FRANKLIN COVEY CO
Form 10-K
November 16, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED
AUGUST 31, 2009.

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD
FROM ___ TO ___

Franklin Covey Co.

(Exact name of registrant as specified in its charter)

Utah	1-11107	87-0401551
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

2200 West Parkway Boulevard
Salt Lake City, Utah 84119-2331
(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.05 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o   No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	£	Accelerated filer	þ		
Non-accelerated filer	£	(Do not check if a smaller reporting company)	Smaller reporting company	£	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o   No þ

As of February 27, 2009, the aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant was approximately $53.9 million, which was based upon the closing price of $4.13 per share as reported by the New York Stock Exchange.

As of November 2, 2009, the Registrant had 16,960,319 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Registrant's Definitive Proxy Statement for the Annual Meeting of Shareholders, which is scheduled to be held on January 29, 2010, are incorporated by reference in Part III of this Form 10-K.

TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

Disclosure Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), relating to our operations, results of operations, and other matters that are based on our current expectations, estimates, assumptions, and projections. Words such as "may," "will," "should," "likely," "anticipates," "expects," "intends," "plans," "p "believes," "estimates," and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that might not prove to be accurate. Actual outcomes and results could differ materially from what is expressed or forecast in these forward-looking statements. Risks, uncertainties, and other factors that might cause such differences, some of which could be material, include, but are not limited to, the factors discussed below under the section entitled "Risk Factors."

General

Franklin Covey Co. (the Company, we, us, our, or FranklinCovey) is a leading global provider of execution, leadership, and personal-effectiveness training with over 600 employees worldwide delivering principle-based curriculum and effectiveness tools to our customers. Our consolidated net sales for the fiscal year ended August 31, 2009 totaled $130.1 million and our shares of common stock are traded on the New York Stock Exchange (NYSE) under the ticker symbol "FC."

We operate globally with one common brand and business model designed to enable us to provide clients around the world with the same high level of service. To achieve this level of service we operate four regional sales offices in the United States; wholly owned subsidiaries in Australia, Japan, and the United Kingdom; and contract with licensee partners who deliver our curriculum and provide services in over 150 other countries and territories around the world.

Our business-to-business service utilizes our expertise in training, consulting, and technology that is designed to help our clients define great performance and execute at the highest levels. We also provide clients with training in management skills, relationship skills, and individual effectiveness, and can provide personal-effectiveness literature and electronic educational solutions to our clients as needed.

Our fiscal year ends on August 31 of each year. Unless otherwise noted, references to fiscal years apply to the 12 months ended August 31 of the specified year.

During the fourth quarter of fiscal 2008, we sold substantially all of the assets of our Consumer Solutions Business Unit (CSBU) to a newly formed entity, Franklin Covey Products, LLC (Refer to Note 3 of our consolidated financial statements in Item 8 for further details on this transaction). The CSBU was primarily responsible for the sale of our products such as planners, binders, software, totes, and related accessories. Following the sale of the CSBU, our efforts have been focused on providing superior training, consulting, and other services that will enable our clients to achieve greatness.

Services Overview

Our mission is to enable greatness in people and organizations everywhere. To that end, we have developed industry-leading content, tools, and methodologies to help organizations achieve four outcomes:

1. Sustained Superior Performance. Great organizations succeed financially and operationally in both the short and long term relative to their market and strategic potential.

1

2. Intensely Loyal Customers. Great organizations earn not only the "satisfaction" of their customers, but their true loyalty.

3. Highly Engaged and Loyal Employees. The people who work in great organizations are energized and passionate about what they do.

4. Distinctive Contribution. Great organizations do more than "business as usual"—they fulfill a unique mission that sets them apart from the crowd.

Our content, tools, and methodologies are organized into key practice areas or product lines, each offering targeted solutions that drive these four outcomes. Our primary practice areas and product lines include:

<div align="center">

1. Execution
2. Leadership
3. Individual Effectiveness
4. Winning Customer Loyalty
5. Trust
6. Sales Performance
7. Education Solutions
8. E-Learning
9. Custom Solutions
10. Media Publishing

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The following is a description of our primary practice areas and curriculum.

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1. Execution

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Execution remains one of the toughest challenges organizations face today. Our internal studies show that only 13 percent of public companies meet yearly financial expectations, 70 percent of strategic initiatives either fail or are abandoned, and only 19 percent of workers say they can effectively translate the company's top goals into the work they do.

We believe our Execution practice addresses these challenges. We work directly with leadership teams to help them clarify the "wildly important goals" that their strategy requires, identify key measures that lead to the achievement of these goals, create clear and compelling scoreboards, and build a culture and cadence of accountability so that the goals are achieved. Our key execution offerings include:

The 4 Disciplines of Execution®: Manager Certification
The purpose of Manager Certification includes helping managers not only develop specific skills, but to also create actual work plans. We help managers leave the session with clearly identified goals and measures, a draft scoreboard for their team, and an accountability plan to help everyone move forward on the goals.

The 4 Disciplines of Execution®: Skills Workshop and Team Work Session
The purpose of the one- or two-day work session is to help teams understand the methods and develop the skills of consistent execution. We help teams clarify their goals, refine key measures, and generate new and better ways of achieving the goals through peer-to-peer accountability.

Execution Quotient® (xQ) Assessment

This offering allows organizations to measure their overall ability to execute their most important goals. The xQ is a culture-wide assessment based on factors that contribute to consistent and successful execution. This assessment helps leaders identify areas where their goals may be at risk.

What the CEO Wants You to Know: Building Business Acumen™
This training supports the Execution disciplines by helping individuals and teams better understand the financial engine of their business and how they can positively affect it. The material is based on the popular book What the CEO Wants You to Know, by leading CEO and executive coach Ram Charan.

2

2. Leadership

Leadership has a profound impact on performance, and is a key lever that mobilizes teams to produce results.

We help organizations develop leaders who build great teams through these 4 imperatives:

1. Inspire Trust: Build credibility as a leader so that people will contribute their highest efforts.

2. Clarify Purpose: Define a clear and compelling purpose that motivates people to offer their best to achieve the organizational goals.

3. Align Systems: Create systems of success that support the purpose and goals of the organization, enable people to do their best work, operate independently of management, and sustain superior performance over time.

4. Unleash Talent: Develop a winning team, where people's unique talents are leveraged against clear performance expectations in a way that encourages responsibility and growth.

Each of our Leadership offerings addresses these imperatives or provides in-depth training in one of these areas.

Leadership: Great Leaders, Great Teams, Great Results™
This comprehensive offering contains the entire core content of FranklinCovey's Leadership practice. During the program, leaders learn the 4 Imperatives of Great Leaders and take specific actions to carry them out. The workshop features award-winning videos that present the latest on our own research and thinking, along with the best thinking of other leadership experts including:

- Jack Welch, Winning
- Fred Reichheld, The Ultimate Question
- Clayton Christensen, The Innovator's Solution
- Stephen R. Covey, The 8th Habit
- Stephen M. R. Covey, The Speed of Trust
- Ram Charan, What the CEO Wants You to Know

Leadership Foundations™
Our Leadership Foundations workshop is designed to prepare emerging leaders to take on significant roles and responsibilities in the future. Participants gain skills to improve trust and influence with peers and superiors, link their work to a clear and compelling team purpose, implement a system for executing critical priorities, and leverage the talents of peers and co-workers to achieve unprecedented results.

Leadership Modular Series™
Drawn from the content of our leadership-development program, the Leadership Modular Series comprises seven stand-alone modules that teach imperatives leaders can apply immediately to create a work environment that addresses the needs of the knowledge worker. For leaders who cannot attend multiple days of training, the Leadership Modular Series lets them focus on one specific leadership competency, three to four hours at a time. The series includes the following instructor-led training modules:

1. The 4 Imperatives of Great Leaders™
2. Inspiring Trust
3. Clarifying Your Team's Purpose and Strategy
4. Closing the Execution Gap

5. Building Process Excellence

6. Unleashing Talent

7. Leading Across Generations

3

The 7 Habits for Managers®
FranklinCovey's The 7 Habits for Managers solution teaches the fundamentals of leading today's mobile knowledge worker. Both new and experienced managers acquire a set of tools to help them meet today's management challenges, including conflict resolution, prioritization, performance management, accountability and trust, execution, collaboration, and team and employee development. We help participants in our The 7 Habits for Managers program to:

- Increase resourcefulness and initiative.
- Define the contribution they want to make in their role as manager.
- Manage performance through a balance of accountability and trust.
- Give constructive feedback.
- Improve team decision-making skills by embracing diverse viewpoints.

Executive Coaching
We offer senior executives a coaching experience created in partnership with Columbia University, which includes methodologies approved by the International Coach Federation (ICF). We leverage content, methodology, and tools to guide leaders in discovering and unleashing the potential they already possess. In one-on-one or team sessions, our executive coaches help senior-level executives work through complex issues, helping them establish initiatives that are clear, defined, and actionable, and provide supportive accountability until their goals are reached. We also offer one-on-one executive coaching in leadership development, strategy, goal execution, and personal work/life areas.

3. Individual Effectiveness

Effective organizations are characterized by highly effective individuals—individuals who take initiative, set and achieve important goals, manage themselves well and are highly productive, work well with others, solve problems, and create new and valuable ideas.

Individual effectiveness and resilience are particularly valuable in a difficult economic environment. In such an environment, we believe that our approaches to personal and interpersonal effectiveness are perhaps more critical than ever.

The 7 Habits of Highly Effective People®—Signature Program
Based on the principles found in Dr. Stephen R. Covey's best-selling business book, The 7 Habits of Highly Effective People, this program drives organizational success by helping participants gain the paradigms and behaviors of effective people. Participants gain hands-on experience, applying principles that yield greater productivity, improved communication, strengthened relationships, increased influence, and focus on critical priorities. Participants learn how to take initiative, identify and balance key priorities, improve interpersonal communication, leverage creative collaboration and problem solving, and build their personal resilience and capability.

The 7 Habits of Highly Effective People®: Introductory Workshop for Associates
This workshop for employees at all levels is designed to tap the best they have to give. We help employees become empowered with new knowledge, skills, and tools to confront issues, work as a team, increase accountability, and raise the bar on what they can achieve. Participants discover how to maximize performance by avoiding dependence on others, gaining appropriate independence, and moving on to where real success lies: being successfully interdependent and collaborative with others.

FOCUS: Achieving Your Highest Priorities™
Our time-management workshop presents principles that help participants identify and clarify their values, set goals, and plan weekly and daily to accomplish what really counts. We help participants discover how to clearly define

goals and break them down into key tasks, eliminate unnecessary activities to reduce stress, balance work and life priorities, and master information management with a proven planning system.

4

FOCUS: Achieving Your Highest Priorities—Microsoft® Outlook® Edition
This practical workshop teaches participants to apply the principles from our productivity training while using Microsoft Outlook as their scheduling tool. We teach them how to prioritize tasks, messages, and appointments to achieve what is most important to the organization and themselves. In addition, we teach participants how to gain control of competing demands on their time from email, voice mail, meetings, and interruptions, plus we teach them a goal-setting process to become more motivated and productive.

FOCUS: Achieving Your Highest Priorities—IBM® Lotus Notes® Edition
The same as the workshop for Microsoft Outlook above, this workshop also teaches participants to apply the principles from our productivity training while using IBM Lotus Notes as their scheduling tool. Participants learn to stay focused and effective by integrating IBM Lotus Notes, paper, and PDA-type productivity tools together; apply a planning process that gets better business results; reduce stress by recognizing and eliminating distractions and low-priority activities; and achieve balance and renewal, while avoiding burnout and frustration.

Project Management™ (One- and Two-Day Program)
Our Project Management solution teaches a four-step process for managing projects, large or small. This approach helps project managers and their teams craft and deliver high-quality projects on time and within budget. This solution is taught as a one- or two-day, facilitator-led process, and encourages attendees to focus on their own current projects for a hands-on experience.

Writing Advantage™
The FranklinCovey Writing Advantage program teaches participants how to set quality writing standards that help people increase productivity, resolve issues, avoid errors, and heighten credibility. Participants learn a four-step process to improve their writing skills. They learn how to write faster with more clarity, and gain skills for revising and fine-tuning every style of document.

Technical Writing Advantage™
FranklinCovey's Technical Writing Advantage program teaches participants the skills to improve the quality, clarity, structure, and expected results of their technical communication. This program teaches participants to take complex ideas and make them understandable and memorable in written form.

Presentation Advantage™
With our Presentation Advantage solution, participants learn how to craft presentations around essential objectives, present key concepts and ideas with power and enthusiasm, design and present effective visuals, and employ techniques for polishing and mastering presentation delivery.

Meeting Advantage™
The FranklinCovey Meeting Advantage solution teaches participants to plan effectively by frontloading before a meeting, focusing productively during the meeting, and following through successfully after the meeting.

<div align="center">4. Winning Customer Loyalty®</div>

Our Winning Customer Loyalty practice helps leaders of multiunit organizations create a culture where employees are engaged and equipped to deliver great customer experiences. To do this, customer loyalty specialists draw from an array of offerings to craft a solution that works with each company's culture, operating environment, and strategic vision. A typical solution includes these components:

- Customer scores. Customer-satisfaction and loyalty scores for every unit, every month.
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Employee scores. A targeted employee survey that gauges each unit's "Execution Quotient" (xQ), or the conditions required for an engaged and focused workforce.

- Loyalty Portal. A Web-based dashboard that allows every unit to see their scores, reach out to customers, and manage their team's focus on the key activities that drive customer loyalty.
- "Lead measure" identification. Our most senior consultants guide the senior team through a "lead measure" identification process where, through a combination of best practices and

5

strategic assessments, key activities are identified that become the drivers of a memorable customer experience.

- Systems alignment. We help the senior team to align compensation, training, and other systems around the most critical goals and remove operational barriers to execution.
- Manager certification. Unit-level managers are certified to engage their teams around their scores, lead measures, and key activities.
- Frontline training. We provide training in key areas such as scoreboarding, focus and execution, leadership, and creating a culture of service. Much of this training, as well as supportive tools, is delivered to each unit through the Loyalty Portal.

5.   Trust

We believe that trust is the hallmark of effective leaders, teams, and organizations. Trust-related problems like bureaucracy, fraud, and excessive turnover discourage productivity, divert resources, and chip away at a company's brand. On the other hand, leaders who make building trust an explicit goal of their job gain strategic advantages—accelerating growth, enhancing innovation, improving collaboration and execution, and increasing shareholder value. Our Trust practice is built on The New York Times best-selling book, The Speed of Trust by Stephen M. R. Covey, and includes offerings to help leaders and team members develop the competencies to make trust a strategic advantage.

Leading at the Speed of Trust™
This program engages leaders at all levels in identifying and closing the trust gaps in their organization. Instead of paying "trust taxes," organizations can begin to realize "trust dividends." We believe that doing business at the "speed of trust" lowers costs, speeds up results, and increases profits and influence. Our Leading at the Speed of Trust solution is designed to help leaders:

- Make building trust an explicit goal of their work.
- Learn how others perceive their trustworthiness from their personal tQ™ (Trust Quotient) Report.
- Understand the real, measurable "trust taxes" they may be paying without realizing it.
- Change "trust taxes" to "trust dividends," which are the benefits that come from growing relationships of trust.
- Make action plans to build trust accounts with all key stakeholders.
- Begin using the language of trust as an important cultural lever.

Working at the Speed of Trust™—For Associates
This workshop helps individual contributors identify and address "trust gaps"