

# Franklin Covey

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## **First Amended Duties and Responsibilities of the**

### **Audit Committee**

*Adopted November 12, 2004*

#### **Purpose**

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Franklin Covey Co. (the “Company”), at the direction of the Board, oversees the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Committee focuses on, among other things, the qualitative aspects of the Company’s (a) financial statements, (b) processes to manage business and financial risk, (c) internal audit procedures and performance of the independent auditor, and (d) compliance with legal, ethical, and regulatory requirements. The Committee appoints, determines compensation for, and oversees the independent auditor engaged to prepare or issue audit reports on the financial statements of the Company. The Committee prepares all Committee reports required pursuant to the Securities and Exchange Commission’s (“SEC”) rules and regulations.

#### **Membership**

The Committee shall consist of at least three members appointed by the Board who shall serve until their successors are appointed and qualify. Each member shall be an independent director who is knowledgeable in financial and auditing matters, with at least one member who has expertise in accounting or related financial management. A member shall be deemed “independent” if he or she satisfies the requirements of the New York Stock Exchange (NYSE) and Section 10A of the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002 (the “Act”). The chairperson of the Committee (the “Chairperson”) shall be appointed by the Board pursuant to its bylaws.

#### **Communications/Reporting**

The independent auditor shall report directly to the Committee. The Committee shall have unrestricted communication with the independent auditor and the Company’s internal auditors and management. The Committee shall meet privately with each of these parties at least annually. The chairperson shall report on Committee activities to the Board at each Board meeting.

#### **Education**

The Company shall keep the Committee informed, including providing such educational resources as the Committee or any of its members deems necessary and appropriate, as to accounting principles and procedures, laws, regulations and policies regarding financial reporting and any other accounting topics applicable to the Company.

### **Authority**

The Committee has the authority, without Board approval, to investigate any matter it deems reasonably appropriate, and may, at the Company's expense, retain outside counsel or other experts for this purpose.

### **Responsibilities**

The Audit Committee Responsibilities Checklist set forth below ("Checklist") identifies the specific responsibilities of the Committee. The Checklist will be updated as needed, but at least annually, to reflect changes in regulatory requirements, authoritative guidance, and generally accepted audit committee practices. Each Checklist, when amended, will be deemed an addendum to this Charter.

The Committee may rely on the representations of management, the internal auditors and the independent auditor in carrying out its oversight responsibilities. The Company's management is responsible for determining the Company's financial statements are complete, accurate and in accordance with generally accepted accounting principles and are filed in compliance with applicable laws and regulations. The independent auditor is responsible for auditing the Company's financial statements. The Committee is not responsible for scheduling or conducting audits, determining the accuracy of the Company's financial statements, conducting investigations, or assuring the Company's compliance with laws and regulations or internal policies and procedures.

### **"Whistleblowing" Procedure**

In order to enable employees of the Company and any other individuals to submit to the Committee, on a confidential and anonymous basis, any concerns regarding questionable accounting or auditing matters, the Committee shall, in addition to other measures it deems appropriate, post on the Company's general employment information bulletin boards and on the Company's Internet site, in a conspicuous location, a toll-free telephone number and an email address to contact the Committee, with a notice that any individual having concerns regarding questionable accounting or auditing matters may communicate his or her concerns to the Committee. The Committee shall investigate the matter, in such manner and involving such additional persons as it deems necessary, in every such instance taking such steps as are reasonable and appropriate to preserve the anonymity of the informant and the confidentiality of the informant's communication.

### **Policy for Pre-Approval of Audit and Non-Audit Services Provided by External Audit Firm**

The Committee shall meet with management and the independent auditor to review and approve, before any such services may be rendered by the independent auditor firm to the Company or to or for the benefit of an officer or director of the Company, (i) auditing services, which include providing comfort letters in connection with securities underwritings, and (ii) any non-audit services.

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### FRANKLIN COVEY AUDIT COMMITTEE RESPONSIBILITIES CHECKLIST

#### **General**

- Perform all functions required by law, the Company's charter or bylaws, or as requested by the Board.
- Conduct or authorize investigations into any matters within the Committee's scope of responsibilities, including matters brought to the Committee's attention by "whistleblowers".
- Establish unrestricted communication between the internal auditors, the independent auditor, Company management and the Board. Report Committee actions to the Board with any recommendations the Committee deems appropriate.
- Include a copy of the Committee charter as an appendix to the proxy statement at least once every three years.
- Develop clear hiring policies for employees or former employees of the independent auditor, and review and approve the appointment or change in the internal auditors.
- Appoint, approve the compensation of, and oversee the independent auditor. (The independent auditor's lead partner must be rotated every five years pursuant to the Sarbanes-Oxley Act. The Committee should consider a rotation of the independent auditor to assure continued independence.)
- Review the independent auditor's non-audit services and related fees to determine if such would be prohibited under the Sarbanes-Oxley Act.
- Review policies and procedures with respect to transactions between the Company and officers and directors, or affiliates of officers or directors, or transactions that are not a normal part of the Company's business.
- Meet with the independent auditor in executive session to discuss any matters that the Committee or the independent auditor believe should be discussed privately with the Committee.
- Meet with management in executive sessions to discuss any matters that the Committee or management believe should be discussed privately with the Committee.
- Meet with the internal auditors in executive sessions to discuss any matters that the Committee or the internal auditors believe should be discussed privately with the Committee.

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- Interview Company management, internal auditors and the independent auditor regarding any significant risks or exposures and assess the steps Company management has taken to minimize any risks or exposures.
- Review approve and modify, if necessary, the Company's policies relating to appropriate codes of conduct with Company's management and General Counsel the adequacy of and compliance with such policies.
- Review legal and regulatory matters that may have a material impact on the financial statements, related Company compliance policies, and programs and reports received from regulators.
- Review Company's policies and procedures regarding executive management expense accounts.
- Review the Committee's charter to determine compliance with current NYSE and SEC rules and regulations and the Sarbanes-Oxley Act.
- Review all proposed related-party transactions and make recommendation to the Board to approve or disapprove of each proposed transaction.
- Review with Company management any significant changes to GAAP and/or MAP policies or standards.
- Review all proposed related-party transactions and make recommendation to the Board to approve or disapprove of each proposed transaction.

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### FRANKLIN COVEY AUDIT COMMITTEE RESPONSIBILITIES CHECKLIST

#### **Annually or More Frequently As Needed**

- Review with Company management and the independent auditor at the completion of the annual audit:
  - The Company's annual financial statements and related footnotes.
  - The independent auditor's audit of the financial statements and its report thereon, which must sufficiently detail:
    - The independent auditor's internal quality control procedures;
    - Any material issues raised internally or by any regulatory agency regarding the independent auditor's quality control procedures and the steps taken to correct any deficiencies; and
    - All relationships between the independent auditor and the Company.
  - Any significant changes required in the independent auditor's audit plan.
  - Any serious difficulties or disputes with management encountered during the course of the audit.
  - Any accounting adjustments noted by the independent auditor but deemed immaterial by management.
  - Any communications between the audit team and its national office regarding the Company and the independent auditor's engagement, including any management letter issued by the independent auditor to the Company.
  - Other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.
- Review with Company management, independent auditor and the internal auditors:
  - Significant findings during the year and management's responses thereto, including an analysis of the effects of alternative GAAP methods on the financial statements.
  - Any significant changes in the Company's selection or application of accounting principles.

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- The adequacy of the Company's internal controls and any steps taken to correct any deficiencies.
- The effect, if any, of regulatory and accounting initiatives and off-balance sheet structures.
- Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
- Any changes required in planned scope of their audit plan.
- Consider and review with the independent auditor and the internal auditors:
  - The adequacy of the Company's internal controls including computerized information system controls and security.
  - Any related significant findings and recommendations of the independent public accountants and internal auditors together with management's responses thereto.
- Confirm the independence of the independent auditor.
- Provide a report for inclusion in the Company's annual proxy that details the Committee's review and discussion of matters with management and the independent auditor. The report should include a description of any non-audit services provided by the independent auditor to the Company.
- Review and update the Audit Committee Responsibilities Checklist at least annually.
- Review with Company management and the independent auditor at least annually the Company's critical accounting policies.
- Review with the internal auditors, the independent auditor and Company management the audit scope and plan, and coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent public accountants other than the appointed auditors of the Company.
- Confirm each Committee member is financially literate, with at least one member who has financial expertise.
- Confirm the independence of each Committee member based on NASD and other applicable rules.
- Review the Committee's own performance.

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### FRANKLIN COVEY AUDIT COMMITTEE RESPONSIBILITIES CHECKLIST

#### **Quarterly**

- Meet four times per year or more frequently as circumstances require. (The Committee may require the attendance of the Company's management or others to attend any Committee meeting and to provide requested information.
- Prepare an agenda for each Committee meeting with input from the Chairperson, Company management, and the independent auditor.
- Review the periodic reports of the Company with management, the internal auditors and the independent auditor prior to filing of the reports with the SEC.
- In connection with each periodic report of the Company, review:
  - Management's disclosure to the Committee under Section 302 of the Sarbanes-Oxley Act.
  - The contents of the Chief Executive Officer and the Chief Financial Officer certificates to be filed under Sections 302 and 906 of the Act.
- Review filings (including interim reporting) with the SEC and other published documents containing the Company's financial statements and confirm the information contained in these documents is consistent with the information contained in the financial statements before it is filed with the SEC or other regulators.
- The Chairperson shall participate in a telephonic meeting among Company management and the independent auditor prior to earnings releases to review use of "pro forma" or "adjusted" non-GAAP information and the types of information to be disclosed and presentation to be made.
- Discuss earnings press releases, as well as the types of financial information and earnings guidance that are given to analysts and rating agencies.