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PRE PAID LEGAL SERVICES INC

Form 8-K

January 03, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): January 2, 2007

Pre-Paid Legal Services, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Oklahoma

(State or Other Jurisdiction of Incorporation)

001-09293

73-1016728

(Commission File Number)

(IRS Employer Identification No.)

One Pre-Paid Way
Ada, OK

74820

(Address of Principal Executive Offices)

(Zip Code)

(580) 436-1234

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

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|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On January 2, 2007, Pre-Paid Legal Services, Inc. (the "Company") issued a press release announcing our membership production and recruiting information for the three months ended December 31, 2006. A copy of the release is included as an exhibit to this report.

Item 9.01 Financial Statements and Exhibits

The following exhibits are included with this report:

| Exhibit No. | Description |
|-------------|---|
| 99.1 | Company Press Release dated January 2, 2007 |

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.

Pre-Paid Legal Services, Inc.

By: /s/ Randy Harp
Randy Harp, Chief Operating Officer

Date: January 2, 2007

For Immediate Release
Tuesday, January 2, 2007

Company Steve Williamson
Contact: (580) 436-1234

PRE-PAID ANNOUNCES 2006 4th QUARTER & YEAR-END MEMBERSHIP AND RECRUITING RESULTS

ADA, OK, January 2, 2007 - Pre-Paid Legal Services, Inc. (NYSE: PPD), reported new memberships produced and new sales associates enrolled for the fourth quarter and for the year ended December 31, 2006. During the 4th quarter of 2006, new sales associates enrolled decreased 32% to 35,311 from the 52,168 enrolled in the 4th quarter of 2005 and new memberships produced decreased 11% to 139,638 during the 2006 quarter compared to 157,194 for the 2005 quarter.

For the year 2006, new sales associates enrolled decreased 29% to 172,999 compared to 242,223 enrolled during 2005 while new memberships produced decreased 13% to 612,726 from 700,727. Our active memberships decreased less than 1% during 2006 from 1,542,789 to 1,538,740. From the 3rd quarter of 2006 to the 4th quarter of 2006, our active memberships decreased by 6,532 memberships.

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| New Memberships: | Three Months Ended | | |
|---|--------------------|-----------|------------|
| | 12/31/2006 | 9/30/2006 | 12/31/2005 |
| New legal service membership sales..... | 131,628 | 148,311 | 147,000 |
| New "stand-alone" IDT membership sales..... | 8,010 | 7,047 | 9,000 |
| Total new membership sales..... | 139,638 | 155,358 | 157,000 |
| New "add-on" IDT membership sales..... | 88,255 | 102,341 | 102,000 |
| Average Annual Membership fee..... | \$323.54 | \$334.70 | \$325.00 |
| Active Memberships: | | | |
| Active legal service memberships at end of period..... | 1,473,710 | 1,484,456 | 1,490,000 |
| Active "stand-alone" IDT memberships at end of period (see note below)..... | 65,030 | 60,816 | 51,000 |
| Total active memberships at end of period..... | 1,538,740 | 1,545,272 | 1,542,000 |
| Active "add-on" IDT memberships at end of period (see note below)..... | 540,253 | 529,983 | 461,000 |
| New Sales Associates: | | | |
| New sales associates recruited..... | 35,311 | 42,395 | 52,000 |
| Average enrollment fee paid by new sales associates..... | \$49.47 | \$49.74 | \$49.00 |
| Average Membership fee in force: | | | |
| Average Annual Membership fee..... | \$293.00 | \$292.60 | \$286.00 |
| Note - reflects 6,546 net transfers from "add-on" status to "stand-alone" status during the quarter | | | |

Our total active membership premium in force increased approximately 2% during 2006 and represents the 14th consecutive year of increasing our membership fees. The membership persistency rate (defined as the number of memberships in force at the end of a 12 month period as a percentage of the total of memberships in force at the beginning of such period, plus new memberships sold during such period) was 71.4% for 2006.

Our fourth quarter 2006 corporate finance focus has again been on share repurchases. During the 4th quarter, we returned \$24.5 million to shareholders through the repurchase of 577,277 shares of common stock, at an average per share price of \$42.50. Since April 1999, we have returned \$296.0 million to shareholders through the purchase of 11.4 million shares, average price of \$26.02 per share, and \$17.1 million in dividends for a combined total of more than \$313 million representing more than 115 percent of our net earnings during the same timeframe. After our earnings conference call, we expect to continue our open market share purchases as we have remaining authorization and unused proceeds of approximately \$23 million from a term loan closed earlier in the year as well as additional funds that may be used for share purchases of approximately \$10 million which were generated during the last half of 2006. We have reduced the number of shares outstanding by approximately 42% from 23.6

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million at March 31, 1999 to 13.6 million today.

We anticipate announcing our 2006 fourth quarter and yearly earnings on February 20, 2007 after the market closes and hosting a conference call to discuss such earnings on February 22, 2007.

About Us - We believe our products are one of a kind, life events legal service plans. Our plans provide for legal service benefits provided through a network of independent law firms across the U.S. and Canada, and include unlimited attorney consultation as well as will preparation, traffic violation defense, automobile-related criminal charges defense, letter writing, document preparation and review and a general trial defense benefit. We have an identity theft restoration product we think is also one of a kind because of the combination of outside vendors and our provider law firms. More information about us and our products can be found at our homepage at <http://www.prepaidlegal.com>.

Forward-Looking Statements

Statements in this press release, other than purely historical information, regarding our future plans and objectives and expected operating results, dividends and share repurchases and statements of the assumptions underlying such statements, constitute forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. The forward-looking statements contained herein are based on certain assumptions that may not be correct. They are subject to risks and uncertainties incident to our business that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties are described in the reports and statements filed by us with the Securities and Exchange Commission, including (among others) those listed in our Form 10-K, Form 10-Q and Form 8-K, and include the risks that our membership persistency or renewal rates may decline, that we may not be able to continue to grow our memberships and earnings, that we are dependent on the continued active participation of our principal executive officer, that pending or future litigation may have a material adverse effect on us if resolved unfavorably to us, that we could be adversely affected by regulatory developments, that competition could adversely affect us, that we are substantially dependent on our marketing force, that our stock price may be affected by short sellers, that we have been unable to increase our employee group membership sales and that our active premium in force is not indicative of future revenue as a result of changes in active memberships from cancellations and additional membership sales. Please refer to pages 14 and 15 of our 2005 Form 10-K and pages 7 through 9 of our September 30, 2006 Form 10-Q for a more complete description of these risks. We undertake no duty to update any of the forward-looking statements in this release.

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