premier Agendas and/or Premier Graphics that are "employee welfare benefit plans" as defined in section 3(a) of ERISA provides for continuing benefits or coverage for any participant or beneficiary of a participant after such participant's termination of employment except as required by applicable law, including section 4980B of the Code or Section 6701 of ERISA; and

(f) neither Premier Agendas nor Premier Graphics, nor any trade or business (whether or not incorporated) under common control with Premier Agendas or Premier Graphics within the meaning of Section 401 of ERISA has, or at any time has had, any obligation to contribute to any "Multiemployer Plan."

The pension plan described in Part 2.14 of the Disclosure Letter is the only pension plan maintained by PSA for the employees in its Canadian operations, and PSA is not in default of any of its obligations under the pension plan. No Acquired Company is party to any management agreement, pay equity plan, vacation or vacation pay policy, employee insurance, hospital or medical expense program or pension, retirement, profit sharing, stock bonus, deferred profit sharing, supplemental retirement, unemployment benefit, group registered retirement savings plan, disability insurance, dental services or other employee benefit plan, program or arrangement or to any executive or key personnel incentive or other special compensation arrangement or to other contracts or agreements with or with respect to officers, employees or agents other than those listed and described in Part 2.14 of the Disclosure Letter and those required to be maintained, paid or contributed to by law.

2.15 COMPLIANCE WITH LEGAL REQUIREMENTS; GOVERNMENTAL AUTHORIZATIONS.

(a) Except as set forth in Part 2.15 of the Disclosure Letter:

(i) each Acquired Company is in material compliance with each Legal Requirement that is or was applicable to it or to the conduct or operation of its business or the ownership or use of any of its assets;

(ii) to the Knowledge of the Acquired Companies no event has occurred or circumstance exists that (with or without notice or lapse of time) (A) is reasonably likely to constitute or result in a violation by any Acquired Company of, or a failure on the part of any Acquired Company to comply with, any Legal Requirement, or (B) is reasonably likely to give rise to any obligation on the part of any Acquired Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature; and

(iii) no Acquired Company has received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any actual, alleged, possible, or potential violation of, or failure to comply with, any Legal Requirement, or (B) any actual, alleged, possible, or potential obligation on the part of any Acquired Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

(b) Part 2.15 of the Disclosure Letter contains a complete and accurate list of each Governmental Authorization that is held by any Acquired Company or that otherwise relates to the business of, or to any of the assets owned, leased or used by, any Acquired Company. Each Governmental Authorization listed or required to be listed in Part 2.15 of the Disclosure Letter is valid and in full force and effect. Except as set forth in Part 2.15 of the Disclosure Letter:

(i) each Acquired Company is in material compliance with all of the terms and requirements of each Governmental Authorization identified or required to be identified in Part 2.15 of the Disclosure Letter;

(ii) to the Knowledge of the Acquired Companies no event has occurred or circumstance exists that is reasonably likely to (with or without notice or lapse of time) (A) constitute or result directly or indirectly in a violation of or a failure to comply with any term or requirement of any Governmental Authorization listed or required to be listed in Part 2.15 of the Disclosure Letter, or (B) result directly or indirectly in the revocation, withdrawal,

suspension, cancellation, or termination of, or any modification to, any Governmental Authorization listed or required to be listed in Part 2.15 of the Disclosure Letter;

(iii) no Acquired Company has received any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding (A) any material, actual, alleged, possible, or potential violation of or failure to comply with any term or requirement of any Governmental Authorization, or (B) any material, actual, proposed, possible, or potential revocation, withdrawal, suspension, cancellation, termination of, or modification to any Governmental Authorization; and

(iv) all applications required to have been filed for the renewal of the Governmental Authorizations listed or required to be listed in Part 2.15 of the Disclosure Letter have been duly filed on a timely basis with the appropriate Governmental Bodies, and all other filings required to have been made with respect to such Governmental Authorizations have been duly made on a timely basis with the appropriate Governmental Bodies.

The Governmental Authorizations listed in Part 2.15 of the Disclosure Letter collectively constitute all of the Governmental Authorizations necessary as at the Closing Date to permit each of the Acquired Companies to lawfully conduct and operate its business in the manner it currently conducts and operates such business and to permit the Acquired Companies to own and use their assets in the manner in which they currently own and use such assets.

2.16 LEGAL PROCEEDINGS; ORDERS.

(a) Except as set forth in Part 2.16 of the Disclosure Letter, there is no pending Proceeding:

(i) that has been commenced by or against any Acquired Company; or

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions; or

(iii) relating to the Shares or the Partnership Interests.

To the Knowledge of the Acquired Companies, no such Proceeding has been threatened, and no event has occurred or circumstance exists that is reasonably likely to give rise to or serve as a basis for the commencement of any such Proceeding. Sellers have delivered or will deliver to Buyers copies of all pleadings, correspondence, and other documents relating to each Proceeding listed in Part 2.16 of the Disclosure Letter. The Proceedings listed in Part 2.16 of the Disclosure Letter are not reasonably likely to have a material adverse effect on the business, operations, assets, condition, or prospects of any Acquired Company.

(b) Except as set forth in Part 2.16 of the Disclosure Letter:

(i) there is no Order to which any of the Acquired Companies, or any of the assets owned, leased or used by any of the Acquired Companies is subject;

(ii) no officer, director or, to the Knowledge of the Acquired Companies, no agent, or employee of any Acquired Company is subject to any Order that

prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice relating to the business of any Acquired Company.

(c) Except as set forth in Part 2.16 of the Disclosure Letter:

(i) each Acquired Company is, and at all times has been, in material compliance with all of the terms and requirements of each Order to which it, or any of the assets owned, leased or used by it, is or has been subject;

(ii) to the Knowledge of the Acquired Companies, no event has occurred or circumstance exists that may constitute or result in (with or without notice or lapse of time) a violation of or failure to comply with any term or requirement of any Order to which any Acquired Company, or any of the assets owned, leased or used by any Acquired Company, is subject; and

(iii) no Acquired Company has received at any time any notice or other communication (whether oral or written) from any Governmental Body or any other Person regarding any actual, alleged, possible, or potential violation of, or failure to comply with, any term or requirement of any Order to which any Acquired Company, or any of the assets owned, leased or used by any Acquired Company, is or has been subject.

2.17 ABSENCE OF CERTAIN CHANGES AND EVENTS. Except as set forth in Part 2.17 of the Disclosure Letter, since December 31, 1996 there has not been any:

(a) change in any Acquired Company's authorized or issued capital stock; grant of any stock option or right to purchase shares of capital stock of any Acquired Company; issuance of any security convertible into such capital stock; grant of any registration rights; purchase, redemption, retirement, or other acquisition by any Acquired Company of any shares of any such capital stock; or declaration or payment of any dividend or other distribution or payment in respect of shares of capital stock;

(b) amendment to the Organizational Documents of any Acquired Company;

(c) payment or increase by any Acquired Company of any bonuses, salaries, or other compensation to any Seller, stockholder, director, officer, partner, or (except in the Ordinary Course of Business) employee or entry into any employment, severance, or similar Contract with any director, officer, partner or employee;

(d) discharge or satisfaction of any Encumbrance, or payment of any obligation or liability (fixed or contingent) other than liabilities included in the Balance Sheet and current liabilities incurred since the date of the Balance Sheet in the Ordinary Course of Business;

(e) adoption of, or increase in the payments to or benefits under, any profit sharing, bonus, deferred compensation, savings, insurance, pension, retirement, or other employee benefit plan for or with any employees of any Acquired Company;

(f) damage to or destruction or loss of any asset or property of any Acquired Company, whether or not covered by insurance, materially and adversely affecting the properties, assets, business, financial condition, or prospects of any of the Acquired Companies;

(g) entry into (i) any license, sales representative, joint venture, credit, or similar agreement, or (ii) any Applicable Contract outside the Ordinary Course of Business;

(h) termination of, or receipt of notice of termination of (i) any license, sales representative, joint venture, credit, or similar agreement or (ii) any Applicable Contract or transaction involving a total remaining commitment by any Acquired Company of at least $100,000.00;

(i) sale, lease, or other disposition of any asset of any Acquired Company other than sales of inventory in the Ordinary Course of Business or dispositions of minor items of personal property, the cumulative effect of which is not material to any Acquired Company, or mortgage, pledge, or imposition of any Encumbrance on any material asset of any Acquired Company;

(j) cancellation or waiver of any claims or rights with a value to any Acquired Company in excess of $10,000.00, except for lien releases given in the Ordinary Course of Business;

(k) material change in the accounting methods used by any Acquired Company; or

(l) agreement, whether oral or written, by any Acquired Company to do any of the foregoing.

2.18 CONTRACTS; NO DEFAULTS.

(a) Part 2.18(a) of the Disclosure Letter contains a complete and accurate list, and Sellers have delivered to Buyers true and complete copies, of all Applicable Contracts which have not been fully performed and for which obligations are still outstanding, of:

(i) each Applicable Contract for which work is still to be performed or services or goods are still to be provided that involves performance of services or delivery of goods or materials by any Acquired Company of an amount or value in excess of $50,000;

(ii) each Applicable Contract for which work is still to be performed or services or goods are still to be provided that involves performance of services from a subcontractor in excess of $50,000;

(iii) each Applicable Contract that involves capital expenditures of any Acquired Company in excess of $50,000;

(iv) each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other Applicable Contract affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any real or personal property (except personal property leases and installment and conditional sales agreements having a value per item or aggregate payments of less than $1,000 per month);

(v) each licensing agreement or other Applicable Contract with respect to patents, trademarks, copyrights, or other intellectual property, including agreements with

current or former employees, consultants, or contractors regarding the appropriation or the non-disclosure of any of the Intellectual Property Assets;

(vi) each collective bargaining agreement and other Applicable Contract to or with any labor union or other employee representative of a group of employees relating to wages, hours, and other conditions of employment;

(vii) each joint venture, partnership, and other Applicable Contract (however named) involving a sharing of profits, losses, costs, or liabilities by any Acquired Company with any other Person;

(viii) each Applicable Contract containing covenants that in any way purport to restrict any Acquired Company's business activity or limit the freedom of any Acquired Company to engage in any line of business or to compete with any Person;

(ix) each Applicable Contract providing for payments to or by any Person based on sales, purchases, or profits, other than direct payments for goods;

(x) each power of attorney that is currently effective and outstanding;

(xi) each Applicable Contract entered into other than in the Ordinary Course of Business that contains or provides for an express undertaking by any Acquired Company to be responsible for consequential damages;

(xii) each written warranty, guaranty, and or other similar undertaking with respect to contractual performance extended by any Acquired Company other than in the Ordinary Course of Business; and

(xiii) each amendment, supplement, and modification (whether oral or written) in respect of any of the foregoing.

Part 2.18(a) of the Disclosure Letter sets forth information regarding such Applicable Contracts, including the parties to the Applicable Contracts, the date of such Applicable Contracts and the Acquired Company's office where details relating to the Applicable Contracts are located.

(b) Except as set forth in Part 2.18(b) of the Disclosure Letter:

(i) no Seller or any shareholder of Premier Holding has or may acquire any rights under, and no Seller or any shareholder of Premier Holding has or may become subject to any obligation or liability under, any Applicable Contract that relates to the business of, or any of the assets owned, leased or used by, any Acquired Company; and

(ii) to the Knowledge of the Acquired Companies, no officer, director, agent, employee, consultant, or contractor of any Acquired Company is bound by any Contract that purports to limit the ability of such officer, director, agent, employee, consultant, or contractor to (A) engage in or continue any conduct, activity, or practice relating to the business of any Acquired Company, or (B) assign to any Acquired Company or to any other Person any rights to any invention, improvement, or discovery.

(c) Except as set forth in Part 2.18(c) of the Disclosure Letter:

(i) each Contract identified or required to be identified in Part 2.18(a) of the Disclosure Letter is in full force and effect; and

(ii) to the Knowledge of the Acquired Companies, no Contract identified or required to be identified in Part 2.18(a) of the Disclosure Letter contains any term or requirement that is not customary in the industries in which the Acquired Companies operate.

(d) Except as set forth in Part 2.18(d) of the Disclosure Letter:

(i) each Acquired Company is in material compliance with all applicable terms and requirements of each Applicable Contract under which such Acquired Company has or had any obligation or liability or by which such Acquired Company or any of the assets owned, leased or used by such Acquired Company is or was bound;

(ii) to the Knowledge of the Acquired Companies, each other Person that has or had any obligation or liability under any Contract under which an Acquired Company has or had any rights is in material compliance with all applicable terms and requirements of such Contract;

(iii) to the Knowledge of the Acquired Companies, no event has occurred or circumstance exists that (with or without notice or lapse of time) is reasonably likely to contravene, conflict with, or result in a violation or breach of, or give any Acquired Company or other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, any Applicable Contract; and

(iv) no Acquired Company has given to or received from any other Person any notice or other communication (whether oral or written) regarding any actual, alleged, possible, or potential violation or breach of, or default under, any Contract.

(e) There are no renegotiations of, attempts to renegotiate, or outstanding rights to renegotiate any material amounts paid or payable to any Acquired Company under current or completed contracts with any Person having the contractual or statutory right to demand or require such renegotiation and, to the Knowledge of each Acquired Company and Seller, no such Person has made written demand for such renegotiation.

(f) To the Knowledge of the Acquired Companies, the Contracts relating to the sale, design, manufacture, or provision of products or services by the Acquired Companies have been entered into in the Ordinary Course of Business and have been entered into without the commission of any act alone or in concert with any other Person, or any consideration having been paid or promised, that is or is reasonably likely to be in violation of any Legal Requirement.

2.19 INSURANCE.

(a) The Acquired Companies have delivered or will deliver to Buyers on or before the date hereof:

(i) true and complete copies of all policies of insurance to which any Acquired Company is a party or under which any Acquired Company, or any director of any Acquired Company, is or has been covered at any time within the three (3) years preceding the

date of this Agreement to the extent in the possession of any Acquired Company or Seller or their insurance agent;

(ii) true and complete copies of all pending applications for policies of insurance; and

(iii) any statement by the auditor of any Acquired Company's financial statements with regard to the adequacy of such entity's coverage or of the reserves for claims.

(b) Part 2.19(b) of the Disclosure Letter describes:

(i) any self-insurance arrangement by or affecting any Acquired Company, including any reserves established thereunder;

(ii) any contract or arrangement, other than a policy of insurance for the transfer or sharing of any risk by any Acquired Company; and

(iii) all obligations of the Acquired Companies to provide coverage to third parties (for example, under leases or service agreements) and identifies the policy under which such coverage is provided.

(c) Part 2.19(c) of the Disclosure Letter sets forth, by year, for the current policy year and each of the 3 preceding policy years:

(i) a summary of the loss experience under each policy;

(ii) a statement describing the loss experience for all claims that were self-insured, including the number and aggregate cost of such claims.

(d) Except as set forth on Part 2.19(d) of the Disclosure Letter:

(i) All policies to which any Acquired Company is a party or that provide coverage to any Acquired Company or director or officer thereof:

(A) are valid and outstanding;

(B) are issued by an insurer that to the knowledge of the Acquired Companies is financially sound and reputable;

(C) taken together, provide adequate insurance coverage for the assets and the operations of Acquired Companies for all risks normally experienced by the Acquired Companies according to their historical experience;

(D) are sufficient for compliance with all Legal Requirements and Contracts to which the any Acquired Company is a party or by which any of them is bound; and

(E) will not, by virtue of the Closing of this transaction, fail to continue in full force and effect following the consummation of the Contemplated Transactions.

(ii) No Seller or Acquired Company has received (A) any refusal of coverage or any notice that a defense will be afforded with reservation of rights, or (B) any notice of cancellation or any other indication that any insurance policy is no longer in full force or effect or that the issuer of any policy is not willing or able to perform its obligations thereunder.

(iii) The Acquired Companies have paid all premiums due, and have otherwise performed all of their respective obligations, under each policy to which any Acquired Company is a party or that provides coverage to any Acquired Company or director thereof.

(iv) The Acquired Companies have given notice to the insurer of all claims that may be insured thereby.

2.20 ENVIRONMENTAL AND OCCUPATIONAL SAFETY AND HEALTH MATTERS. Except as set forth in Part 2.20 of the Disclosure Letter:

(a) Each Acquired Company is, and at all times prior to the date hereof has been, in material compliance with, and has not been and is not in violation of any Environmental Law or any Occupational Safety and Health Law. No Acquired Company has any reason to expect, nor has any of them received, any actual or threatened order, notice, or other communication from (i) any Governmental Body or private citizen acting in the public interest, or (ii) the current or prior owner or operator of any Facilities, of any actual or potential violation or failure to comply with any Environmental Law or any Occupational Safety and Health Law, or of any actual or threatened obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities or any other properties or assets (whether real, personal, or mixed) in which any Acquired Company has had an interest, or with respect to any property or Facility at or to which Hazardous Materials were generated, manufactured, refined, transferred, imported, used, or processed by any Acquired Company, or from which Hazardous Materials have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(b) No Acquired Company has any reason to expect, nor has any of them, received, any Order, notice, communication, inquiry, warning, citation, summons or directive that relates to Hazardous Activity, Hazardous Materials, or any alleged, actual, or potential violation or failure to comply with any Environmental Law or any Occupational Safety and Health Law, or of any alleged, actual, or potential obligation to undertake or bear the cost of any Environmental, Health, and Safety Liabilities with respect to any of the Facilities the operations of the Acquired Companies, or any other properties or assets (whether real, personal, or mixed) in which any Acquired Company had an interest, or with respect to any property or facility to which Hazardous Materials generated, manufactured, refined, transferred, imported, used, or processed by any Acquired Company have been transported, treated, stored, handled, transferred, disposed, recycled, or received.

(c) No Acquired Company has any material Environmental, Health, and Safety Liabilities with respect to the Facilities, the operations of the Acquired Companies or, with respect to any other properties and assets (whether real, personal, or mixed) in which any Acquired Company (or any predecessor), has or had an interest, or, to the Knowledge of the Acquired Companies, at any property geologically or hydrologically adjoining the Facilities or any such other property or assets.

(d) Other than materials used by the Acquired Companies in the Ordinary Course of Business, there are no Hazardous Materials present on or in the Environment at the Facilities or, to the Knowledge of the Acquired Companies, at any geologically or hydrologically adjoining property, including any Hazardous Materials contained in barrels, above or underground storage tanks, landfills (authorized or unauthorized), land deposits, dumps, equipment (whether moveable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, swamps, or any other part of the Facilities or such adjoining property, or incorporated into any structure therein or thereon. No Acquired Company has permitted or conducted, and is not aware of, any activity conducted with Hazardous Materials with respect to the Facilities or, to the Knowledge of the Acquired Companies, any other properties or assets (whether real, personal, or mixed) in which the Acquired Companies have or had an interest except in material compliance with all applicable Environmental Laws and Occupational Safety and Health Laws.

(e) There has been no Release or threat of Release by any Acquired Company, or any other Person, of any Hazardous Materials at or from the Facilities or at any other locations where any Hazardous Materials were generated, manufactured, refined, transferred, produced, imported, used, or processed from or by the Facilities, or from or by any other properties and assets (whether real, personal, or mixed) in which any Acquired Company has or had an interest, or, to the Knowledge of the Acquired Companies, from or by any geologically or hydrologically adjoining property except in material compliance with Environmental Laws.

(f) The Sellers and the Acquired Companies have delivered to Buyers true and complete copies and results of any reports, studies, analyses, tests, or monitoring possessed or initiated by Sellers or any Acquired Company pertaining to Hazardous Materials or Hazardous Activities in, on, or under the Facilities, or concerning compliance by any Acquired Company with Environmental Laws.

2.21 EMPLOYEES.

(a) Part 2.21 of the Disclosure Letter contains a complete and accurate list of the following information as of the last day of the payroll period immediately preceding the Closing Date for each salaried employee, director or partner of the Acquired Companies, including each salaried employee on leave of absence or layoff status: employer; name; job title; current compensation paid or payable and any change in compensation since August 31, 1996; vacation accrued; and service credited for purposes of vesting and eligibility to participate under any Acquired Company's pension, retirement, profit-sharing, thrift-savings, deferred compensation, stock bonus, stock option, cash bonus, employee stock ownership (including investment credit or payroll stock ownership), severance pay, insurance, medical, welfare, or vacation plan, or any other Employee Benefit Plan. Except as set forth on Part 2.21, no Acquired Company is a party to any written contracts of employment with any of its employees (other than union employees governed by a collective bargaining agreement) or any oral contracts of employment which are not terminable on the giving of reasonable notice in accordance, and no inducements to accept employment with such Acquired Company were offered to any such employees which have the effect of increasing the period of notice of termination to which any such employee is entitled.

(b) To the Knowledge of the Acquired Companies and Sellers, no current employee or current director or current partner of any Acquired Company is a party to, or is otherwise bound by, any agreement or arrangement that in any way adversely affected, affects, or

will affect (i) the performance of his duties as an employee or director or partner of the Acquired Companies, or (ii) the ability of any Acquired Company to conduct its business. To the Knowledge of the Acquired Companies and Sellers, no director, officer, or other key employee of an Acquired Company intends to terminate his employment with the such Acquired Company.

(c) Part 2.21 of the Disclosure Letter contains a complete and accurate list of the following information for each retired employee or director of the Acquired Companies, or their dependents, receiving benefits or scheduled to receive benefits in the future: name, pension benefit, pension option election, retiree medical insurance coverage, retiree life insurance coverage, and other benefits.

(d) Each Acquired Company has deducted and remitted to the relevant Governmental Authority or entity all income taxes, unemployment insurance contributions, Canada Pension Plan contributions, employer health tax remittances and any taxes or deductions or other amounts which it is required by statute or contract to collect and remit to any Governmental Authority or other entities entitled to receive payment of such deduction. Each Acquired Company has paid to the date of this Agreement all amounts payable on account of salary, bonus payments and commission to or on behalf of any and all employees.

(e) All levies under the Workers' Compensation Act (British Columbia), or under the workers' compensation legislation of any other jurisdiction where any Acquired Company carries on the business, have been paid by such Acquired Company.

(f) Part 2.21 of the Disclosure Letter contains a complete and accurate list of employees in receipt of or who have claimed benefits under any weekly indemnity, long term disability or workers' compensation plan or arrangement or any other form of disability benefit program.

2.22 LABOR DISPUTES; COMPLIANCE. Other than as set forth in Part 2.22 of the Disclosure Letter,

(a) no Acquired Company has been or is a party to any collective bargaining or other labor Contract;

(b) there is no presently pending or existing, and to the Acquired Companies' Knowledge there is not threatened any strike, slowdown, picketing, work stoppage, labor arbitration, unfair labor practice complaint or proceeding in respect of the grievance of any employee, application or complaint filed by an employee or union with the National Labor Relations Board or any comparable Governmental Body, organizational activity, or other labor dispute against or affecting any of the Acquired Companies or their Facilities, and no application for certification of a collective bargaining agent is pending or to Affiliates' and the Acquired Companies' Knowledge is threatened;

(c) except as specified on Part 2.22 of the Disclosure Letter, there are no pending, threatened or anticipated (a) employment discrimination charges or complaints against or involving any Acquired Company before any federal, state, provincial, or local board, department, commission or agency, or (b) unfair labor practice charges or complaints, under any labor relations legislation, disputes or grievances affecting any Acquired Company.

(d) to the Acquired Companies' Knowledge no event has occurred or circumstance exists that is reasonably likely to provide the basis for any work stoppage or other labor dispute;

(e) there is no lockout of any employees by any Acquired Company, and no such action is contemplated by any Acquired Company;

(f) the Acquired Companies have complied in all material respects with all Legal Requirements relating to employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar taxes, occupational safety and health, and plant closing; and

(g) no Acquired Company is liable for the payment of any taxes, fines, penalties, or other amounts, however designated, for failure to comply with any of the foregoing Legal Requirements.

2.23 CERTAIN PAYMENTS. Neither an Acquired Company nor any director, officer, agent, or employee of an Acquired Company, or any other Person acting for or on behalf of an Acquired Company, has directly or indirectly (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services in violation of any Legal Requirement (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, or (iii) to obtain special concessions or for special concessions already obtained, for or in respect of any Acquired Company or any Affiliate of an Acquired Company, or (b) established or maintained any fund or asset that has not been recorded in the books and records of an Acquired Company.

2.24 DISCLOSURE.

(a) The representations and warranties of Sellers and the Acquired Companies in this Agreement together with the Disclosure Letter taken as a whole do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements herein or therein, in light of the circumstances in which they were made, not misleading.

(b) No notice given pursuant to Section 6.5 will contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Agreement, in light of the circumstances in which they were made, not misleading.

2.25 RELATIONSHIPS WITH RELATED PERSONS. Except as set forth in Part 2.25 of the Disclosure Letter, no Seller or any Related Person of Sellers has any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used in or pertaining to the Acquired Companies' businesses. Except as set forth in Part 2.25 of the Disclosure Letter, no Seller or any Related Person of Sellers or of the Acquired Companies' owns of record or as a beneficial owner, an equity interest or any other financial or profit interest in any Person that has (i) had business dealings or a material financial interest in any transaction with an Acquired Company other than business dealings or transactions conducted in the Ordinary Course of Business with an Acquired Company at substantially prevailing market prices and on substantially prevailing market terms, or (ii) engaged in competition with an Acquired Company with respect to any line of the products or services of an Acquired Company (a "Competing Business") in any

market presently served by any Acquired Company except for less than one percent of the outstanding capital stock of any Competing Business that is publicly traded on any recognized exchange or in the over-the-counter market. Except as set forth in Part 2.25 of the Disclosure Letter, no Seller or any Related Person of Sellers is a party to any Contract with, or has any claim or right against, an Acquired Company.

2.26 BROKERS OR FINDERS. The Acquired Companies and their agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

2.27 CANADIAN SECURITIES LAWS. PSA is a private company within the meaning of the Securities Act (British Columbia) and the sale of the Shares and the Partnership Interests by the Sellers to the Purchasers will be made in compliance with all applicable securities legislation.

Each Seller represents and warrants to Buyers, individually as to such Seller and not with respect to any other Seller, that the following statements are, as of the date hereof and will be as of the Closing Date, true and correct:

2.28 OWNERSHIP OF STOCK OR PARTNERSHIP INTEREST. Except as set forth on Part 2.28 of the Disclosure Letter, such Seller owns of record and beneficially the number of Shares and/or the Partnership Interest of the Acquired Companies indicated opposite such Seller's name in Schedule 2.28 hereto, with full right and authority to sell such Shares and/or Partnership Interests hereunder, and upon delivery of such Shares hereunder and assignment of the Partnership Interests, the Buyers will receive good title thereto, free and clear of all liens, mortgages, pledges or security interests or the rights of any third person and not subject to any agreements or understandings among any Persons with respect to the voting or transfer of such Shares or Partnership Interests other than those arising under agreements to which either Buyer is a party.

2.29 EXECUTION, DELIVERY AND ENFORCEABILITY OF AGREEMENT; NO VIOLATION. This Agreement has been duly executed and delivered by or on behalf of the Seller, and at the Closing any other documents required hereunder to be executed and delivered by or on behalf of the Seller will have been duly executed and delivered. This Agreement constitutes the legal, valid and binding obligation of the Seller, enforceable against such Seller in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting creditor's rights generally. Any other agreements required hereunder to be executed and delivered by the Seller at Closing will constitute the legal, valid and binding agreements of the Seller executing the same, enforceable against such Seller in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting creditor's rights generally. Neither the execution of this Agreement nor the consummation of the transactions provided for herein by the Seller will violate, or constitute a default under, or permit the acceleration of maturity of, except to the extent waived, the Seller's Organizational Documents or any indentures, mortgages, promissory notes, contracts or agreements to which such Seller is a party or by which such Seller or such Seller's properties are bound. Upon the execution and delivery by the Seller of this Agreement, and, if applicable, the Employment Agreements, and the Sellers Releases (collectively, the "Seller's Closing Documents") the Seller's Closing Documents will constitute the legal, valid, and binding obligations of such Seller, enforceable against such Seller in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting creditor's rights generally.

2.30 RESIDENCE AND DOMICILE; BANKRUPTCY. The Seller is a resident of, and domiciled in, the state or province indicated on Schedule 2.28 as being the residence of such Seller. No bankruptcy, insolvency or receivership proceedings have been instituted or are pending against such Seller and such Seller is able to satisfy its respective liabilities as they become due.

2.31 NO ORDERS. No Order has been given under any applicable family law legislation nor is there any application pending under any family laws by the spouse of such Seller which would affect the Shares or the Partnership Interests in any manner whatsoever. Such Seller is not subject to any Order that relates to the Shares, the Partnership Interests, or the business of, or any of the assets owned, leased or used by any Acquired Company.

2.32 BROKERS OR FINDERS. Neither the Seller nor any of such Seller's agents have incurred any obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF BUYERS

Buyers represent and warrant to Sellers as follows:

3.1 ORGANIZATION AND GOOD STANDING. Each of the Buyers is a corporation duly organized, validly existing, and in good standing under the laws of its incorporation.

3.2 AUTHORITY; NO CONFLICT.

(a) This Agreement constitutes the legal, valid, and binding obligation of Buyers, enforceable against Buyers in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws affecting creditor's rights generally. Buyers have the absolute and unrestricted right, power, and authority to execute and deliver this Agreement and to perform their obligations under this Agreement.

(b) Neither the execution and delivery of this Agreement by Buyers nor the consummation or performance of any of the Contemplated Transactions by Buyers will give any Person the right to prevent, delay, or otherwise interfere with any of the Contemplated Transactions pursuant to:

(i) any provision of Buyers' Organizational Documents;

(ii) any resolution adopted by the board of directors or the stockholders of Buyers;

(iii) any Legal Requirement or Order to which Buyers may be subject; or

(iv) any Contract to which Buyers are a party or by which Buyers may be bound.

Except as set forth in Schedule 3.2, Buyers are not and will not be required to obtain any Consent from any Person in connection with the execution and delivery of this Agreement or the consummation or performance of any of the Contemplated Transactions.

3.3 INVESTMENT INTENT. Buyers are acquiring the Shares and the Partnership Interests for their own account and not with a view to their distribution within the meaning of Section 2(11) of the Securities Act. Buyers are sophisticated business entities, experienced in the business of the Acquired Companies and are able to evaluate the merits and risks of acquiring the Shares and the Partnership Interests.

3.4 CERTAIN PROCEEDINGS. There is no pending Proceeding that has been commenced against Buyers and that challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the Contemplated Transactions. To Buyers' Knowledge, no such Proceeding has been threatened.

3.5 BROKERS OR FINDERS. Buyers and their officers and agents have incurred no obligation or liability, contingent or otherwise, for brokerage or finders' fees or agents' commissions or other similar payment in connection with this Agreement.

ARTICLE IV
CONDITIONS PRECEDENT TO THE OBLIGATIONS OF BUYERS

Buyers' obligation to purchase the Shares and the Partnership Interests and to take the other actions required to be taken by Buyers at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Buyers, in whole or in part):

4.1 ACCURACY OF REPRESENTATIONS. All of the Sellers' representations and warranties in this Agreement or in any document delivered pursuant hereto (considered collectively), and each of these representations and warranties (considered individually), must have been accurate as of the date of this Agreement, and must be accurate as of the Closing Date as if made on the Closing Date, without giving effect to any supplement to the Disclosure Letter.

4.2 SELLERS' AND THE ACQUIRED COMPANIES' PERFORMANCE.

(a) All of the covenants and obligations that Sellers and the Acquired Companies are required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been duly performed and complied with in all respects.

(b) Each Seller or the Acquired Companies, as the case may be, must have delivered each of the documents required to be delivered by such Seller pursuant to Section 1.4.

4.3 CONSENTS. Each of the Consents required to be obtained from any Person or Governmental Authority to consummate the transactions contemplated by this Agreement must have been obtained and be in full force and effect. All corporate, shareholder, partnership and other action necessary to authorize the execution, delivery and performance of this Agreement by Sellers and the Acquired Companies and the consummation by Sellers and the Acquired Companies of the transactions contemplated by this Agreement shall have been duly and validly

taken and Sellers shall have full right and power to sell the Shares and the Partnership Interests and Sellers shall have full right and power to perform their obligations upon the terms provided in this Agreement.

4.4 COMPLETION OF INVESTIGATIONS, INSPECTIONS AND STUDIES. The Buyers shall have completed, to their sole satisfaction and at their expense, an investigation into the financial condition, financial statements, and business affairs of the Acquired Companies, the condition of the assets and business operations and the obligations, rights and prospects for Buyers' operation of the Acquired Companies after the Closing. If Buyers are not satisfied, for any reason, in their sole discretion, with any matter revealed during its investigation, Buyers shall have the right to terminate this Agreement by giving written notice of such termination to Sellers.

4.5 NO MATERIAL ADVERSE CHANGE. During the period from the date of the Balance Sheet through the Closing Date, there shall not have been any material adverse change in the Ordinary Course of Business, there shall not have been any material loss or damage to the assets of the Acquired Companies, and none of the events described in Section 2.17 of this Agreement shall have occurred.

4.6 ADDITIONAL DOCUMENTS. Sellers must have caused the following documents to be delivered to Buyers:

(a) an opinion of Taylor McCaffrey, dated the Closing Date, in the form reasonably acceptable to Buyers;

(b) certified copy of a resolution of the board of directors and a special resolution of the shareholders of Premier Holding approving the transfer of the Shares to the Buyers and the Contemplated Transactions and a resolution of the board of directors of PSA approving the transfer of the Shares;

(c) certified copies of the Organizational Documents of each of the Acquired Companies and Premier Holding;

(d) statutory declaration of the Canadian Sellers concerning the residence of each of such Canadian Sellers or other reasonable and satisfactory evidence that each such Canadian Seller is at the Closing Date a resident of Canada within the meaning of the Tax Act;

(e) certificate of the Sellers concerning the matters referred to in Sections 4.1 and 4.2 hereof and confirming that all conditions under this Agreement in favor of the Sellers have been either fulfilled or waived;

(f) certificates of incumbency of Premier Holding and each Acquired Company;

(g) share certificates duly endorsed for transfer representing all Shares and Assignments of Partnership Interest for all Partnership Interests;

(h) resignation letters from each of the directors of the Acquired Companies, which resignations shall be effective as of the Closing;

(i) such other documents as Buyers may reasonably request for the purpose of (i) evidencing the accuracy of any of Sellers' and the Acquired Companies' representations and warranties, (ii) evidencing the performance by either Sellers or the Acquired Companies of, or the compliance by each Seller and Acquired Company with, any covenant or obligation required to be performed or complied with by such Seller or Acquired Company, (iii) evidencing the satisfaction of any condition referred to in this Article IV, or (iv) otherwise facilitating the consummation or performance of any of the Contemplated Transactions.

Sellers shall cause the following documents to be delivered to Buyers within a reasonable time (not to exceed 60 days) following the Closing:

(j) certificates of good standing of Premier Holding and each Acquired Company in each jurisdiction in which they are qualified to do business;

(k) a clearance certificate or other similar documentary evidence from the worker's compensation authority in each jurisdiction where any Acquired Company carries on business certifying that there are no outstanding assessments, penalties, fines, levies, charges, surcharges or other amounts due or owing to those authorities;

4.7 NO PROCEEDINGS. Since the date of this Agreement, there must not have been commenced or threatened against either Buyer, any Seller or Acquired Company or against any Person affiliated with either Buyer, any Seller or Acquired Company, any Proceeding (a) involving any challenge to, or seeking damages or other relief in connection with, any of the Contemplated Transactions, or (b) that may have the effect of preventing, delaying, making illegal, or otherwise interfering with any of the Contemplated Transactions.

4.8 NO CLAIM REGARDING STOCK OWNERSHIP OR SALE PROCEEDS. There must not have been made or threatened by any Person any claim asserting that such Person (a) is the holder or the beneficial owner of, or has the right to acquire or to obtain beneficial ownership of, any stock of, or any other voting, equity, or ownership interest in, any of the Acquired Companies, or (b) is entitled to all or any portion of the Purchase Price payable for the Shares or the Partnership Interests.

4.9 NO PROHIBITION. Neither the consummation nor the performance of any of the Contemplated Transactions will, directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause either Buyer or any Person affiliated with either Buyer to suffer any material adverse consequence under, (a) any applicable Legal Requirement or Order, or (b) any Legal Requirement or Order that has been published, introduced, or otherwise proposed by or before any Governmental Body.

4.10 COMPLIANCE WITH LAW. There shall have been obtained any and all Governmental Authorizations which counsel for Buyers may reasonably deem necessary or appropriate so that consummation of the transactions contemplated by this Agreement and the Transaction Agreements will be in compliance with Legal Requirements. There shall have been obtained, from all appropriate Governmental Authorities, such Consents as are required to permit the change of ownership and due registration of the Shares and the Partnership Interests contemplated by this Agreement, including, without limitation, the following:

(a) Investment Canada - The Buyers shall have either received:

(i) a receipt issued under subsection 13(1) of the Investment Canada Act certifying that a complete notice in prescribed form in respect of the acquisition has been received and advising that such acquisition is not reviewable or a notice from the Minister of Industry issued under sections 21, 22 or 23 of the Investment Canada Act, indicating that such Minister is, or is deemed to be, satisfied that the acquisition is likely to be of net benefit to Canada; or

(ii) an opinion of the Minister of Industry issued under subsection 37(2) of the Investment Canada Act indicating that such Minister is of the opinion that the Investment Canada Act is not applicable to the transactions contemplated herein.

4.11 NOTICES. Sellers will give any notices to third parties required by agreements with such third parties or pursuant to Legal Requirements. The parties will have filed with the Federal Trade Commission and the Antitrust Division of the U. S. Department of Justice all filings required by the HSR Act and shall have received a notice from the Federal Trade Commission and the United States Department of Justice that such transaction may proceed.

4.12 ACTIONS SATISFACTORY. The form and substance of all actions, proceedings, instruments and documents required to consummate the transactions contemplated by this Agreement shall have been satisfactory in all reasonable respects to Buyers and their counsel.

4.13 DISCLOSURE LETTER. The Sellers and the Acquired Companies shall have provided Buyers full and complete and final copies of the Disclosure Letter which shall be acceptable to Buyers in their sole discretion.

4.14 EMPLOYMENT AGREEMENTS, COVENANTS NOT TO COMPETE AND RELEASES. Certain of the Sellers and certain other parties shall have entered into the Employment Agreements as required by Section 1.4(a)(iv). The Acquired Companies shall have entered into such employment, confidentiality and noncompetition agreements with such employees of the Acquired Companies as Buyers shall deem necessary in order to assure Buyers that all key employees necessary for the continued operation of the businesses shall remain employees of the Acquired Companies after the Closing upon terms and conditions acceptable to Buyers.

ARTICLE V
CONDITIONS PRECEDENT TO THE OBLIGATIONS OF SELLERS

Sellers' obligation to sell the Shares and the Partnership Interests and to take the other actions required to be taken by Sellers at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by the Sellers, in whole or in part):

5.1 ACCURACY OF REPRESENTATIONS. All of Buyers' representations and warranties in this Agreement (considered collectively), and each of these representations and warranties (considered individually), must have been accurate in all material respects as of the date of this Agreement and must be accurate in all material respects as of the Closing Date as if made on the Closing Date.

5.2 BUYER'S PERFORMANCE.

(a) All of the covenants and obligations that Buyers are required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), must have been performed and complied with in all material respects.

(b) Buyers must have delivered each of the documents required to be delivered by Buyers pursuant to Section 1.4 and must have made the cash payments required to be made by Buyers pursuant to Section 1.4.

5.3 ADDITIONAL DOCUMENTS. Buyers must have delivered to Sellers such other documents as Sellers may reasonably request for the purpose of (i) enabling their counsel to provide the opinion referred to in Section 4.6, (ii) evidencing the accuracy of any representation or warranty of Buyers, (iii) evidencing the performance by Buyers of, or the compliance by Buyers with, any covenant or obligation required to be performed or complied with by Buyers, (iv) evidencing the satisfaction of any condition referred to in this Article 5, or (v) otherwise facilitating the consummation of any of the Contemplated Transactions.

5.4 NO INJUNCTION. There must not be in effect any Legal Requirement or any injunction or other Order that prohibits the sale of the Shares or Partnership Interest by Sellers to Buyers.

5.5 RELEASE OF GUARANTEES. Sellers shall have secured from HongKong Bank of Canada releases of all of Sellers' guarantees made in connection with Sellers' indebtedness incurred through the Ordinary Course of Business.

ARTICLE VI
COVENANTS OF THE SELLERS

6.1 CONDUCT OF BUSINESS PRIOR TO CLOSING. Between the date of this Agreement and the Closing Date, the Acquired Companies will, unless the Acquired Companies obtain the written consent of Buyers (which shall not be unreasonably withheld or delayed):

(a) conduct the business of the Acquired Companies only in the Ordinary Course of Business;

(b) use their Best Efforts to preserve intact the current business organization of the Acquired Companies, keep available the services of the current officers, employees, and agents of the Acquired Companies, and maintain the relations and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with the Acquired Companies;

(c) confer with Buyers concerning operational matters of a material nature;

(d) not make or commit to make any capital expenditure in excess of $10,000.00;

(e) report regularly to Buyers concerning the status of the business, operations, and finances of the Acquired Companies;

(f) continue in force and in good standing all existing insurance maintained by it; and

(g) to comply with all applicable Legal Requirements.

6.2 ACCESS FOR INVESTIGATION. Between the date of this Agreement and the Closing Date, the Sellers, the Acquired Companies and their Representatives will, (a) afford Buyers and their representatives free and full access to the Acquired Companies' management to discuss the Acquired Companies' business operations, assets, liabilities, actual or potential litigation and claims, properties and prospects with the Acquired Companies' employees, agents, accountants, attorneys, customers, suppliers, and other persons having business dealings with the Acquired Companies or knowledge of the issues, (b) afford Buyers and their representatives full and free access to the Acquired Companies properties (including subsurface testing), contracts, books and records, and other documents and data, (c) furnish Buyer and Buyers' advisors and representatives with copies of all such contracts, books and records, and other existing documents and data as Buyers may reasonably request, and (d) furnish Buyers and Buyers' Advisors and representatives with such additional financial, operating, and other data and information as Buyers may reasonably request in the possession or control of any Acquired Company or Seller, or as to which any of the Sellers or the Acquired Companies have Knowledge.

6.3 NEGATIVE COVENANT. Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, the Sellers and the Acquired Companies will not, without the prior consent of Buyer, which shall not be unreasonably withheld or delayed, take any affirmative action, or fail to take any reasonable action within their or its control, as a result of which any of the changes or events listed in Section 2.17 is likely to occur.

6.4 REQUIRED APPROVALS. As promptly as practicable after the date of this Agreement, the Sellers and the Acquired Companies will make all filings required by Legal Requirements to be made by it in order to consummate the Contemplated Transactions (including all filings under the HSR Act). Between the date of this Agreement and the Closing Date, the Sellers and the Acquired Companies will (a) cooperate with Buyers with respect to all filings that Buyers elect to make or is required by Legal Requirements to make in connection with the Contemplated Transactions, and (b) cooperate with Buyer in obtaining all consents identified in Schedule 3.2 (including taking all actions requested by Buyer to cause early termination or any applicable waiting period under the HSR Act).

6.5 NOTIFICATION. Between the date of this Agreement and the Closing Date, each of the Acquired Companies and each Seller will promptly notify Buyers in writing if such Seller or the Acquired Companies becomes aware of any fact or condition that causes or constitutes a Breach of any representations and warranties of the Acquired Companies, and the Sellers as of the date of this Agreement, or if such Seller or an Acquired Company becomes aware of the occurrence after the date of this Agreement of any fact or condition that would (except as expressly contemplated by this Agreement) cause or constitute a Breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. Should any such fact or condition require any change in the Disclosure Letter if the Disclosure Letter were dated the date of the occurrence or discovery of any such fact or condition, the Acquired Companies will promptly deliver to Buyer a supplement to the Disclosure Letter specifying such change. During the same period, the Acquired Companies will promptly notify Buyer of the occurrence of any Breach of any covenant

in this Article VI or of the occurrence of any event that may make the satisfaction of the conditions in Article IV or V impossible or unlikely.

6.6 NO NEGOTIATION. Each of the Sellers and the Acquired Companies will, and will cause each of their Representatives not to, directly or indirectly solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any unsolicited inquiries or proposals from, any Person (other than Buyers) relating to any transaction involving the sale of the business or assets (other than in the Ordinary Course of Business) of the Acquired Companies, or any of the capital stock of the Acquired Companies, or any merger, consolidation, business combination, or similar transaction involving the Acquired Companies.

6.7 BEST EFFORTS. Between the date of this Agreement and the Closing Date, Sellers and the Acquired Companies will use their Best Efforts to cause the conditions in Articles IV and V to be satisfied.

6.8 SUPPLEMENTS TO DISCLOSURE LETTER. Sellers and the Acquired Companies shall have the right, from time to time, on or prior to the Closing, to supplement the material set forth in the Disclosure Letter initially delivered by the Sellers and the Acquired Companies to Buyers. Any references in this Agreement or in any other document entered into in connection with this Agreement to the Disclosure Letter shall be mean the Disclosure Letter as fully amended and supplemented on or prior to the Closing Date.

6.9 PAYMENT OF INDEBTEDNESS BY RELATED PERSONS. Except as expressly provided in this Agreement or as approved by the Buyers, Sellers will cause all indebtedness of any Seller or Related Person of a Seller to an Acquired Company to be paid in full no later than ten (10) days after Closing.

6.10 WITHHOLDING. The Sellers agree with the Buyers that the Buyers shall be entitled to withhold from the Purchase Price payable at the Closing Date or any payments made as part of the Earn-Out payments, to the party whose liability is represented by such withholding, the amount, if any, which Buyers are required to withhold under the Tax Act, the Code or any similar Canadian federal or provincial or United States federal or state tax laws.

6.11 PRIOR TAXATION PERIODS. The Sellers shall jointly and severally indemnify and hold harmless each Acquired Company and the Buyers in respect of liability of each Acquired Company for Taxes relating to all financing periods of the Acquired Companies commencing prior to the Effective Date. If any of the Acquired Companies receives an assessment or reassessment in respect of which the indemnity of the Sellers may extend, the Buyers shall cause the Acquired Company so assessed or reassessed, as soon as practicable after receipt thereof to deliver to the Sellers a copy of such assessment or reassessment and the Buyers shall notify the Sellers of its claim, if any, against the Sellers in accordance with the provisions of Article VIII hereof. The provisions of Article VIII shall apply with regard to the right of the Sellers to contest any assessment or reassessment relating to the Acquired Companies prior to the Effective Date. In its return for the financial period ending on the acquisition of control of PSA by the Buyers, the Buyers shall elect not to have subsection 256(9) of the Tax Act (and other similar provisions under provincial law) apply. The Buyers agree that if, at any time after Closing, there are any assessments or reassessments of the Acquired Companies for Taxes for financing periods prior to the Effective Date or during any Earn-Out Year that have the effect of increasing the Initial Payment or any Earn-Out Payment, the Buyers will immediately notify Premier Holding of such

assessment or reassessment, set out in writing to Premier Holding the calculation of the increase in the Initial Payment or Earn-Out Payment, and pay such amount to Premier Holding immediately thereafter.

ARTICLE VII
COVENANTS OF THE BUYERS

7.1 CONFIDENTIALITY. The Buyers shall keep confidential all confidential technology and any other confidential information (unless readily available from public or published information or sources or required to be disclosed by law) obtained from either the Sellers or any Acquired Company. If this Agreement is terminated without completion of the transactions contemplated herein, then, promptly after such termination, all documents, working papers and other written material obtained by the Buyers from the Sellers or any Acquired Company in connection with this Agreement shall be returned by the Buyer to the Party from whom such materials were obtained.

7.2 APPROVALS OF GOVERNMENTAL BODIES. As promptly as practicable after the date of this Agreement, Buyer will, and will cause each of its Related Persons to, make all filings required by Legal Requirements to be made by them to consummate the Contemplated Transactions (including all filings under the HSR Act). Between the date of this Agreement and the Closing Date, Buyers will, and will cause each Related Person to (a) cooperate with Sellers with respect to all filings that Sellers are required by Legal Requirements to make in connection with the Contemplated Transactions, and (b) cooperate with Sellers in obtaining all consents identified in Part 3.2 of the Disclosure Letter.

7.3 BEST EFFORTS. Between the date of this Agreement and the Closing Date, Buyers will use their Best Efforts to cause the conditions in Article IV and V to be satisfied.

7.4 INVESTMENT CANADA NOTIFICATION. Before or immediately after the execution and delivery of this Agreement, the Buyers shall provide the required notification of the acquisition of control of PSA to Investment Canada under the Investment Canada Act in accordance with the provisions thereof and the regulations thereunder and shall thereafter promptly respond to all enquiries, corrections or other matters which may from time to time be required or requested from the Buyers by Investment Canada.

ARTICLE VIII
INDEMNIFICATION

8.1 SURVIVAL. All representations, warranties, covenants, and obligations in this Agreement, the Disclosure Letter, the supplements to the Disclosure Letter, the certificate delivered pursuant to Section 1.4(a)(vi), and any other certificate or document delivered pursuant to this Agreement will survive the Closing. The right to indemnification, payment of Damages or other remedy based on such representations, warranties, covenants, and obligations will survive for a period of five (5) years from the Closing Date and will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation. The waiver of any condition based on the accuracy of any representation

or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, payment of Damages, or other remedy based on such representations, warranties, covenants, and obligations.

8.2 INDEMNIFICATION BY SELLERS. Sellers, jointly and severally, will indemnify and hold harmless Buyers, the Acquired Companies, and their respective Representatives, stockholders, controlling persons, and affiliates (Buyers and such persons are collectively referred to as the "Buyers' Indemnified Persons") for, and will pay to the Buyers' Indemnified Persons the amount of, any loss, liability, claim, damage (including incidental and consequential damages), expense (including costs of investigation and defense and reasonable attorneys' fees) or diminution of value, whether or not involving a third-party claim (collectively, "Damages"), arising, directly or indirectly, from or in connection with:

(a) any Breach of any representation or warranty made by Sellers in this Agreement, the Disclosure Letter, the supplements to the Disclosure Letter, or any other certificate or document delivered by Sellers pursuant to this Agreement;

(b) any Breach of any representation or warranty made by Sellers in this Agreement as if such representation or warranty were made on and as of the Closing Date, other than any such Breach that is disclosed in a supplement to the Disclosure Letter and is expressly identified in the certificate delivered pursuant to Section 1.4(a)(vi) as having caused the condition specified in Section 4.1 not to be satisfied;

(c) any Breach by any Seller of any covenant or obligation of such Seller in this Agreement;

(d) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such Person with either Sellers or any Acquired Company (or any Person acting on their behalf) in connection with any of the Contemplated Transactions;

(e) notwithstanding anything in this Section 8.2 to the contrary, Sellers shall individually indemnify the Buyers as provided in this Article VIII with respect to any breach of the representations and warranties contained in Sections 2.28 through 2.32. No Seller or Shareholder shall have any liability or obligation for the breach by any other Seller of a representation or warranty in Sections 2.28 through 2.32.

The remedies provided in this Section 8.2 will not be exclusive of or limit any other remedies that may be available to Buyers or the other indemnified persons. Notwithstanding anything contained herein to the contrary, (i) each Seller's liability hereunder shall not exceed the amount of the Purchase Price received by such Seller, net of applicable Tax in respect thereof, and (ii) Sellers will have no obligation to indemnify Buyers' Indemnified Persons from and against any loss resulting from or arising out of a breach of any representation or warranty hereunder until the Buyers' Indemnified Persons' aggregate loss suffered by reason of all such breaches is in excess of $25,000.00 during any Earn-Out Year, in which case the indemnity shall apply to the aggregate loss.

8.3 INDEMNIFICATION BY BUYERS. Buyers will, jointly and severally, indemnify and hold harmless Sellers, and will pay to Sellers the amount of any Damages arising, directly or indirectly, from or in connection with (a) any Breach of any representation or warranty made by

Buyers in this Agreement or in any certificate delivered by Buyers pursuant to this Agreement, (b) any Breach by Buyers of any covenant or obligation of Buyers in this Agreement, or (c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by such Person with Buyers (or any Person acting on its behalf) in connection with any of the Contemplated Transactions.

8.4 NOTICE AND DEFENSE OF THIRD PARTY CLAIMS. If any Proceeding shall be brought or asserted under this Article against an indemnified party or any successor thereto (the "Indemnified Person") in respect of which indemnity may be sought under this Article from an indemnifying person or any successor thereto (the "Indemnifying Person"), the Indemnified Person shall give prompt written notice of such Proceeding to the Indemnifying Person who shall assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Person and the payment of all expenses; provided, that any delay or failure to so notify the Indemnifying Person shall relieve the Indemnifying Person of its obligations hereunder only to the extent, if at all, that it is prejudiced by reason of such delay or failure. In no event shall any Indemnified Person be required to make any expenditure or bring any cause of action to enforce the Indemnifying Person's obligations and liability under and pursuant to the indemnifications set forth in this Article. Premier Holding shall be responsible for and coordinate the response of all Indemnifying Persons under this Section 8.4 and any notice given to or service upon Premier Holding shall be deemed notice to and service upon all Sellers and Shareholders. Each Seller and Shareholder irrevocably consents that notice to or service of process upon Premier Holding shall constitute notice to or service of process upon such Seller or Shareholder. In addition, actual or threatened action by a Governmental Authority or other Person is not a condition or prerequisite to the Indemnifying Person's obligations under this Article. The Indemnified Person shall have the right to employ separate counsel in any of the foregoing Proceedings and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Person unless the Indemnified Person shall in good faith determine that there exist actual or potential conflicts of interest which make representation by the same counsel inappropriate. The Indemnified Person's right to participate in the defense or response to any Proceeding should not be deemed to limit or otherwise modify its rights and obligations under this Article. In the event that the Indemnifying Person, within fifteen (15) days after notice of any such Proceeding, fails to assume the defense thereof, the Indemnified Person shall have the right to undertake the defense, compromise or settlement of such Proceeding for the account of the Indemnifying Persons, subject to the right of the Indemnifying Persons to assume the defense of such Proceeding with counsel reasonably satisfactory to the Indemnified Person at any time prior to the settlement, compromise or final determination thereof. If the Indemnifying Person assumes the defense of any Proceeding, the Indemnified Person shall, reasonably and in good faith, assist and cooperate in the defense thereof. Anything in this Article to the contrary notwithstanding, the Indemnifying Persons shall not, without the Indemnified Person's prior written consent, settle or compromise any Proceeding or consent to the entry of any judgment with respect to any Proceeding for anything other than money damages paid by the Indemnifying Persons. The Indemnifying Persons may, without the Indemnified Person's prior written consent, settle or compromise any such Proceeding or consent to entry of any judgment with respect to any such Proceeding that requires solely the payment of money damages by the Indemnifying Persons and that includes as an unconditional term thereof the release by the claimant or the plaintiff of the Indemnified Person from all liability in respect of such Proceeding. As a condition to asserting any rights under this Article, each of Buyers' Indemnified Persons hereby appoints Franklin, and each of Sellers' Indemnified Persons and each of the Sellers and Shareholders in their capacity of Indemnifying Person appoints Premier Holding as its sole agent for all matters relating to any claim under this Article. Service upon and notice to Premier

Holding shall be deemed service upon and notice to each Seller and Shareholder for purposes of this Article VIII.

8.5 NOTICE OF INDEMNIFICATION DEMAND. If an occurrence or event shall occur which gives rise to an indemnification right hereunder which is not covered by Section 8.4 hereof, the Indemnified Persons shall give notice of a claim for indemnity to the indemnitor and shall give the Indemnifying Person reasonable information regarding the event or circumstance giving rise to the indemnity claim. The Indemnifying Person shall have the right to examine the facts and circumstances and shall, within thirty (30) days of such notice (or such shorter period as may be required by the events or circumstances surrounding the event giving rise to the claim for indemnity), give notice to the Indemnified Persons of how the Indemnifying Person proposes to handle or resolve the claim for indemnity or notice that the Indemnifying Party disputes the indemnity claim. If the Indemnified Persons and the Indemnifying Person cannot resolve, within twenty days of Indemnifying Person's notice to the Indemnified Persons, how the indemnity will be handled or how the event giving rise to the claim of indemnity will be treated, then the Indemnified Persons subject to the other provisions of this Article VIII shall have the right to bring a suit to enforce the indemnity or otherwise to enforce all of their rights under this Agreement.

ARTICLE IX
MISCELLANEOUS

9.1 EXPENSES. Except as otherwise expressly provided in this Agreement, each party to this Agreement will bear its respective expenses incurred in connection with the preparation, execution, and performance of this Agreement and the Contemplated Transactions, including all fees and expenses of agents, representatives, counsel, and accountants. Buyers will be responsible for payment of their own expenses and the Sellers will be responsible for payment of their respective expenses. No expenses of this transaction shall be charged to or be a liability of the Acquired Companies.

9.2 AMENDMENT AND MODIFICATION. This Agreement may be amended, modified, terminated, rescinded or supplemented only by written agreement of the parties hereto.

9.3 WAIVER; CONSENTS. The rights and remedies of the parties to this Agreement are cumulative and not alternative. Any failure of a party to comply with any obligation, covenant, agreement or condition herein may be waived by each party affected thereby only by a written instrument signed by the party granting such waiver. No waiver, or failure to insist upon strict compliance, by any party of any condition or any breach of any obligation, term, covenant, representation, warranty or agreement contained in this Agreement, in any one or more instances, shall be construed to be a waiver of, or estoppel with respect to, any other condition or any other breach of the same or any other obligation, term, covenant, representation, warranty or agreement. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver.

9.4 FURTHER ASSURANCES. The parties hereto agree (i) to furnish upon request to each other such further information, (ii) to execute and deliver to each other such other documents, and (iii) to do such other acts and things, all as another party hereto may at any time reasonably

request, including before, at and after the Closing, for the purpose of carrying out the intent of this Agreement and the documents referred to herein.

9.5 DISCLOSURE LETTER.

(a) The disclosures in the Disclosure Letter, and those in any Supplement thereto, must relate only to the representations and warranties in the Section of the Agreement to which they expressly relate and not to any other representation or warranty in this Agreement.

(b) In the event of any inconsistency between the statements in the body of this Agreement and those in the Disclosure Letter (other than an exception expressly set forth as such in the Disclosure Letter with respect to a specifically identified representation or warranty), the statements in the body of this Agreement will control.

9.6 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when (i) delivered personally, (ii) sent by telecopier (with receipt confirmed), provided that a copy is mailed by registered or certified mail, return receipt requested within two business days after being sent by telecopier, (iii) received by the addressee, if sent by Express Mail, Federal Express or other express delivery service (receipt requested), or (iv) three business days after being sent by registered or certified mail, return receipt requested, in each case to the other party at the following addresses and telecopier numbers (or to such other address or telecopier number for a party as shall be specified by like notice; provided that notices of a change of address or telecopier number shall be effective only upon receipt thereof):

If to Premier Holding:	Premier Holding Company 31212 Peardonville Road Abbotsford, British Columbia V2T 6K8 CANADA
With a copy to:	Taylor McCaffrey 9th Floor, 400 St. Mary Avenue Winnipeg, Manitoba R3C 4K5 CANADA Attn: Doug Steinburg
If to the Partners:	At the address indicated on the signature page
With a copy to:	Premier Holding Company 31212 Peardonville Road Abbotsford, British Columbia V2T 6K8 CANADA Taylor McCaffrey 9th Floor, 400 St. Mary Avenue Winnipeg, Manitoba R3C 4K5 CANADA Attn: Doug Steinburg
If to the Acquired Companies:	2000 Kentucky Street

	Bellingham, Washington 98226 Attn: Jim Gibson
With a copy to:	Taylor McCaffrey 9th Floor, 400 St. Mary Avenue Winnipeg, Manitoba R3C 4K5 CANADA Attn: Doug Steinburg
If to Franklin:	Franklin Quest Co. 2200 West Parkway Boulevard Salt Lake City, Utah 84119 Attn: Val John Christensen
With a copy to:	Kimball, Parr, Waddoups, Brown & Gee 185 South State Street, Suite 1300 Salt Lake City, Utah 84111 Attn: Scott W. Loveless
If to Franklin Canada:	Franklin Quest Co. 2200 West Parkway Boulevard Salt Lake City, Utah 84119 Attn: Val John Christensen
With a copy to:	Miller Thomson 60 Columbia Way, Suite 600 Markham, ON L3R 0C9 Canada Attn: Wayne D. Gray
	Kimball, Parr, Waddoups, Brown & Gee 185 South State Street, Suite 1300 Salt Lake City, Utah 84111 Attn: Scott W. Loveless

9.7 ASSIGNMENT. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties. This Agreement is not intended to and shall not confer upon any person other than the parties any rights or remedies hereunder or with respect hereto.

9.8 GOVERNING LAW. This Agreement shall be governed by the laws of British Columbia (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. This Agreement shall be deemed to have been executed in British Columbia, and shall be interpreted, construed and enforced according to the laws of British Columbia, without giving effect to any conflict of laws provisions, and each party hereby expressly submits themselves to the exclusive, personal jurisdiction of the courts situate in British

Columbia, with respect to any and all claims, demands and/or causes of action asserted or filed by any party in any way relating to, or arising out of, this Agreement or the subject matter hereof.

9.9 JURISDICTION. Any process against Buyers, or any of the Sellers in, or in connection with, any suit, action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement may be served personally or by certified mail at the address of such party set forth in Section 9.6 with the same effect as though served on it or him personally.

9.10 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. ANY SIGNATURE AFFIXED TO THIS DOCUMENT AND RECEIVED IN TELECOPY FORM SHALL BE DEEMED AN ORIGINAL SIGNATURE.

9.11 INTERPRETATION. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. Unless otherwise provided, all references in this Agreement to articles and sections refer to the corresponding articles and sections of this Agreement. All words used herein shall be construed to be of such gender or number as the circumstances require. Unless otherwise specifically noted, the words "herein," "hereof," "hereby," "hereinabove," "hereinbelow," "hereunder," and words of similar import, refer to this Agreement as a whole and not to any particular article, section, subsection, paragraph, clause or other subdivision hereof. Whenever the term "including" or a similar term is used in this Agreement, it shall be read as if it were written "including by way of example only and without in any way limiting the generality of the clause or concept to which reference is made."

9.12 ENTIRE AGREEMENT. This Agreement, including the Exhibits and the documents, instruments and schedules referred to herein and in the Transaction Agreements, embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants, or undertakings other than those expressly set forth or referred to herein and in the Transaction Agreements. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

9.13 ATTORNEYS' FEES. In the event any party hereto institutes a Proceeding against any other party hereto for a claim arising out of or to enforce this Agreement, the losing party shall pay the reasonable attorneys' fees and court costs incurred by the prevailing party in connection with such Proceeding.

9.14 TIME OF ESSENCE. With regard to all time periods set forth or referred to in this Agreement, time is of the essence.

9.15 CONSTRUCTION. The parties have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumptions or burdens of proof shall arise favoring any party by virtue of the authorship of any of the provisions of this Agreement.

9.16 SEVERABILITY. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of

the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of the court of competent jurisdiction declares that a term or provision hereof is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

9.17 NO THIRD-PARTY BENEFICIARIES. This Agreement shall not confer any rights or remedies upon any persons other than the parties and their respective successors or permitted assigns.

9.18 INCORPORATION OF EXHIBITS AND SCHEDULES. The exhibit and Disclosure Schedules identified in this Agreement are incorporated herein by reference and are a part hereof.

9.19 APPOINTMENT OF PREMIER HOLDING AS AGENT OF SELLERS. Each Seller, by his/her/its execution of this Agreement, irrevocably appoints Premier Holding as such Seller's agent and attorney in fact with full power to act for such Seller with respect to all matters concerning this Agreement, including but not limited to, receipt of the Initial Payment and Earn-Out Payments pursuant to Article I on behalf of Sellers, receipt of service of process, amendments to the Agreement, settlement of indemnification issues, resolution of disputes with Buyers and any other matter involving this Agreement. The decision and agreement of Premier Holding shall be binding upon all Sellers.

ARTICLE X
DEFINITIONS

For the purposes of this Agreement, the following terms shall have the meanings specified or referred to below whether or not capitalized when used in this Agreement. Any reference or citation to a law, statute or regulation shall be deemed to include any amendments to that law, statute or regulation and judicial and administrative interpretations of it.

"ACQUIRED COMPANIES"--Premier Agendas, PSA, Premier Graphics and each of their respective Subsidiaries, collectively.

"ACQUIRED COMPANIES' ACCOUNTANTS"--Larson Gross PLLC for Premier Agendas; Katherine Slaa-DeVos for PSA.

"AFFILIATE"--with respect to a specified Person, (a) any entity of which such Person is an executive officer, director, partner, trustee or other fiduciary or is directly or indirectly the beneficial owner of 10% or more of any class of equity security thereof or other financial or voting interest therein; (b) any director, executive officer, partner, trustee or other fiduciary or any direct or indirect beneficial owner of 10% or more of any class of equity security of, or other financial or voting interest in, such entity; or (c) any Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Person specified. For purposes of this definition, "executive officer" means the president, any vice president in charge of a principal business unit, division or function such

as sales, administration, research and development, or finance, and any other officer, employee or other Person who performs a policy making function or has the same duties as those of a president or vice president. For purposes of this definition, "control" (including "controlling," "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. When used without reference to a particular Person, "Affiliate" means an Affiliate of any of the Sellers. Without limiting the foregoing, for the purpose of this Agreement, each of Sellers shall be deemed to be Affiliates of each other.

"ALLOCATION SCHEDULE"--Schedule 1.2(a) describing the allocation of the Purchase Price among Sellers.

"APPLICABLE CONTRACT"--any Contract (a) under which any Acquired Company has any rights, (b) under which any Acquired Company has any obligation or liability, or (c) by which any Acquired Company or any of the assets owned, leased or used by any Acquired Company is bound.

"ANNUAL BUDGET"--as defined in Section 1.8(d).

"BALANCE SHEET"--as defined in Section 2.4.

"BEST EFFORTS"--the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to maximize to the extent reasonably practicable the prospects that a result will occur.

"BREACH"--a "Breach" of a representation, warranty, covenant, obligation, or other provision of this Agreement or any instrument delivered pursuant to this Agreement will be deemed to have occurred if there is or has been (a) any inaccuracy in or breach of, or any failure to perform or comply with, such representation, warranty, covenant, obligation, or other provision, or (b) any claim (by any Person) or other occurrence or circumstance that is or was inconsistent with such representation, warranty, covenant, obligation, or other provision and causes damage to such person, and the term "Breach" means any such inaccuracy, breach, failure, claim, occurrence, or circumstance.

"BUYER'S AUDITORS"--Arthur Andersen LLP, or such other independent public accounts as may be engaged by the Buyers from time to time.

"CLOSING"--as defined in Section 1.3.

"CLOSING DATE"--the date and time as of which the Closing actually takes place.

"COMBINED NET ASSETS"--total assets minus total liabilities as determined on a combined basis, excluding all material intercompany balances, for the Acquired Companies in accordance with US GAAP.

"COMBINED NET INCOME" AND "COMBINED NET LOSS"--the combined net income (loss), excluding all material intercompany transactions, for the Acquired Companies computed in accordance with US GAAP for the relevant period plus (i) the sum of any extraordinary loss and minus (ii) the sum of any extraordinary gain.

"CODE"--the Internal Revenue Code of 1986, as amended, or any successor law, and regulations issued by the IRS pursuant to the Internal Revenue Code or any successor law.

"CONSENT"--any approval, consent, ratification, waiver, or other authorization (including any Governmental Authorization).

"CONTEMPLATED TRANSACTIONS"--all of the transactions contemplated by this Agreement, including:

(a) the sale of the Shares by Premier Holding to Buyers, and the sale of the Partnership Interests by the Partners to Franklin;

(b) the execution, delivery, and performance of the Employment Agreements, the Noncompetition Agreements, the Sellers' Releases, and the Escrow Agreement;

(c) the performance by Buyers and Sellers of their respective covenants and obligations under this Agreement; and

(d) Buyer's acquisition and ownership of the Shares and Partnership Interests and exercise of control over any Acquired Companies.

"CONTRACT"--any agreement, contract, obligation, promise, or undertaking (whether written or oral and whether express or implied) that is legally binding.

"DAMAGES"--as defined in Section 8.2..

"DISCLOSURE LETTER"--the disclosure letter delivered by the Sellers and the Acquired Companies to Buyers prior to the Closing, as the same may be supplemented from time to time, containing the information required by Article II.

"EARN-OUT PAYMENT"--as defined in Section 1.7(a).

"EARN-OUT YEAR"--as defined in Section 1.7(a).

"EFFECTIVE DATE"--March 1, 1997.

"EMPLOYEE BENEFIT PLAN"--with respect to Premier Agendas and Premier Graphics any employee benefit plan within the meaning of Section 3.(3) of ERISA or, with respect to PSA, any employee benefit program, scheme or plan contributed to or funded by premiums paid by PSA or PSA employees, maintained or contributed to by an employee or an Acquired Company or any ERISA Affiliate, other than a Multiemployer Plan.

"EMPLOYMENT AGREEMENTS"--as defined in Section 1.4(a)(iv).

"ENCUMBRANCE"--any charge, claim, community property interest, condition, equitable interest, lien, pledge, security interest, right of first refusal, option or restriction of any kind, including any restriction on use, voting (in the case of any security), transfer, receipt of income, or exercise of any other attribute of ownership.

"ENVIRONMENT"--soil, land surface or subsurface strata, surface waters (including navigable waters and ocean waters), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other natural resource.

"ENVIRONMENTAL, HEALTH, AND SAFETY LIABILITIES"--any cost, damages, expense, liability, obligation, or other responsibility arising from or under the Breach of any Environmental Law, Occupational Safety and Health Law, or any Order, and relating to:

(a) any environmental, health, or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of chemical substances or products);

(b) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands and response, remedial, or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law;

(c) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any cleanup, removal, containment, or other remediation or response actions ("Cleanup") required by applicable Environmental Law or Occupational Safety and Health Law (whether or not such Cleanup has been required or requested by any Governmental Body or any other Person) and for any natural resource damages; or

(d) any other compliance, corrective, or remedial measures required under Environmental Law or Occupational Safety and Health Law.

Where United States jurisdiction is applicable, the terms "removal," "remedial," and "response action" will include the types of activities covered by the United States Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 et seq., as amended ("CERCLA").

"ENVIRONMENTAL LAW"--any Legal Requirement designed:

(a) to advise appropriate authorities, employees, and the public of intended or actual releases of pollutants or hazardous substances or materials, violations or discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) to prevent or acceptably minimize the release of pollutants or hazardous substances or materials into the Environment;

(c) to reduce the quantities, prevent the release, and minimize the hazardous characteristics of wastes that are generated;

(d) to assure that products are designed, formulated, packaged, or used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) to protect resources or species;

(f) to acceptably minimize the risks inherent in transportation of hazardous substances, pollutants, oil, or other potentially harmful substances;

(g) to clean up pollutants that have been released, prevent the threat of release, or pay the costs of such clean up or prevention; or

(h) to make responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or to permit self-appointed representatives of the public interest to recover for injuries done to public assets or the Environment.

"ERISA"--the Employee Retirement Income Security Act of 1974, any successor statue and the rules and regulations thereunder, collectively, as from time to time amended and in effect.

"ERISA AFFILIATE"--any Person which is treated as a single employer with Premier Agendas or Premier Graphics under Section 414 of the Code.

"EXISTING MANAGEMENT"--the existing management of the Acquired Companies consisting of the following individuals:

(i) For PSA:

Name	Title
Hendrik A. Berends	President
Harry Stel	General Manager

(ii) For Premier Agendas:

Name	Title
Hendrik A. Berends	President
David L. Loeppky	General Manager
James S. Gibson	Chief Financial Officer
Barrett J. Berends	National Sales Manager

(iii) For Premier Graphics:

Name	Title
Hendrik A. Berends	President
James S. Gibson	Chief Financial Officer

"FACILITIES"--any real property or leaseholds currently owned or operated by the Acquired Companies and any buildings, plants, structures, or equipment currently owned, leased, or operated by any Acquired Company.

"FAMILY"--as defined in the definition of "Related Person."

"GAAP"--with respect to the financial accounting matters of PSA, generally accepted accounting principles in Canada, consistently applied, and with respect to all other Acquired Companies, generally accepted accounting principals in the United States, consistently applied. GAAP means those accounting principles and practices (a) which are recognized as such by the Financial Accounting Standards Board with respect to US GAAP or the Canadian Institute of

Chartered Accountants with respect to Canadian GAAP, (b) which are applied for all periods in a manner consistent with the manner in which such principles and practices were applied to the most recent audited or reviewed financial statements of the Acquired Company in question furnished to Buyer, and (c) which are consistently applied for all periods so as to reflect properly the financial condition, and results of operations and cash flows, of the Sellers.

"GOVERNMENTAL AUTHORIZATION"--any approval, consent, license, permit, waiver, or other authorization issued, granted, given, or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

"GOVERNMENTAL BODY"--any:

(a) nation, state, province, county, city, town, village, district, or other governmental jurisdiction of any nature;

(b) federal, state, provincial, local, municipal, foreign, or other government;

(c) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal);

(d) multi-national organization or body; or

(e) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory, or taxing authority or power of any nature, whether in the United States, Canada or any other jurisdiction.

"GUARANTEED PENSION PLAN"--any employee pension plan within the meaning of Section 3(2) of ERISA, maintained or contributed to by an Acquired Company or any ERISA Affiliate the benefits of which are guaranteed on termination in full or in part by the Pension Benefit Guaranty Corporation pursuant to Title IV of ERISA, other than a "Multiemployer Plan."

"HAZARDOUS ACT"--the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment, or use (including any withdrawal or other use of groundwater) of Hazardous Materials in, on, under, about, or from the Facilities or any part thereof into the Environment, and any other act, business, operation, or thing that increases the danger, or risk of danger, or poses an unreasonable risk of harm to persons or property on or off the Facilities, or that may affect the value of the Facilities or the Acquired Companies.

"HAZARDOUS MATERIALS"--any substance that is now listed, defined, designated, or classified as, or otherwise determined to be, hazardous, radioactive, or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos containing materials.

"HSR ACT"--the Hart-Scott-Rodino Antitrust Improvements Act of 1976 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"IRS"--the United States Internal Revenue Service or any successor agency, and, to the extent relevant, the United States Department of the Treasury.

"KNOWLEDGE"--an individual will be deemed to have "Knowledge" of a particular fact or other matter if:

(a) such individual is actually aware of such fact or other matter; or

(b) a prudent individual could be expected to discover or otherwise become aware of such fact in carrying out such individual's duties for any Acquired Company.

"KNOWLEDGE OF THE ACQUIRED COMPANIES"--shall mean Knowledge of the following individuals about the affairs of the Company: Hendrik A. Berends, David L. Loeppky, Harry Stel, Barrett J. Berends, and James S. Gibson.

"LEGAL REQUIREMENT"--any federal, state, provincial, local, municipal, foreign, international, multinational, or other constitution, law, ordinance, principle of common law, regulation, statute, or treaty.

"MATERIAL INTEREST"--as defined in the definition of "Related Person."

"MINIMUM PERFORMANCE STANDARD"--the Pre-Tax Net Income amounts set forth in Section 1.7(a) which must be achieved before an Earn-Out Payment will be paid for an Earn-Out Year.

"MULTIEMPLOYER PLAN"--a "multiemployer plan" within the meaning of Section 3(37) of ERISA.

"OCCUPATIONAL SAFETY AND HEALTH LAW"--any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards.

"ORDER"--any award, decision, injunction, judgment, order, directive, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

"ORDINARY COURSE OF BUSINESS"--an action taken by a Person will be deemed to have been taken in the "Ordinary Course of Business" only if such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person and is not excessive in amount or time with similar past actions.

"ORGANIZATIONAL DOCUMENTS"--(a) the articles of incorporation, memorandum and articles and the bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (d) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person; and (e) any amendment to any of the foregoing.

"PARTNERSHIP INTERESTS"--as defined in the Recitals to this Agreement.

"PERSON"--any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, or other entity or Governmental Body.

"PLAN"--as defined in Section 3.14.

"PREMIER AGENDAS SHARES"--as defined in the Recitals to this Agreement.

"PRE-TAX NET INCOME"--the Combined Net Income for the Acquired Companies for the relevant period (provided, however, that depreciation expense will be determined by adjusting the depreciable basis of any assets owned by the Acquired Companies as of the Effective Date to pre-acquisition levels), excluding the following:

(a) gross interest expense and gross interest income for such period;

(b) income tax expense, gross receipts tax, capital tax or tax based on equity for such period;

(c) amortization expense of general intangibles resulting from the purchase of the Acquired Companies for such period;

(d) any abnormal costs for such period, such as special audit or legal fees incurred by virtue of the Acquired Companies having been affiliated with Franklin or Franklin's status as a publicly-held company;

(e) expenses for travel requested by Buyers and expenses or amortization relating to equipment purchased or systems installed at the request of Buyers

As far as is reasonably possible, the amount calculated in accordance with this definition is determined as if the Acquired Companies were not affiliated with Franklin, and excludes any gain or loss resulting from any sale, exchange or other disposition of assets of the Acquired Companies other than in the ordinary course of business. All of the amounts for items (a) through (e) shall be determined in accordance with US GAAP. During the Earn-Out Years, no intercompany transaction between Franklin and its affiliates (other than the Acquired Companies) and the Acquired Companies shall act as to reduce Pre-Tax Net Income of the Acquired Companies unless the transaction has the written consent, with respect to the reduction of Pre-Tax Net Income, of Existing Management or their successors.

"PROCEEDING"--any action, arbitration, audit, hearing, investigation, litigation, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"PSA SHARES"--as defined in the Recitals to this Agreement.

"PURCHASE PRICE"--as defined in Section 1.2.

"RELATED PERSON"--with respect to a particular individual:

(a) each other member of such individual's Family;

(b) any Person that is directly or indirectly controlled by any one or more members of such individual's Family;

(c) any Person in which members of such individual's Family hold (individually or in the aggregate) a Material Interest; and

(d) any Person with respect to which one or more members of such Individual's Family serves as a director, officer, partner, executor, or trustee (or in a similar capacity).

With respect to a specified Person other than an individual:

(a) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person;

(b) any Person that holds a Material Interest in such specified Person;

(c) each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity);

(d) any Person in which such specified Person holds a Material Interest; and

(e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity).

For purposes of this definition, (a) the "Family" of an individual includes (i) the individual, (ii) the individual's spouse, (iii) any other natural person who is related to the individual or the individual's spouse within the first degree, and (iv) any other natural person who resides with such individual, and (b) "Material Interest" means direct or indirect beneficial ownership (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of voting securities or other voting interests representing at least ten percent (10%) of the outstanding voting power of a Person or equity securities or other equity interests representing at least ten percent (10%) of the outstanding equity securities or equity interests in a Person.

"RELEASE"--any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping, or other releasing into the Environment.

"REPRESENTATIVE"--with respect to a particular Person, any director, officer, employee, agent, consultant, advisor, or other representative of such Person, including legal counsel, accountants, and financial advisors.

"SECURITIES ACT"--the Securities Act of 1933 or any successor law, and regulations and rules issued pursuant to that Act or any successor law.

"SELLERS"--as defined in the first paragraph of this Agreement.

"SHARES"--as defined in the Recitals of this Agreement.

"SUBSIDIARIES"--with respect to any Person (the "Owner"), any corporations or other Persons of which securities or other interests having the power to elect a majority of that corporation's or other Person's board of directors or similar governing body, or otherwise having the power to direct the business and policies of that corporation or other Person (other than securities or other interests having such power only upon the happening of a contingency that has

not occurred) are held by the Owner or one or more of its Subsidiaries; when used without reference to a particular Person, "Subsidiary" means a Subsidiary of an Acquired Company.

"TAX"--any tax (including any income tax, capital gains tax, value-added tax, sales tax, property tax, gift tax, or estate tax, federal goods and services tax and social services tax and other federal, provincial or state taxes), levy, assessment, tariff, duty (including any customs duty), deficiency, or other fee, and any related charge or amount (including any fine, penalty, interest, or addition to tax), imposed, assessed, or collected by or under the authority of any Governmental Body.

"TAX ACT"--the Income Tax Act (Canada), as amended from time to time.

"TERMINATION DATE"--as defined in Section 1.3.

"TRANSACTION DATE"--the date on which an event occurs giving rise to an obligation to pay money or the right to receive money in consideration for services rendered or property exchanged or in accordance with the terms of this Agreement.

"US GAAP"--generally accepted United States accounting principles, applied on a basis consistent with the basis on which the Balance Sheet and the other financial statements referred to in Section 2.4 were prepared.

"WARRANTING SHAREHOLDERS"--Hendrik A. Berends, David L. Loeppky, Harry Stel, Barrett J. Berends, Gerrit Kuik, and Wilhelm Gortemaker.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed on its behalf effective as of the date first above written.

"BUYERS"

FRANKLIN QUEST CO.

By: ----------
Val John Christensen
Executive Vice President

FRANKLIN QUEST CANADA, LTD.

By: ----------
Val John Christensen
Vice President

"ACQUIRED COMPANIES"

PREMIER AGENDAS, INC.

By: ----------
Hendrik A. Berends
President

PREMIER SCHOOL AGENDAS LTD.

By: ----------
Hendrik A. Berends
President

PREMIER GRAPHICS L.P.

By: ----------
Hendrik A. Berends, President
of Premier Agendas, Inc., its
General Partner

"SELLERS"

PREMIER HOLDING COMPANY

By: ----------
Hendrik A. Berends
President

- ----------

Stephanie Bareman
Address: 1275 Thalen Drive
Lynden, WA 98264

- ----------

Barrett J. Berends
Address: 936 North Pine Court
Lynden, WA 98264

- ----------

Hendrik A. Berends
Address: 29415 Simpson Road
Matsqui, BC V4X 1H9

- ----------

Joanne Berends
Address: 29415 Simpson Road
Matsqui, BC V4X 1H9

- ----------

Patricia E. Berends
Address: 1209 Guyatt Road East, RR
Binbrook, ON L0R 1C0

- ----------

Janice Berends
Address: 29415 Simpson Road
Matsqui, BC V4X 1H9

- ----------

Heather Berends
Address:

- ----------

- ----------

Katherine Berends
Address:

- ----------

- ----------

Kathleen Kuik
Address: Box 9, Group 14, RR1

- ----------

Grietje Gortemaker
Address: Box 35, Group 606, SS6
Winnipeg, MB R2C 2Z3

- ----------

Wilhelm Gortemaker
Address: Box 35, Group 606, SS6
Winnipeg, MB R2C 2Z3

- ----------

Evertje Kingma
Address: 3705 Lindsay Road
Everson, WA 98247

- ----------

Theodore Kingma
Address: 3705 Lindsay Road
Everson, WA 98247

- ----------

Henry Klos
Address: 596 Bertrand Drive
Lynden, WA 98264

- ----------

Corrie Klos
Address: 596 Bertrand Drive
Lynden, WA 98264

- ----------

Ben Kuik
Address: Box 9, Group 14, RR1
Dugald, MB R2C 3C2

- ----------

Carolyn Kuik
Address: 854 Plessis Road
Winnipeg, MB R2C 3C2

Dugald, MB R0E 0K0

- ----------

Jake Kuik

Address: 854 Plessis Road
Winnipeg, MB R2C 3C2

David L. Loeppky
Address: 711 Briar Road
Bellingham, WA 98225

George Loeppky
Address: 749 Townsend Avenue
Winnipeg, MB R3T 2V5

Lindsay R. Loeppky
Address: 698 St. Anne's Road
Winnipeg, MB R2M 3M6

Muriel O.J. Loeppky
Address: 749 Townsend Avenue
Winnipeg, MB R3T 2V5

Patricia J. Loeppky
Address: 30 Via Lucca, #E120
Irvine, CA 92715

Sharon M. Loeppky
Address: 711 Briar Road
Bellingham, WA 98225

Phil Minderhoud
Address: 3602 Hurst Crescent
Abbotsford, BC V2S 6G8

Verna Mumford
Address: 7334 Everson-Goshen Road
Everson, WA 98247

Henrietta Raap
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Winnipeg, MB R2C 4W6

Franciska Stel
Address: 20434-46A Avenue
Langley, BC V3A 3J8

Harry Stel
Address: 20434-46A Avenue
Langley, BC V3A 3J8

Mary Lee Taylor
Address: 597 West 62nd Avenue
Vancouver, BC V6P 2C8

Lawrence Toet
Address: 4573 Mountainview Rd. N,
RR3
Beamsville, ON L0R 1B3

Marilyn Toet
Address: 4573 Mountainview Rd. N,
RR3
Beamsville, ON L0R 1B3

Audrey Toet

Address: 58 Rizzuto Bay
Winnipeg, MB R2C 4N7

John Toet
Address: 58 Rizzuto Bay
Winnipeg, MB R2C 4N7

- ----------
Davida Tuininga
Address: Box 59
Neerlandia, AB T0J 1R0

- ----------
Anita Vanderveen
Address: Box 1542
Carman, MB R0G 0J0

- ----------
G. Bernice Vreugdenhil
Address: 4938 Hillview Road
Sumas, WA 98295

"SHAREHOLDERS"

Pueri Investments Inc.

By

Its

Crystal Acquisition Inc.

By

Its

H.T.B. & Associates Ltd.

By

Its

HABCO Enterprises Ltd.

By

Its

- ----------
Wilhelm Gortemaker
Address: Box 35, Group 606, SS6

Premier Investment Group, Inc.

By

David L. Loeppky
President

Hendrik A. Berends
Address: 29415 Simpson Road
Matsqui, BC V4X 1H9

Joanne Berends
Address: 29415 Simpson Road
Matsqui, BC V4X 1H9

Grietje Gortemaker
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Carolyn Kuik
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Kathleen Kuik
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Jake Kuik
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John Toet
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Winnipeg, MB R2C 4N7

Davida Tuininga
Address: Box 59
Neerlandia, AB T0J 1R0

- --
Anita Vanderveen
Address: Box 1542
          Carman, MB R0G 0J0

AMENDMENT TO LOAN AGREEMENT

This Amendment to Loan Agreement (the "Amendment") is made and entered into between Zions First National Bank ("Zions"), The First National Bank of Chicago ("FNBC") (assignee of NBD Bank) (Zions and FNBC are hereinafter referred to collectively as "Lenders"), Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996 between Zions, NBD Bank and Agent (herein, in such capacity, "Agent"), and Franklin Quest Co., a Utah corporation ("Borrower").

Recitals

1. Zions, NBD Bank, Agent and Borrower have entered into a Loan Agreement dated October 16, 1996 (the "Loan Agreement").

2. Pursuant to an Assignment Agreement dated as of February 3, 1997, NBD Bank sold and assigned its rights and obligations under the Loan Agreement and related documents, and instruments to FNBC.

3. Zions, FNBC, Agent and Borrower desire to modify and amend the Loan Agreement to increase the amount of the loan to $90,000,000 and to modify the Loan Agreement as provided herein.

Amendment

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Zions, FNBC, Agent and Borrower hereby agree and amend and modify the Loan Agreement as follows:

1. Definitions. Except as otherwise expressly provided herein, terms assigned defined meanings in the Loan Agreement shall have the same defined meanings in this Amendment.

2. FNBC as Assignee of NBD Bank. All references in the Loan Agreement to NBD Bank are amended to refer to FNBC. It is acknowledged and agreed that FNBC has succeeded to all rights, benefits, duties, and obligations of NBD Bank under the Loan Agreement, Promissory Notes, and Intercreditor Agreement.

3. Promissory Notes. Exhibits A and B to the Loan Agreement are deleted and replaced with Exhibits A and B to this Amendment. All references in the Loan Agreement to Exhibits A and B thereto shall refer to Exhibits A and B to this Amendment. All references in the Loan Agreement to the Promissory Notes shall refer to the Amended Promissory Notes attached as Exhibits A and B to this Amendment.

4. Amount of Loan. Section 2.1 Amount of Loan of the Loan Agreement is deleted and replaced with the following:

Section 2.1. Amount of Loan

Upon fulfillment of all conditions precedent set forth in this Loan Agreement, and so long as no Event of Default exists, and no other breach has occurred under this Loan Agreement, Lenders, through Agent, agree to loan Borrower ninety million dollars ($90,000,000.00).

5. Financial Covenants. Section 5.7 Financial Covenants of the Loan Agreement is amended as follows:

a. The first paragraph of Subsection a Consolidated Tangible Net Worth, is deleted and replaced with the following:

Borrower will maintain a consolidated tangible net worth of not less than eighty million dollars ($80,000,000.00) at all times through Borrower's fiscal year ending August 31, 1997, and thereafter not less than such amount plus an annual increase of five million dollars ($5,000,000.00) for each subsequent fiscal year.

b. By adding the following new subsection c:

c. Total Liabilities to Tangible Net Worth. Borrower will maintain a ratio of total liabilities to tangible net worth of not greater than one and twenty-five hundredths to one (1.25:1) on a fiscal quarter basis until Borrower's fiscal year ending August 31, 1998, and a ratio of not greater than one and one-tenth to one (1.1:1) as of the fiscal quarter ending August 31, 1998 and thereafter. Total liabilities are to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lenders. Tangible net, worth means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lenders excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

6. Notices. Section 8.15 Notices is amended by deleting the notice address for NBD Bank and replacing it with:

The First National Bank of Chicago
West Coast Regional Office
777 South Figueroa Street Suite 4001
Los Angeles, CA 90071
Attention: James P. Moore

7. Waiver and Release of Claims. Borrower (i) represents that it has no defenses to or setoffs against any indebtedness or other obligations owing to Lenders or their affiliates (the "Obligations"), nor claims against Lenders or their affiliates for any matter whatsoever, related or unrelated to the Obligations, and (ii) releases Lenders and their affiliates from all claims, causes of action, and costs, in law or equity, existing as of the date of this Amendment to Loan Agreement, which Borrower has or may have by reason of any matter of any conceivable kind or character whatsoever, related or unrelated to the Obligations, including the subject matter of the Loan Agreement. This provision shall not apply to claims for performance or express contractual obligations owing to Borrower by Lenders or their affiliates.

8. Representations and Warranties. Borrower hereby affirms and again makes the representations and warranties set forth in Article 4 Representations and Warranties of the Loan Agreement as of the date of this Amendment.

9. Authorization. Borrower represents and warrants that the execution, delivery, and performance by Borrower of this Amendment, the Amended Promissory Notes, and all agreements, documents, obligations, and transactions herein contemplated have been duly authorized by all necessary corporate action on the part of Borrower and are not inconsistent with Borrower's Articles of Incorporation, By-Laws or any resolution of the Board of Directors of Borrower, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract, or other instrument to which Borrower is a party or by which it is bound, and that upon execution and delivery hereof and thereof, this Amendment and the Amended Promissory Notes will constitute legal, valid, and binding agreements and obligations of Borrower, enforceable in accordance with their respective terms.

10. Payment of Expenses and Attorney's Fees. Borrower shall pay all reasonable expenses of Lender relating to the negotiation, drafting of documents, and documentation of this Amendment, including, without limitation, reasonable attorney's fees and legal expenses. If such expenses are not promptly paid, Lender is authorized and directed, upon execution of this Amendment and fulfillment of all conditions precedent hereunder, to disburse a sufficient amount of the Loan proceeds to pay in full these expenses.

11. Agreement Remains in Full Force and Effect. Except as expressly amended or modified by this Amendment, the Loan Agreement remains in full force and effect.

12. Integrated Agreement: Amendment. This Amendment, together with the Loan Agreement, Amended Promissory Notes, Intercreditor Agreement, and Amendment to Intercreditor Agreement constitute the entire agreements and understandings between the parties and supersede all other prior and contemporaneous agreements and may not be altered or amended except by written agreement signed by the parties. This Amendment and the Loan Agreement shall be read and interpreted together as one agreement. PURSUANT TO UTAH CODE SECTION 25-5-4, BORROWER IS NOTIFIED THAT THESE AGREEMENTS ARE A FINAL EXPRESSION OF THE AGREEMENT BETWEEN LENDER AND BORROWER AND THESE AGREEMENTS MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED ORAL AGREEMENT. All other prior and contemporaneous agreements, arrangements and understandings between the parties hereto as to the subject matter hereof are, except as otherwise expressly provided herein, terminated.

Dated: May 12, 1997

Zions First National Bank

By: /s/ KEITH R. THOMPSON

Keith R. Thompson
Vice President

The First National Bank of Chicago

By: /s/ [SIG]

Title: First Vice President

Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996, between Zions First National Bank, The First Chicago National Bank, and Agent

By: /s/ KEITH R. THOMPSON

Keith R. Thompson
Vice President

Franklin Quest Co.

By: /s/ [SIG]

Title: Chief Financial Officer

EXHIBIT A

PROMISSORY NOTE
(ZIONS FIRST NATIONAL BANK)

AMENDED PROMISSORY NOTE
Revolving Line of Credit

October 16, 1996

Borrower: Franklin Quest Co.

Lender: Zions First National Bank

Agent: Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996 between Zions First National Bank ("Zions"), The First National Bank of Chicago, and Agent, as amended

Amount: $30,000,000.00

Maturity: October 1, 2001

For value received, Borrower promises to pay to the order of Agent, at Zions First National Bank's Commercial Banking Department in Salt Lake City, Utah, the sum of thirty million dollars ($30,000,000.00) or such other principal balance as may be outstanding hereunder in lawful money of the United States with interest thereon calculated and payable as provided herein.

This Promissory Note shall be a revolving line of credit under which Borrower may repeatedly draw and repay funds, so long as no default has occurred hereunder or under the Loan Agreement dated October 16, 1996, between Zions, The First National Bank of Chicago, Agent and Borrower, as amended (the "Loan Agreement") and so long as the aggregate, outstanding principal balance at any time does not exceed the principal amount of this Promissory Note. Disbursements under this Promissory Note shall be made in accordance with the Loan Agreement. Agent shall have no obligation to make any disbursements except to the extent funds have been provided by Zions.

In connection with each request for an advance under this Promissory Note, Borrower shall specify whether the advance shall bear interest based on the Prime Rate or the LIBOR Rate and, if the LIBOR Rate is selected, the applicable Interest Period. The specification made by Borrower may not be changed without consent of Agent. If no specification is made by Borrower, the advance shall bear interest based on the Prime Rate.

Interest on advances based on the Prime Rate shall be calculated and payable as follows:

1. Interest shall be at a variable rate computed on the basis of a three hundred sixty (360) day year as follows:

The Prime Rate Performance Percent (hereinafter defined) per annum below the Prime Rate (hereinafter defined) of Zions from time to time in effect, adjusted as of the date of any change in the Prime Rate. Interest accrued is to be paid monthly commencing November 2, 1996, and on the same day of each month thereafter. All principal and unpaid interest shall be paid in full on October 1, 2001.

2. The Prime Rate Performance Percent shall be determined as follows:

(a) If the ratio determined by the following formula is greater than seven (7), the Prime Rate Performance Percent will be five-tenths (.5). If such ratio is seven (7) or less, the Prime Rate Performance Percent will then be determined in accordance with subsections (b), (c) and (d), below.

Formula:

EBITDA divided by (Total Interest plus CMLTD)

For purposes of this formula, EBITDA means Borrower's earnings before interest, taxes, depreciation, and amortization; Total Interest means all interest paid by Borrower and accrued but unpaid by Borrower; CMLTD means current maturities on long term debt of Borrower; for the most recent four (4) fiscal quarters of Borrower.

Each of the foregoing terms shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements previously submitted to Lender by Borrower.

(b) If the ratio of total liabilities divided by tangible net worth of Borrower is above one (1.0), the Prime Rate Performance Percent will be five-tenths (.5).

(c) If the ratio of total liabilities divided by tangible net worth of Borrower is four-tenths (.4) or greater but not more than one (1.0), the Prime Rate Performance Percent will be seventy-five hundredths (.75).

(d) If the ratio of total liabilities divided by tangible net worth of Borrower is less than four-tenths (.4), the Prime Rate Performance Percent will be one (1.0).

For purposes of subparagraphs (b), (c) and (d), above, total liabilities shall be determined in

accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender. Tangible net worth means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

The Prime Rate Performance Percent shall be determined based upon the most recent Securities and Exchange Commission Form 10Q or 10K of Borrower and be adjusted as of the first day of the month following the month in which Borrower is required to deliver such report to Lender pursuant to the Loan Agreement.

3. Prime Rate means an index which is determined daily by the published commercial loan variable rate index held by any two of the following banks: Chase Manhattan Bank, Wells Fargo Bank N. A., and Bank of America N. T. & S. A. In the event no two of the above banks have the same published rate, the bank having the median rate will establish Zions' Prime Rate. If, for any reason beyond the control of Zions, any of the aforementioned banks becomes unacceptable as a reference for the purpose of determining the Prime Rate used herein, Zions may, five days after posting notice in the Zions' bank offices, substitute another comparable bank for the one determined unacceptable. As used in this paragraph, "comparable bank" shall mean one of the ten largest commercial banks headquartered in the United States of America. This definition of Prime Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the variable interest rate used herein. It is not the lowest rate at which Zions may make loans to any of its customers, either now or in the future.

Interest on advances based on the LIBOR Rate shall be calculated and payable as follows:

1. Interest shall be at a rate computed on the basis of a three hundred sixty (360) day year equal to the LIBOR Rate (hereinafter defined) of Zions for the applicable Interest Period (hereinafter defined) plus the LIBOR

Performance Percent (hereinafter defined). Interest accrued is to be paid monthly commencing November 2, 1996, on the same day of each month thereafter, and on the last day of each applicable Interest Period.

2. The LIBOR Performance Percent shall be determined as follows:

(a) If the ratio determined by the following formula is greater than seven (7), the LIBOR Performance Percent will be one and twenty-five hundredths (1.25). If such ratio is seven (7) or less, the LIBOR Performance Percent will then be determined in accordance with subsections (b), (c) and (d), below.

Formula:

EBITDA divided by (Total Interest plus CMLTD)

For purposes of this formula, EBITDA means Borrower's earnings before interest, taxes, depreciation, and amortization; Total Interest means all interest paid by Borrower and accrued but unpaid by Borrower; CMLTD means current maturities on long term debt of Borrower; for the most recent four (4) fiscal quarters of Borrower.

Each of the foregoing terms shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements previously submitted to Lender by Borrower.

(b) If the ratio of total liabilities divided by tangible net worth of Borrower is above one (1.0), the LIBOR Performance Percent will be one and twenty-five hundredths (1.25).

(c) If the ratio of total liabilities divided by tangible net worth of Borrower is four-tenths (.4) or greater but not more than one (1.0), the LIBOR Performance Percent will be one (1).

(d) If the ratio of total liabilities divided by tangible net worth of Borrower is less than four-tenths (.4), the LIBOR Performance Percent will be seventy-five hundredths (.75).

For purposes of subparagraphs (b), (c) and (d), above, total liabilities shall be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to

Lender. Tangible net worth means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

The LIBOR Performance Percent shall be determined based upon the most recent Securities and Exchange Commission Form 10Q or 10K of Borrower and be adjusted as of the first day of the month following the month in which Borrower is required to deliver such report to Lender pursuant to the Loan Agreement.

3. The LIBOR Rate applicable to any Interest Period means the rate per annum quoted by Zions as its LIBOR Rate. The LIBOR Rate shall be related to quotes for the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, Lasser Marshall Inc., or other comparable services for the applicable Interest Period. This definition of LIBOR Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. The LIBOR Rate of Zions may not necessarily be the same as the quoted London Interbank Offered Rate quoted by any particular institution or service applicable to any Interest Period.

4. Banking Business Day means any day other than a Saturday, Sunday or other day on which commercial banks in the State of Utah are authorized or required to close and a day on which dealings in dollar deposits are also carried on in the London Interbank market and banks are open for business in London.

5. Dollars and the sign "$" mean lawful money of the United States.

6. Interest Period means, with respect to any LIBOR Rate advance, the period commencing on the date such advance is made and ending, as the Borrower may select, on the numerically corresponding day in the first, second, third, sixth, or twelfth calendar month thereafter, except that each such Interest Period that commences on the last Banking Business Day of a calendar month (or an any day for which there is no numerically corresponding

day in the appropriate subsequent calendar month) shall end on the last Banking Business Day of the appropriate subsequent calendar month; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

a. No Interest Period may extend beyond the termination of the Loan Agreement;

b. No Interest Period may extend beyond the aforesaid Maturity Date or such later date to which it is extended; and

c. If an Interest Period would end on a day that is not a Banking Business Day, such Interest Period shall be extended to the next Banking Business Day unless such Banking Business Day would fall in the next calendar month, in which event such interest Period shall end on the immediately preceding Banking Business Day.

7. Notwithstanding any other provision in this Promissory Note, if the adoption of any applicable law, rule, or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency shall make it unlawful or impossible for Lender to maintain or fund advances based on the LIBOR Rate, then upon notice to Borrower by Agent the outstanding principal amount of the advances based on the LIBOR Rate,, together with interest accrued thereon, shall, at the election of Agent, be (1) immediately converted to an advance based on Prime Rate; (2) repaid immediately upon demand of Agent if such change or compliance with such request, in the judgment of Agent, requires immediate repayment; or (3) repaid at the expiration of the last Interest Period to expire before the effective date of any such change or request.

8. Notwithstanding anything to the contrary herein, if Agent determines (which determination shall be conclusive) that:

a. Quotations of interest rates for the relevant deposits referred to in the definition of LIBOR Rate are not being provided in the relevant amounts or for the relative maturities for purposes of determining the LIBOR Rate; or

b. The LIBOR Rate does not accurately cover the cost to Lender of making or maintaining advances based on the LIBOR Rate, then Agent may give notice thereof to Borrower, whereupon until Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, (1) the obligation of Agent to make advances based On the LIBOR Rate shall be suspended; and (2) Borrower shall repay in full the then outstanding principal amount of each advance based on LIBOR Rate together with accrued interest thereon, on the last day of the then current Interest Period applicable to such advance, or, at Borrower's option, convert the advancer, based on LIBOR Rate to advances based on Prime Rate on the last day of the then current Interest Period applicable to such advance.

All principal advances for which interest is based upon LIBOR Rate shall be due and payable in full on the last day of the applicable Interest Period.

As to all advances, whether based on the Prime Rate or the LIBOR Rate:

1. Interest shall accrue from the date of disbursement of the principal amount or portion thereof until paid, both before and after judgment, in accordance with the terms set forth herein.

2. All payments shall be applied first to accrued interest and the remainder, if any, to principal.

3. Notwithstanding anything to the contrary herein, all principal and unpaid interest shall be paid in full on the aforesaid Maturity Date.

4. Upon default in payment of any principal or interest when due, whether due at stated maturity, by acceleration, or otherwise, all outstanding principal shall bear interest at a default rate from. the date when due until paid, both before and after judgment, which default rate shall be three percent (3.0%) per annum above the Prime Rate.

If, at any time prior to the maturity of this Promissory Note, this Promissory Note shall have a zero balance owing, this Promissory Note shall not be deemed satisfied or terminated but shall remain in full force and effect for future draws unless terminated upon other grounds.

Borrower may prepay all or any portion of any advance based upon Prime Rate at any time without penalty. As to any advance based upon LIBOR Rate, Borrower may prepay up to five percent (5%)

of the original principal amount of this Promissory Note annually without a prepayment fee. Any additional prepayment shall be subject to a prepayment fee if the "Original LIBOR Rate" is greater than the "Current LIBOR Rate" on the prepayment date. The prepayment fee shall be an amount equal to the prepaid principal amount multiplied by the product of the "Original LIBOR Rate" less the "Current LIBOR Rate", multiplied by the number of years and fractional portion of a year remaining in the current Interest Period.

"Current LIBOR Rate" means the LIBOR Rate in effect on the date the prepayment is made for the interest period from that prepayment date to the end of the current Interest Period.

"Original LIBOR Rate" means the LIBOR Rate in effect for the current Interest Period.

This Promissory Note is made in accordance with the Loan Agreement.

This Promissory Note modifies and replaces a Promissory Note dated October 16, 1996, executed by Borrower in favor of Zions First National Bank in the original principal amount of twenty-five million dollars ($25,000,000.00).

If default occurs in the payment of any principal or interest when due, or if any Event of Default (as defined in the Loan Agreement) occurs under the Loan Agreement, time being the essence hereof, then the entire unpaid balance, with interest as aforesaid, shall, at the election of the holder hereof and without notice of such election, become immediately due and payable in full.

If this Promissory Note becomes in default or payment is accelerated, Borrower agrees to pay to the holder hereof all collection costs, including reasonable attorney fees and legal expenses, in addition to all other sums due hereunder.

Borrower and all endorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, protest, notice of protest, notice of protest and of non-payment and of dishonor, and consent to extensions of time, renewal, waivers or modifications without notice and further consent to the release of any collateral or any part thereof with or without substitution.

EXHIBIT B

PROMISSORY NOTE
(The First National Bank of Chicago)

AMENDED PROMISSORY NOTE
Revolving Line of Credit

October 16, 1996

Borrower: Franklin Quest Co.

Lender: The First National Bank of Chicago

Agent: Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996 between Zions First National Bank ("Zions"), The First National Bank of Chicago, and Agent, as amended

Amount: $60,000,000.00

Maturity: October 1, 2001

For value received, Borrower promises to pay to the order of Agent, at Zions First National Bank's Commercial Banking Department in Salt Lake City, Utah, the sum of sixty million dollars ($60,000,000.00) or such other principal balance as may be outstanding hereunder in lawful money of the United States with interest thereon calculated and payable as provided herein.

This Promissory Note shall be a revolving line of credit under which Borrower may repeatedly draw and repay funds, so long as no default has occurred hereunder or under the Loan Agreement dated October 16, 1996, between Zions, The First National Bank of Chicago and Borrower, as amended (the "Loan Agreement") and so long as the aggregate, outstanding principal balance at any time does not exceed the principal amount of this Promissory Note. Disbursements under this Promissory Note shall be made in accordance with the Loan Agreement. Agent shall have no obligation to make any disbursements except to the extent funds have been provided by The First National Bank of Chicago.

In connection with each request for an advance under this Promissory Note, Borrower shall specify whether the advance shall bear interest based on the Prime Rate or the LIBOR Rate and, if the LIBOR Rate is selected, the applicable Interest Period., The specification made by Borrower may not be changed without consent of Agent. If no specification is made by Borrower, the advance shall bear interest based on the Prime Rate.

Interest on advances based on the Prime Rate shall be calculated and payable as follows:

1. Interest shall be at a variable rate computed on the basis of a three hundred sixty (360) day year as follows:

The Prime Rate Performance Percent (hereinafter defined) per annum below the Prime Rate (hereinafter defined) of Zions from time to time in effect, adjusted as of the date of any change in the Prime Rate. Interest accrued is to be paid monthly commencing November 2, 1996, and on the same day of each month thereafter. All principal and unpaid interest shall be paid in full on October 1, 2001.

2. The Prime Rate Performance Percent shall be determined as follows:

(a) If the ratio determined by the following formula is greater than seven (7) the Prime Rate Performance Percent will be five-tenths (.5). If such ratio is seven (7) or less, the Prime Rate Performance Percent will then be determined in accordance with subsections (b), (c) and (d), below.

Formula:

EBITDA divided by (Total Interest plus CMLTD)

For purposes of this formula, EBITDA means Borrower's earnings before interest, taxes, depreciation, and amortization; Total Interest means all interest paid by Borrower and accrued but unpaid by Borrower; CMLTD means current maturities on long term debt of Borrower; for the most recent four (4) fiscal quarters of Borrower.

Each of the foregoing terms shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements previously submitted to Lender by Borrower.

(b) If the ratio of total liabilities divided by tangible net worth of Borrower is above one (1.0), the Prime Rate Performance Percent will be five-tenths (.5).

(c) If the ratio of total liabilities divided by tangible net worth of Borrower is four-tenths (.4) or greater but not more than one (1.0), the Prime Rate Performance Percent will be seventy-five hundredths (.75).

(d) If the ratio of total liabilities divided by tangible net worth of Borrower is less than four-tenths (.4), the Prime Rate Performance Percent will be one (1.0).

For purposes of subparagraphs (b) (c) and (d), above, total liabilities shall be determined in

accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender. Tangible net worth means the excess Of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill licenses, patents, trademarks, trade names, copyrights, and franchises.

The Prime Rate Performance Percent shall be determined based upon the most recent Securities and Exchange Commission Form 10Q or 10K of Borrower and be adjusted as of the first day of the month following the month in which Borrower is required to deliver such report to Lender pursuant to the Loan Agreement.

3. Prime Rate means an index which is determined daily by the published commercial loan variable rate index held by any two of the following banks: Chase Manhattan Bank, Wells Fargo Bank K. A., and Bank of America K. T. & S. A. In the event no two of the above banks have the same published rate, the bank having the median rate will establish Zions' Prime Rate. If, for any reason beyond the control of Zions, any of the aforementioned banks becomes unacceptable as a reference for the purpose of determining the Prime Rate used herein, Zions may, five days after posting notice in the Zions' bank offices, substitute another comparable bank for the one determined unacceptable. As used in this paragraph, "comparable bank" shall mean one of the ten largest commercial banks headquartered in the 'United States of America. This definition of Prime Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the variable interest rate used herein. It is not the lowest rate at which Zions may make loans to any of its customers, either now or in the future.

Interest on advances based on the LIBOR Rate shall be calculated and payable as follows:

1. Interest shall be at a rate computed on the basis of a three hundred sixty (360) day year equal to the LIBOR Rate (hereinafter defined) of Zions for the applicable Interest Period (hereinafter defined) plus the LIBOR

Performance Percent (hereinafter defined). Interest accrued is to be paid monthly commencing November 2, 1996, on the same day of each month thereafter, and on the last day of each applicable Interest Period.

2. The LIBOR Performance Percent shall be determined as follows:

(a) If the ratio determined by the following formula is greater than seven (7), the LIBOR Performance Percent will be one and twenty-five hundredths (1.25). If such ratio is seven (7) or less, the LIBOR Performance Percent will then be determined in accordance with subsections (b), (c) and (d), below.

Formula:

EBITDA divided by (Total Interest plus CMLTD)

For purposes of this formula, EBITDA means Borrower's earnings before interest, taxes, depreciation, and amortization; Total Interest means all interest paid by Borrower and accrued but unpaid by Borrower; CMLTD means current maturities on long term debt of Borrower; for the most recent four (4) fiscal quarters of Borrower.

Each of the foregoing terms shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements previously submitted to Lender by Borrower.

(b) If the ratio of total liabilities divided by tangible net worth of Borrower is above one (1.0), the LIBOR Performance Percent will be one and twenty-five hundredths (1.25).

(c) If the ratio of total liabilities divided by tangible net worth of Borrower is four-tenths (.4) or greater but not more than one (1.0), the LIBOR Performance Percent will be one (1).

(d) If the ratio of total liabilities divided by tangible net worth of Borrower is less than four-tenths (.4), the LIBOR Performance Percent will be seventy-five hundredths (.75).

For purposes of subparagraphs, (b) (c) and (d), above, total liabilities shall be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to

Lender. Tangible net worth means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

The LIBOR Performance Percent shall be determined based upon the most recent Securities and Exchange Commission Form 10Q or 10K of Borrower and be adjusted as of the first day of the month following the month in which Borrower is required to deliver such report to Lender pursuant to the Loan Agreement.

3. The LIBOR Rate applicable to any Interest Period means the rate per annum quoted by Zions as its LIBOR Rate. The LIBOR Rate shall be related to quotes for the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, Lasser Marshall Inc., or other comparable services for the applicable Interest Period. This definition of LIBOR Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. The LIBOR Rate of Zions may not necessarily be the same as the quoted London Interbank Offered Rate quoted by any particular institution or service applicable to any Interest Period.

4. Banking Business Day means any day other than a Saturday, Sunday or other day on which commercial banks in the State of Utah are authorized or required to close and a day on which dealings in dollar deposits are also carried on in the London Interbank market and banks are open for business in London.

5. Dollars and the sign "$" mean lawful money of the United States.

6. Interest Period means, with respect to any LIBOR Rate advance, the period commencing on the date such advance is made and ending, as the Borrower may select, on the numerically corresponding day in the first, second, third, sixth, or twelfth calendar month thereafter, except that each such Interest Period that commences on the last Banking Business Day of a calendar month (or on any day for which there is no numerically corresponding

day in the appropriate subsequent calendar month) shall end on the last Banking Business Day of the appropriate subsequent calendar month; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

a. No Interest Period may extend beyond the termination of the Loan Agreement;

b. No Interest Period may extend beyond the aforesaid Maturity Date or such later date to which it is extended; and

c. If an Interest Period would end on a day that is not a Banking Business Day, such Interest Period shall be extended to the next Banking Business Day unless such Banking Business Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Banking Business Day.

7. Notwithstanding any other provision in this Promissory Note, if the adoption of any applicable law, rule, or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency shall make it unlawful or impossible for Lender to maintain or fund advances based on the LIBOR Rate, then upon notice to Borrower by Agent the outstanding principal amount of the advances based on the LIBOR Rate, together with interest accrued thereon, shall, at the election of Agent, be (1) immediately converted to an advance based an Prime Rate; (2) repaid immediately upon demand of Agent if such change or compliance with such request, in the judgment of Agent, requires immediate repayment; or (3) repaid at the expiration of the last Interest Period to expire before the effective date of any such change or request.

8. Notwithstanding anything to the contrary herein, if Agent determines (which determination shall be conclusive) that:

a. Quotations of interest rates for the relevant deposits referred to in the definition of LIBOR Rate are not being provided in the relevant amounts or for the relative maturities for purposes of determining the LIBOR Rate; or

b. The LIBOR Rate does not accurately cover the cost to Lender of making or maintaining advances based on the LIBOR Rate, then Agent may give notice thereof to Borrower, whereupon until Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, (1) the obligation of Agent to make advances based on the LIBOR Rate shall be suspended; and (2) Borrower shall repay in full the then outstanding principal amount of each advance based on LIBOR Rate together with accrued interest thereon, on the last day of the then current Interest Period applicable to such advance, or, at Borrower's option, convert the advances based on LIBOR Rate to advances based on Prime Rate on the last day of the then current Interest Period applicable to such advance.

All principal advances for which interest is based upon LIBOR Rate shall be due and payable in full on the last day of the applicable Interest Period.

As to all advances, whether based on the Prime Rate or the LIBOR Rate:

1. Interest shall accrue from the date of disbursement of the principal amount or portion thereof until paid, both before and after judgment, in accordance with the terms set forth herein.

2. All payments shall be applied first to accrued interest and the remainder, if any, to principal.

3. Notwithstanding anything to the contrary herein, all principal and unpaid interest shall be paid in full on the aforesaid Maturity Date.

4. Upon default in payment of any principal or interest when due, whether due at stated maturity, by acceleration, or otherwise, all outstanding principal shall bear interest at a default rate from the date when due until paid, both before and after judgment, which default rate shall be three percent (3.0%) per annum above the Prime Rate.

If, at any time prior to the maturity of this Promissory Note, this Promissory Note shall have a zero balance owing, this Promissory Note shall not be deemed satisfied or terminated but shall remain in full force and effect for future draws unless terminated upon other grounds.

Borrower may prepay all or any portion of any advance based upon Prime Rate at any time without penalty. As to any advance based upon LIBOR Rate, Borrower may prepay up to five percent (5%)

of the original principal amount of this Promissory Note annually without a prepayment fee. Any additional prepayment shall be subject to a prepayment fee if the "Original LIBOR Rate" is greater than the "Current LIBOR Rate" on the prepayment date. The prepayment fee shall be an amount equal to the prepaid principal amount multiplied by the product of the "Original LIBOR Rate" less the "Current LIBOR Rate" multiplied by the number of years and fractional portion of a year remaining in the current Interest Period.

"Current LIBOR Rate" means the LIBOR Rate in effect on the date the prepayment is made for the interest period from that prepayment date to the end of the current Interest Period.

"Original LIBOR Rate" means the LIBOR Rate in effect for the current Interest Period.

This Promissory Note is made in accordance with the Loan Agreement.

This Promissory Note modifies and replaces a Promissory Note dated October 16, 1996, executed by Borrower in favor of NBD Bank in the original principal amount of twenty-five million dollars ($25,000,000.00).

If default occurs in the payment of any principal or interest when due, or if any Event of Default (as defined in the Loan Agreement) occurs under the Loan Agreement, time being the essence hereof, then the entire unpaid balance, with interest as aforesaid, shall, at the election of the holder hereof and without notice of such election, become immediately due and payable in full.

If this Promissory Note becomes in default or payment is accelerated, Borrower agrees to pay to the holder hereof all collection costs, including reasonable attorney fees and legal expenses, in addition to all other sums due hereunder.

Borrower and all endorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, protest, notice of protest, notice of protest and of non-payment and of dishonor, and consent to extensions of time, renewal, waivers or modifications without notice and further consent to the release of any collateral or any part thereof with or without substitution.

Borrower:

Franklin Quest Co.

By:_____
Title:_____

AMENDED PROMISSORY NOTE
Revolving Line of Credit

October 16, 1996

Borrower: Franklin Quest Co.

Lender: Zions First National Bank

Agent: Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996 between Zions First National Bank ("Zions"), The First National Bank of Chicago, and Agent, as amended

Amount: $30,000,000.00

Maturity: October 1, 2001

For value received, Borrower promises to pay to the order of Agent, at Zions First National Bank's Commercial Banking Department in Salt Lake City, Utah, the sum of thirty million dollars ($30,000,000.00) or such other principal balance as may be outstanding hereunder in lawful money of the United States with interest thereon calculated and payable as provided herein.

This Promissory Note shall be a revolving line of credit under which Borrower may repeatedly draw and repay funds, so long as no default has occurred hereunder or under the Loan Agreement dated October 16, 1996, between Zions, The First National Bank of Chicago, Agent and Borrower, as amended (the "Loan Agreement") and so long as the aggregate, outstanding principal balance at any time does not exceed the principal amount of this Promissory Note. Disbursements under this Promissory Note shall be made in accordance with the Loan Agreement. Agent shall have no obligation to make any disbursements except to the extent funds have been provided by Zions.

In connection with each request for an advance under this Promissory Note, Borrower shall specify whether the advance shall bear interest based on the Prime Rate or the LIBOR Rate and, if the LIBOR Rate is selected, the applicable Interest Period. The specification made by Borrower may not be changed without consent of Agent. If no specification is made by Borrower, the advance shall bear interest based on the Prime Rate.

Interest on advances based on the Prime Rate shall be calculated and payable as follows:

1. Interest shall be at a variable rate computed on the basis of a three hundred sixty (360) day year as follows:

The Prime Rate Performance Percent (hereinafter defined) per annum below the Prime Rate (hereinafter defined) of Zions from time to time in effect, adjusted as of the date of any change in the Prime Rate. Interest accrued is to be paid monthly commencing November 2, 1996, and on the same day of each month thereafter. All principal and unpaid interest shall be paid in full on October 1, 2001.

2. The Prime Rate Performance Percent shall be determined as follows:

(a) If the ratio determined by the following formula is greater than seven (7), the Prime Rate Performance Percent will be five-tenths (.5). If such ratio is seven (7) or less, the Prime Rate Performance Percent will then be determined in accordance with subsections (b), (c) and (d), below.

Formula:

EBITDA divided by (Total Interest plus CMLTD)

For purposes of this formula, EBITDA means Borrower's earnings before interest, taxes, depreciation, and amortization; Total Interest means all interest paid by Borrower and accrued but unpaid by Borrower; CMLTD means current maturities on long term debt of Borrower; for the most recent four (4) fiscal quarters of Borrower.

Each of the foregoing terms shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements previously submitted to Lender by Borrower.

(b) If the ratio of total liabilities divided by tangible net worth of Borrower is above one (1.0), the Prime Rate Performance Percent will be five-tenths (.5).

(c) If the ratio of total liabilities divided by tangible net worth of Borrower is four-tenths (.4) or greater but not more than one (1.0), the Prime Rate Performance Percent will be seventy-five hundredths (.75).

(d) If the ratio of total liabilities divided by tangible net worth of Borrower is less than four-tenths (.4), the Prime Rate Performance Percent will be one (1.0).

For purposes of subparagraphs, (b) (c) and (d) above, total liabilities shall be determined in

accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender. Tangible net worth means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

The Prime Rate Performance Percent shall be determined based upon the most recent Securities and Exchange Commission Form 10Q or 10K of Borrower and be adjusted as of the first day of the month following the month in which Borrower is required to deliver such report to Lender pursuant to the Loan Agreement.

3. Prime Rate means an index which is determined daily by the published commercial loan variable rate index held by any two of the following banks: Chase Manhattan Bank, Wells Fargo Bank N. A., and Bank of America N. T. & S. A. In the event no two of the above banks have the same published rate, the bank having the median rate will establish Zions' Prime Rate. If, for any reason beyond the control of Zions, any of the aforementioned banks becomes unacceptable as a reference for the purpose of determining the Prime Rate used herein, Zions may, five days after posting notice in the Zions' bank offices, substitute another comparable bank for the one determined unacceptable. As used in this paragraph, "comparable bank" shall mean one of the ten largest commercial banks headquartered in the United States of America. This definition of Prime Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the variable interest rate used herein. It is not the lowest rate at which Zions may make loans to any of its customers, either now or in the future.

Interest on advances based on the LIBOR Rate shall be calculated and payable as follows:

1. Interest shall be at a rate computed on the basis of a three hundred sixty (360) day year equal to the LIBOR Rate (hereinafter defined) of Zions for the applicable Interest Period (hereinafter defined) plus the LIBOR

Performance Percent (hereinafter defined). Interest accrued is to be paid monthly commencing November 2, 1996, on the same day of each month thereafter, and on the last day of each applicable Interest Period.

2. The LIBOR Performance Percent shall be determined as follows:

(a) If the ratio determined by the following formula is greater than seven (7), the LIBOR Performance Percent will be one and twenty-five hundredths (1.25). If such ratio is seven (7) or less, the LIBOR Performance Percent will then be determined in accordance with subsections (b), (c) and (d), below.

Formula:

EBITDA divided by (Total Interest plus CMLTD)

For purposes of this formula, EBITDA means Borrower's earnings before interest, taxes, depreciation, and amortization; Total Interest means all interest paid by Borrower and accrued but unpaid by Borrower; CMLTD means current maturities on long term debt of Borrower; for the most recent four (4) fiscal quarters of Borrower.

Each of the foregoing terms shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements previously submitted to Lender by Borrower.

(b) If the ratio of total liabilities divided by tangible net worth of Borrower is above one (1.0), the LIBOR Performance Percent will be one and twenty-five hundredths (1.25).

(c) If the ratio of total liabilities divided by tangible net worth of Borrower is four-tenths (.4) or greater but not more than one (1.0), the LIBOR Performance Percent will be one (1).

(d) If the ratio of total liabilities divided by tangible net worth of Borrower is less than four-tenths (.4), the LIBOR Performance Percent will be seventy-five hundredths (.75).

For purposes of subparagraphs (b), (c) and (d), above, total liabilities shall be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to

Lender. Tangible net worth means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

The LIBOR Performance Percent shall be determined based upon the most recent Securities and Exchange Commission Form 10Q or 10K of Borrower and be adjusted as of the first day of the month following the month in which Borrower is required to deliver such report to Lender pursuant to the Loan Agreement.

3. The LIBOR Rate applicable to any Interest Period means the rate per annum quoted by Zions as its LIBOR Rate. The LIBOR Rate shall be related to quotes for the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, Lasser Marshall Inc., or other comparable services for the applicable Interest Period. This definition of LIBOR Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. The LIBOR Rate of Zions may not necessarily be the same as the quoted London Interbank Offered Rate quoted by any particular institution or service applicable to any Interest Period.

4. Banking Business Day means any day other than a Saturday, Sunday or other day on which commercial banks in the State of Utah are authorized or required to close and a day on which dealings in dollar deposits are also carried on in the London Interbank market and banks are open for business in London.

5. Dollars and the sign "$" mean lawful money of the United States.

6. Interest Period means, with respect to any LIBOR Rate advance, the period commencing on the date such advance is made and ending, as the Borrower may select, on the numerically corresponding day in the first, second, third, sixth, or twelfth calendar month thereafter, except that each such Interest Period that commences on the last Banking Business Day of a calendar month (or on any day for which there is no numerically corresponding

day in the appropriate subsequent calendar month) shall end on the last Banking Business Day of the appropriate subsequent calendar month; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

a. No Interest Period may extend beyond the termination of the Loan Agreement;

b. No Interest Period may extend beyond the aforesaid Maturity Date or such later date to which it is extended; and

c. If an Interest Period would end on a day that is not a Banking Business Day, such Interest Period shall be extended to the next Banking Business Day unless such Banking Business Day would fall in the next calendar month, in which event such Interest Period shall end on the immediately preceding Banking Business Day.

7. Notwithstanding any other provision in this Promissory Note, if the adoption of any applicable law, rule, or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency shall make it unlawful or impossible for Lender to maintain or fund advances based on the LIBOR Rate, then upon notice to Borrower by Agent the outstanding principal amount of the advances based on the LIBOR Rate, together with interest accrued thereon, shall, at the election of Agent, be (1) immediately converted to an advance based on Prime Rate; (2) repaid immediately upon demand of Agent if such change or compliance with such request, in the judgment of Agent, requires immediate repayment; or (3) repaid at the expiration of the last Interest Period to expire before the effective date of any such change or request.

8. Notwithstanding anything to the contrary herein, if Agent determines (which determination shall be conclusive) that:

a. Quotations of interest rates for the relevant deposits referred to in the definition of LIBOR Rate are not being provided in the relevant amounts or for the relative maturities for purposes of determining the LIBOR Rate; or

b. The LIBOR Rate does not accurately cover the cost to Lender of making or maintaining advances based on the LIBOR Rate, then Agent may give notice thereof to Borrower, whereupon until Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, (1) the obligation of Agent to make advances based on the LIBOR Rate shall be suspended; and (2) Borrower shall repay in full the then outstanding principal amount of each advance based on LIBOR Rate together with accrued interest thereon, on the last day of the then current Interest Period applicable to such advance, or, at Borrower's option, convert the advances based on LIBOR Rate to advances based on Prime Rate on the last day of the then current Interest Period applicable to such advance.

All principal advances for which interest is based upon LIBOR Rate shall be due and payable in full on the last day of the applicable Interest Period.

As to all advances, whether based on the Prime Rate or the LIBOR Rate:

1. Interest shall accrue from the date of disbursement of the principal amount or portion thereof until paid, both before and after judgment, in accordance with the terms set forth herein.

2. All payments shall be applied first to accrued interest and the remainder, if any, to principal.

3. Notwithstanding anything to the contrary herein, all principal and unpaid interest shall be paid in full on the aforesaid Maturity Date.

4. Upon default in payment of any principal or interest when due, whether due at stated maturity, by acceleration, or otherwise, all outstanding principal shall bear interest at a default rate from the date when due until paid, both before and after judgment, which default rate shall be three percent (3.0%) per annum above the Prime Rate.

If, at any time prior to the maturity of this Promissory Note, this Promissory Note shall have a zero balance owing, this Promissory Note shall not be deemed satisfied or terminated but shall remain in full force and effect for future draws unless terminated upon other grounds.

Borrower may prepay all or any portion of any advance based upon Prime Rate at any time without penalty. As to any advance based upon LIBOR Rate, Borrower may prepay up to five percent (5%)

of the original principal amount of this Promissory Note annually without a prepayment fee. Any additional prepayment shall be subject to a prepayment fee if the "Original LIBOR Rate" is greater than the "Current LIBOR Rate" on the prepayment date. The prepayment fee shall be an amount equal to the prepaid principal amount multiplied by the product of the "Original LIBOR Rate" less the "Current LIBOR Rate" multiplied by the number of years and fractional portion of a year remaining in the current Interest Period.

"Current LIBOR Rate" means the LIBOR Rate in effect on the date the prepayment is made for the interest period from that prepayment date to the end of the current Interest Period.

"Original LIBOR Rate" means the LIBOR Rate in effect for the current Interest Period.

This Promissory Note is made in accordance with the Loan Agreement.

This Promissory Note modifies and replaces a Promissory Note dated October 16, 1996, executed by Borrower in favor of Zions First National Bank in the original principal amount of twenty-five million dollars ($25,000,000.00).

If default occurs in the payment of any principal or interest when due, or if any Event of Default (as defined in the Loan Agreement) occurs under the Loan Agreement, time being the essence hereof, then the entire unpaid balance, with interest as aforesaid, shall, at the election of the holder hereof and without notice of such election, become immediately due and payable in full.

If this Promissory Note becomes in default or payment is accelerated, Borrower agrees to pay to the holder hereof all collection costs, including reasonable attorney fees and legal expenses, in addition to all other sums due hereunder.

Borrower and all endorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, protest, notice of protest, notice of protest and of non-payment and of dishonor, and consent to extensions of time, renewal, waivers or modifications without notice and further consent to the release of any collateral or any part thereof with or without substitution.

Borrower:

Franklin Quest Co.

By: /s/ [SIG]

Title: Chief Financial Officer

AMENDED PROMISSORY NOTE
Revolving Line of Credit

October 16, 1996

Borrower: Franklin Quest Co.

Lender: The First National Bank of Chicago

Agent: Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996 between Zions First National Bank ("Zions"), The First National Bank of Chicago, and Agent, as amended

Amount: $60,000,000.00

Maturity: October 1, 2001

For value received, Borrower promises to pay to the order of Agent, at Zions First National Bank's Commercial Banking Department in Salt Lake City, Utah, the sum of sixty million dollars ($60,000,000.00) or such other principal balance as may be outstanding hereunder in lawful money of the United States with interest thereon calculated and payable as provided herein.

This Promissory Note shall be a revolving line of credit under which Borrower may repeatedly draw and repay funds, so long as no default has occurred hereunder or under the Loan Agreement dated October 16, 1996, between Zions, The First National Bank of Chicago and Borrower, as amended (the "Loan Agreement") and so long as the aggregate, outstanding principal balance at any time does not exceed the principal amount of this Promissory Note. Disbursements under this Promissory Note shall be made in accordance with the Loan Agreement. Agent shall have no obligation to make any disbursements except to the extent funds have been provided by The First National Bank of Chicago.

In connection with each request for an advance under this Promissory Note, Borrower shall specify whether the advance shall bear interest based on the Prime Rate or the LIBOR Rate and, if the LIBOR Rate is selected, the applicable Interest Period. The specification made by Borrower may not be changed without consent of Agent. If no specification is made by Borrower, the advance shall bear interest based on the Prime Rate.

Interest on advances based on the Prime Rate shall be calculated and payable as follows:

1. Interest shall be at a variable rate computed on the basis of a three hundred sixty (360) day year as follows:

The Prime Rate Performance Percent (hereinafter defined) per annum below the Prime Rate (hereinafter defined) of Zions from time to time in effect, adjusted as of the date of any change in the Prime Rate. Interest accrued is to be paid monthly commencing November 2, 1996, and on the same day of each month thereafter. All principal and unpaid interest shall be paid in full on October 1, 2001.

2. The Prime Rate Performance Percent shall be determined as follows:

(a) If the ratio determined by the following formula is greater than seven (7), the Prime Rate Performance Percent will be five-tenths (.5). If such ratio is seven (7) or less, the Prime Rate Performance Percent will then be determined in accordance with subsections (b), (c) and (d), below.

Formula:

EBITDA divided by (Total Interest plus CMLTD)

For purposes of this formula, EBITDA means Borrower's earnings before interest, taxes, depreciation, and amortization; Total Interest means all interest paid by Borrower and accrued but unpaid by Borrower; CMLTD means current maturities on long term debt of Borrower; for the most recent four (4) fiscal quarters of Borrower.

Each of the foregoing terms shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements previously submitted to Lender by Borrower.

(b) If the ratio of total liabilities divided by tangible net worth of Borrower is above one (1.0), the Prime Rate Performance Percent will be five-tenths (.5).

(c) If the ratio of total liabilities divided by tangible net worth of Borrower is four-tenths (.4) or greater but not more than one (1.0), the Prime Rate Performance Percent will be seventy-five hundredths (.75).

(d) If the ratio of total liabilities divided by tangible net worth of Borrower is less than four-tenths (.4), the Prime Rate Performance Percent will be one (1.0).

For purposes of subparagraphs (b), (c) and (d) above, total liabilities shall be determined in

accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender. Tangible net worth means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

The Prime Rate Performance Percent shall be determined based upon the most recent Securities and Exchange Commission Form 10Q or 10K of Borrower and be adjusted as of the first day of the month following the month in which Borrower is required to deliver such report to Lender pursuant to the Loan Agreement.

3. Prime Rate means an index which is determined daily by the published commercial loan variable rate index held by any two of the following banks: Chase Manhattan Bank, Wells Fargo Bank N. A., and Bank of America N. T. & S. A. In the event no two of the above banks have the same published rate, the bank having the median rate will establish Zions' Prime Rate. If, for any reason beyond the control of Zions, any of the aforementioned banks becomes unacceptable as a reference for the purpose of determining the Prime Rate used herein, Zions may, five days after posting notice in the Zions' bank offices, substitute another comparable bank for the one determined unacceptable. As used in this paragraph, "comparable bank" shall mean one of the ten largest commercial banks headquartered in the United States of America. This definition of Prime Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the variable interest rate used herein. It is not the lowest rate at which Zions may make loans to any of its customers, either now or in the future.

Interest on advances based on the LIBOR Rate shall be calculated and payable as follows:

1. Interest shall be at a rate computed on the basis of a three hundred sixty (360) day year equal to the LIBOR Rate (hereinafter defined) of Zions for the applicable Interest Period (hereinafter defined) plus the LIBOR

Performance Percent (hereinafter defined). Interest accrued is to be paid monthly commencing November 2, 1996, on the same day of each month thereafter, and on the last day of each applicable Interest Period.

2. The LIBOR Performance Percent shall be determined as follows:

(a) If the ratio determined by the following formula is greater than seven (7), the LIBOR Performance Percent will be one and twenty-five hundredths (1.25). If such ratio is seven (7) or less, the LIBOR Performance Percent will then be determined in accordance with subsections (b), (c) and (d), below.

Formula:

EBITDA divided by (Total Interest plus CMLTD)

For purposes of this formula, EBITDA means Borrower's earnings before interest, taxes, depreciation, and amortization; Total Interest means all interest paid by Borrower and accrued but unpaid by Borrower; CMLTD means current maturities on long term debt of Borrower; for the most recent four (4) fiscal quarters of Borrower.

Each of the foregoing terms shall have the meanings used in accordance with generally accepted accounting principles consistent with those used in preparation of the financial statements previously submitted to Lender by Borrower.

(b) If the ratio of total liabilities divided by tangible net worth of Borrower is above one (1.0), the LIBOR Performance Percent will be one and twenty-five hundredths (1.25).

(c) If the ratio of total liabilities divided by tangible net worth of Borrower is four-tenths (.4) or greater but not more than one (1.0), the LIBOR Performance Percent will be one (1).

(d) If the ratio of total liabilities divided by tangible net worth of Borrower is less than four-tenths (.4), the LIBOR Performance Percent will be seventy-five hundredths (.75).

For purposes of subparagraphs (b), (c) and (d), above, total liabilities shall be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to

Lender. Tangible net worth means the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements previously submitted by Borrower to Lender, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

The LIBOR Performance Percent shall be determined based upon the most recent Securities and Exchange Commission Form 10Q or 10K of Borrower and be adjusted as of the first day of the month following the month in which Borrower is required to deliver such report to Lender pursuant to the Loan Agreement.

3. The LIBOR Rate applicable to any Interest Period means the rate per annum quoted by Zions as its LIBOR Rate. The LIBOR Rate shall be related to quotes for the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates, Lasser Marshall Inc., or other comparable services for the applicable Interest Period. This definition of LIBOR Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. The LIBOR Rate of Zions may not necessarily be the same as the quoted London Interbank Offered Rate quoted by any particular institution or service applicable to any Interest Period.

4. Banking Business Day means any day other than a Saturday, Sunday or other day on which commercial banks in the State of Utah are authorized or required to close and a day on which dealings in dollar deposits are also carried on in the London Interbank market and banks are open for business in London.

5. Dollars and the sign "$" mean lawful money of the United States.

6. Interest Period means, with respect to any LIBOR Rate advance, the period commencing on the date such advance is made and ending, as the Borrower may select, on the numerically corresponding day in the first, second, third, sixth, or twelfth calendar month thereafter, except that each such Interest Period that commences on the last Banking Business Day of a calendar month (or on any day for which there is no numerically corresponding

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b. The LIBOR Rate does not accurately cover the cost to Lender of making or maintaining advances based on the LIBOR Rate, then Agent may give notice thereof to Borrower, whereupon until Agent notifies Borrower that the circumstances giving rise to such suspension no longer exist, (1) the obligation of Agent to make advances based on the LIBOR Rate shall be suspended; and (2) Borrower shall repay in full the then outstanding principal amount of each advance based on LIBOR Rate together with accrued interest thereon, on the last day of the then current Interest Period applicable to such advance, or, at Borrower's option, convert the advances based on LIBOR Rate to advances based on Prime Rate on the last day of the then current Interest Period applicable to such advance.

All principal advances for which interest is based upon LIBOR Rate shall be due and payable in full on the last day of the applicable Interest Period.

As to all advances, whether based on the Prime Rate or the LIBOR Rate:

1. Interest shall accrue from the date of disbursement of the principal amount or portion thereof until paid, both before and after judgment, in accordance with the terms set forth herein.

2. All payments shall be applied first to accrued interest and the remainder, if any, to principal.

3. Notwithstanding anything to the contrary herein, all principal and unpaid interest shall be paid in full on the aforesaid Maturity Date.

4. Upon default in payment of any principal or interest when due, whether due at stated maturity, by acceleration, or otherwise, all outstanding principal shall bear interest at a default rate from the date when due until paid, both before and after judgment, which default rate shall be three percent (3.0%) per annum above the Prime Rate.

If, at any time prior to the maturity of this Promissory Note, this Promissory Note shall have a zero balance owing, this Promissory Note shall not be deemed satisfied or terminated but shall remain in full force and effect for future draws unless terminated upon other grounds.

Borrower may prepay all or any portion of any advance based upon Prime Rate at any time without penalty. As to any advance based upon LIBOR Rate, Borrower may prepay up to five percent (5%)

of the original principal amount of this Promissory Note annually without a prepayment fee. Any additional prepayment shall be subject to a prepayment fee if the "Original LIBOR Rate" is greater than the "Current LIBOR Rate" on the prepayment date. The prepayment fee shall be an amount equal to the prepaid principal amount multiplied by the product of the "Original LIBOR Rate" less the "Current LIBOR Rate" multiplied by the number of years and fractional portion of a year remaining in the current Interest Period.

"Current LIBOR Rate" means the LIBOR Rate in effect on the date the prepayment is made for the interest period from that prepayment date to the end of the current Interest Period.

"Original. LIBOR Rate" means the LIBOR Rate in effect for the current Interest Period.

This Promissory Note is made in accordance with the Loan Agreement.

This Promissory Note modifies and replaces a Promissory Note dated October 16, 1996, executed by Borrower in favor of NBD Bank in the original principal amount of twenty-five million dollars ($25,000,000.00).

If default occurs in the payment of any principal or interest when due, or if any Event of Default (as defined in the Loan Agreement) occurs under the Loan Agreement, time being the essence hereof, then the entire unpaid balance, with interest as aforesaid, shall, at the election of the holder hereof and without notice of such election, become immediately due and payable in full.

If this Promissory Note becomes in default or payment is accelerated, Borrower agrees to pay to the holder hereof all collection costs, including reasonable attorney fees and legal expenses, in addition to all other sums due hereunder.

Borrower and all endorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, protest, notice of protest, notice of protest and of non-payment and of dishonor, and consent to extensions of time, renewal, waivers or modifications without notice and further consent to the release of any collateral or any part thereof with or without substitution.

Borrower:

Franklin Quest Co.

By: /s/ [SIG]

Title: Chief Financial Officer

RECEIPT FOR AMENDED PROMISSORY NOTE
(Zions First National Bank)

Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996, between Zions First National Bank, The First National Bank of Chicago, and Agent, as amended, acknowledges receipt of an Amended Promissory Note dated October 16, 1996 executed by Franklin Quest Co. in favor of Zions First National Bank in the original principal amount of thirty million dollars ($30,000,000.00).

Dated: May 12, 1997.

ZIONS FIRST NATIONAL BANK, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996, between Zions First National Bank, The First National Bank of Chicago, and Agent, as amended

By: /s/ KEITH R. THOMPSON

Title: Vice President

RECEIPT FOR AMENDED PROMISSORY NOTE
(The First National Bank of Chicago)

Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996, between Zions First National Bank, The First National Bank of Chicago, and Agent, as amended, acknowledges receipt of an Amended Promissory Note dated October 16, 1996 executed by Franklin Quest Co. in favor of The First National Bank of Chicago in the original principal amount of sixty million dollars ($60,000,000.00).

Dated: May 12, 1997.

ZIONS FIRST NATIONAL BANK, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996, between Zions First National Bank, The First National Bank of Chicago, and Agent, as amended

By: /s/ KEITH R. THOMPSON

Title: Vice President

CERTIFICATE OF CORPORATE AUTHORIZATION

The undersigned, being President and Secretary, respectively, of Franklin Quest Co., a corporation organized under the laws of the State of Utah, certify that the following is a true and correct copy of the resolution adopted by the Board of Directors of this corporation at a lawful meeting of the Board held on the 17th day of 1997, and duly recorded in the minutes of that meeting, and further certify that this resolution has not been rescinded, modified, or amended and is presently in full force and effect:

Resolved, that this corporation borrow the sum of ninety million dollars ($90,000,000.00) from Zions First National Bank and The First National Bank of Chicago.

The officers of this corporation are authorized and directed to complete negotiations of the terms and conditions of this loan.

Any officer of this corporation is authorized to execute and deliver a loan agreement, promissory notes, and such other instruments and documents as are required or needed to obtain this loan.

Dated: May 12, 1997

Franklin Quest Co.

/s/ [SIG]

President

/s/ [SIG]

Secretary

AMENDMENT TO INTERCREDITOR AGREEMENT

This Amendment to Intercreditor Agreement (the "Amendment") is made and entered into between Zions First National Bank ("Zions"), The First National Bank of Chicago ("FNBC") (assignee of NBD Bank) (Zions and FNBC are hereinafter referred to collectively as "Lenders"), and Zions First National Bank, not in its individual capacity but solely as agent (herein, in such capacity, "Agent").

Recitals

1. Zions, NBD Bank, Agent and Franklin Quest Co. ("Borrower") have entered into a Loan Agreement dated October 16, 1996 (the "Loan Agreement") whereby a $50,000,000 revolving line of credit was extended to Borrower evidenced by a $25,000,000 Promissory Note to Zions and a $25,000,000 Promissory Note to NBD Bank.

2. Zions, NBD Bank, and Agent also entered into an Intercreditor Agreement dated October 16, 1996 to provide for Zions to act as agent to coordinate the activities and relationships with Borrower concerning this loan.

3. Pursuant to an Assignment Agreement dated as of February 3, 1997, NBD Bank sold and assigned its rights and obligations under the Loan Agreement and related documents and instruments to FNBC.

4. Zions, FNBC, Agent and Borrower have agreed to amend the Loan Agreement to increase the amount of the loan to $90,000,000 to be evidenced by a $30,000,000 Promissory Note to Zions and a $60,000,000 Promissory Note to FNBC.

5. Zions, FNBC, Agent and Borrower desire to modify and amend the Intercreditor Agreement consistent with the amendments to the Loan Agreement.

Amendment

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Zions, FNBC, and Agent hereby agree and amend and modify the Intercreditor Agreement as follows:

1. Definitions. Except as otherwise expressly provided herein, terms assigned defined meanings in the Intercreditor Agreement shall have the same defined meanings in this Amendment.

The defined terms "Lenders", "Lenders' Pro Rata Shares", and "Loan Agreement" in Section 1.1 Definitions of the Intercreditor Agreement are deleted and replaced with the following:

"Lenders" means Zions and FNBC.

"Lenders' Pro Rata Shares" shall mean the following allocation: Zions - thirty-three and thirty-three hundredths percent (33.33%), FCNB - sixty-six and sixty-seven hundredths percent (66.67%).

"Loan Agreement" shall mean that certain Loan Agreement between Lenders and Borrower dated October 16, 1996 concerning a $50,000,000 revolving line of credit, as amended by an Amendment to Loan Agreement dated on or about the date of this Amendment to Intercreditor Agreement which increased the revolving line of credit to $90,000,000.

2. FNBC as Assignee of NBD Bank. All references in the Intercreditor Agreement to NBD Bank are amended to refer to FNBC. It is acknowledged and agreed that FNBC has succeeded to all rights, benefits, duties, and obligations of NBD Bank under the Loan Agreement, Promissory Notes, and Intercreditor Agreement.

3. Consent to Amendment of Loan Documents. Pursuant to Section 2.1 Amendment of Loan Documents, Lenders and Agent hereby consent to amendment and modification of the Loan Agreement and Promissory Notes as provided in the Amendment to Loan Agreement dated on or about the date of this Amendment to Intercreditor Agreement.

4. Notices. Section 6.10 Notices is amended by deleting the notice address for NBD Bank and replacing it with:

The First National Bank of Chicago
West Coast Regional Office
777 South Figueroa Street Suite 4001
Los Angeles, CA 90071
Attention: James P. Moore

5. Agreement Remains in Full Force and Effect. Except as expressly amended or modified by this Amendment, the Intercreditor Agreement remains in full force and effect.

6. Integrated Agreement; Amendment. This Amendment, together with the Intercreditor Agreement, Amended Promissory Notes, Loan Agreement, and Amendment to Loan Agreement, constitute the entire agreements and understandings between the parties and supersede all other prior and contemporaneous agreements and may not be altered or amended except by written agreement signed by the parties. This Amendment and the Intercreditor Agreement shall be read and interpreted together as one agreement. PURSUANT TO UTAH CODE SECTION 25-5-4, LENDERS AND AGENT ARE NOTIFIED THAT THESE AGREEMENTS ARE A FINAL EXPRESSION OF THE AGREEMENT BETWEEN LENDERS AND AGENT AND THESE AGREEMENTS MAY NOT BE CONTRADICTED BY EVIDENCE

OF ANY ALLEGED ORAL AGREEMENT. All other prior and contemporaneous agreements, arrangements and understandings between the parties hereto as to the subject matter hereof are, except as otherwise expressly provided herein, terminated.

Dated: May 12, 1997

Zions First National Bank

By: /s/ KEITH R. THOMPSON

Keith R.Thompson
Vice President

The First National Bank of Chicago

By: /s/ [SIG]

Title: First Vice President

Zions First National Bank, not in its individual capacity but solely as agent pursuant to an Intercreditor Agreement dated October 16, 1996, between Zions First National Bank, The First Chicago National Bank, and Agent

By: /s/ KEITH R. THOMPSON

Keith R.Thompson
Vice President

The foregoing Amendment to Intercreditor Agreement is authorized and consented to this 12th day of May, 1997.

Franklin Quest Co.

By: /s/ [SIG]

Title: Chief Financial Officer

5
1,000
U.S. DOLLARS

3-MOS	
AUG-31-1997	
MAR-01-1997	
MAY-31-1997	
1	
46,741	
0	
28,530	
1,216	
48,520	
146,258	
152,363	
47,169	
344,132	
43,561	
53,821	
0	
0	
1,101	
242,862	
344,132	
79,840	
79,840	
33,612	
33,612	
40,852	
0	
420	
5,234	
2,107	
3,127	
0	
0	
0	
3,127	
$0.15	
$0.15	