

- **Improving Business Models:** We have spent a significant amount of time reviewing each of our business units, understanding their “value-drivers” and business models, and identifying those few activities which, if accomplished, would materially improve Franklin Covey’s overall profitability. We have organized to ensure that these few high-leverage activities are accomplished. Our key commitments are as follows:
 - **To increase our retail store conversion rate.** Approximately 10 million shoppers visit our retail stores each year. On average, a third of them make a purchase. However, there is a significant difference in the conversion rate between the top half of our stores and those that are in the bottom half. Our focus will be on increasing the sales effectiveness of all stores, but with a particular emphasis on those in the bottom half. By incrementally increasing our average conversion rate, the profitability of our retail stores could increase EBITDA significantly. In April this past year, we began an 11-store test in one district to determine the extent to which a combination of training and focus could improve our conversion rates. The results were very encouraging. One important factor contributing to this improvement is the elimination of the non-selling tasks required of our managers, assistant managers and sales associates. We are now rolling this program out in all of our retail store districts.
 - **To increase the profitability of the solutions we sell.** Over the past years, our gross margins have been squeezed by a combination of factors, including: (1) a shift in the mix of what we sell toward lower-margin technology tools; (2) a shift in the channels through which we sell certain products, with a significant increase in sales through our lower-margin wholesale relationships; and (3) a proliferation of new sku’s, many of which have not been profitable. Through a combination of eliminating unprofitable sku’s, making pricing changes for hundreds of additional sku’s, controlling manufacturing costs and emphasizing pricing integrity, we expect to arrest the declining gross margin trend and measurably increase the profitability of the solutions we sell during fiscal year 2001.
 - **To increase the revenue generated by the average experienced Organizational Solutions client partner.** Over the past few years, the gap between the sales performance of the top client partners in our Organizational Solutions Group and that of our average client partner has increased significantly. Through a combination of: (1) focused training of existing client partners; (2) recruitment of new client partners with proven track records; (3) a strong business development organization; (4) a new sales compensation system; (5) national sales support for accounts with large potential; (6) a focus on increasing our business with existing customers through solutions-selling; and (7) the leadership of strong regional Managing Directors and a new National Vice President of Sales, we expect to see a significant increase in the average revenue per client partner during fiscal year 2001.
 - **To Increase the Profitability of Public Programs.** The profitability of our Public Programs’ business has been on the decline for the past several years. This has resulted from a combination of: (1) the increasing cost of generating clients from direct mail programs; (2) the increasing cost of putting on public programs; and (3) a reduction in the average number of participants attending our average public program. During the fourth quarter of fiscal year 2000, we began a significant transformation of this business by focusing on: (1) increasing the effectiveness of our direct marketing programs; (2) cutting back the number of public programs scheduled, in order to increase the number of participants in each program; (3) reducing the costs of putting on a program, and (4) increasing the price of certain programs to reflect their true value in the marketplace. These efforts have already begun bearing fruit, as the number of participants per program has increased significantly. The new pricing seems to be well-received in the marketplace and the effectiveness of our direct marketing is increasing.