

Interest Expense

Interest expense increased \$1.6 million, primarily due to increased borrowing on the Company's long-term line of credit to purchase shares of the Company's common stock during fiscal 1999.

Income Taxes

During fiscal 1999, the Company recognized income tax expense of \$4.5 million. Although the Company had a loss before income taxes of \$4.2 million, non-deductible goodwill amortization from the merger with Covey Leadership Center and other acquisitions, foreign income tax expense, and losses in foreign countries resulted in a net taxable position for the year. The effect of foreign losses is primarily comprised of losses sustained in Japan for which no offsetting tax benefit could be recognized due to uncertain future taxable income to offset such losses.

Preferred Stock Dividends

During the fourth quarter of fiscal 1999, the Company issued 750,000 shares of Series A Preferred Stock for \$75.0 million in cash to a private investor. The preferred stock dividends accrue at an annual rate of 10 percent and are payable quarterly in cash or additional shares of preferred stock until July 1, 2002. Accordingly, the Company accrued \$1.9 million in preferred stock dividends as of August 31, 1999. Subsequent to August 31, 1999, the Company paid the accrued dividend with additional shares of preferred stock.

QUARTERLY RESULTS

The following tables set forth selected unaudited quarterly consolidated financial data for the most recent eight quarters. The quarterly consolidated financial data reflects, in the opinion of management, all adjustments necessary to fairly present the results of operations for such periods. Results of any one or more quarters are not necessarily indicative of continuing trends.

Quarterly Financial Information:

YEAR ENDED AUGUST 31, 2000

	Q1	Q2	Q3	Q4
<i>In thousands, except per share amounts</i>				
Sales	\$144,078	\$145,023	\$110,759	\$185,339
Gross margin	85,053	83,098	57,710	105,130
Restructuring costs			(402)	(4,544)
Stock option purchase and relocation costs	491	1,668	8,361	707
Income (loss) before provision for income taxes	13,093	5,430	(27,701)	14,731
Net income (loss)	7,188	2,819	(18,834)	4,418
Preferred dividends	1,914	2,036	2,028	2,027
Income (loss) available to common shareholders	\$ 5,274	\$ 783	\$ (20,862)	\$ 2,391
Diluted income (loss) per share	\$.26	\$.04	\$ (1.02)	\$.12

YEAR ENDED AUGUST 31, 1999

	Q1	Q2	Q3	Q4
<i>In thousands, except per share amounts</i>				
Sales	\$140,362	\$137,089	\$109,267	\$168,205
Gross margin	86,431	79,128	58,522	87,710
Restructuring costs				16,282
Loss on impaired assets				16,559
Income (loss) before provision for income taxes	18,815	11,305	(7,922)	(26,424)
Net income (loss)	10,913	6,557	(4,595)	(21,647)
Preferred dividends				1,875
Income (loss) available to common shareholders	\$ 10,913	\$ 6,557	\$ (4,595)	\$ (23,522)
Diluted income (loss) per share	\$.50	\$.31	\$ (.22)	\$ (1.15)