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PRE PAID LEGAL SERVICES INC

Form 8-K

April 27, 2009

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): April 27, 2009

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))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the

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Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On April 27, 2009, Pre-Paid Legal Services, Inc. (the "Company") issued a press release announcing its earnings and operating results for the three months ended March 31, 2009. 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 April 27, 2009

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: April 27, 2009

For Release 8:30 a.m. Eastern
Monday, April 27, 2009

Company Steve Williamson
Contact: (580) 436-1234

Pre-Paid Legal Announces 2009 First Quarter Results

2009 First Quarter Net Income Up 7%; EPS Up 18%

ADA, OK, April 27, 2009 - Pre-Paid Legal Services, Inc. (NYSE:PPD), announced results for the first quarter ended March 31, 2009. Net income for the first quarter of 2009 increased 7% to \$17.1 million from \$15.9 million for the prior year's first quarter. Diluted earnings per share increased 18% to \$1.52 per share from \$1.29 per share for the prior year's comparable quarter due to an increase in net income of 7% and a 9% decrease in the weighted average outstanding shares. Membership fees in the first quarter of 2009 decreased 2% to \$106.9 million from \$109.1 million for the same period last year.

Net cash provided from operating activities increased 42% to \$29.7 million for the first quarter of 2009 from \$20.8 million for 2008 primarily due to higher cash taxes paid during the 2008 period. During the 2009 first quarter, we returned \$13.5 million to shareholders through the repurchase of 422,505 shares

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of common stock, at an average per share price of \$32.05. Since April 1999, we have returned \$420.7 million to shareholders through the purchase of 14.2 million shares, average price of \$29.69 per share, and \$17.1 million in dividends for a combined total of \$437.8 million representing more than 110% of our net earnings during the same timeframe. At March 31, 2009, we had \$52.6 million of debt outstanding and \$68.5 million in cash and cash equivalents and unpledged investments.

First quarter 2009 membership fees decreased \$2.1 million to \$106.9 million from \$109.0 million for the fourth quarter of 2008. Associate services revenues increased during the 2009 first quarter by approximately \$330,000 to \$5.3 million from \$5.0 million for the 2008 fourth quarter and associate services and direct marketing expenses increased by \$1.2 million during the same period. Membership benefits totaled \$36.2 million in the first quarter of 2009 compared to \$37.6 million for the 2008 fourth quarter and represented 34% of membership fees for the first quarter and 35% for the 2008 fourth quarter. Commissions to associates totaled \$27.0 million in the 2009 first quarter compared to \$31.1 million for the 2008 fourth quarter and represented 25% and 28%, respectively, of membership fees for the two periods. General and administrative expenses decreased \$772,000 during the 2009 first quarter to \$13.4 million compared to \$14.2 million for the 2008 fourth quarter and represented 13% of membership fees for both periods. The \$772,000 decrease in general and administrative expenses included decreases in employee cost, telecommunications and bank service charges which were partially offset by increases in postage, legal expenses and accounting fees.

We will conduct a conference call to present the first quarter results on Wednesday, April 29, 2009, at 8:30 a.m. Eastern Time. The conference call will be webcast on the investor relations' page of www.prepaidlegal.com or may be accessed by dialing (719) 325-2164. Audio replay will be available beginning at 11:30 a.m. Eastern Time on April 29, 2009 and will run through midnight Tuesday, May 5, 2009 by dialing (719) 457-0820; pass code for the replay is 6892748. The presentation will be available on the web site indefinitely by selecting "Earnings Calls" under the "Investor Relations" section. Questions may be submitted prior to the call via email to investor@pplsi.com.

After our earnings conference call later this week, we expect to continue our open market share purchases as we have remaining authorization from the Board to purchase 831,755 shares and funds immediately available for share purchases of approximately \$22.8 million.

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 more than 50 independent law firms across the U.S. and Canada, and include unlimited attorney consultation, 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 due to the combination of our identity theft restoration partner 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

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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 may have compromises of our information security, that during an economic downturn in the economy consumer purchases of discretionary items may be affected which could materially harm our sales, retention rates, profitability and financial condition, 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 15 - 17 of our 2008 Form 10-K for a more complete description of these risks. We undertake no duty to update any of the forward-looking statements in this release.

PRE-PAID LEGAL SERVICES, INC. Financial Highlights (Unaudited)

(Dollars and shares in 000s, except per share amounts)

	Three Months Ended		
	March 31		Dec.
	2009	2008	2008
Revenues:			
Membership fees.....	\$ 106,905	\$ 109,060	\$ 109,060
Associate services.....	5,282	6,043	6,043
Other.....	933	1,100	1,100
	113,120	116,203	116,203
Costs and expenses:			
Membership benefits.....	36,205	37,262	37,262
Commissions.....	27,012	30,824	30,824
Associate services and direct marketing.....	6,803	5,604	5,604
General and administrative.....	13,383	12,574	12,574
Other, net.....	2,289	4,166	4,166
	85,692	90,430	90,430
Income before income taxes.....	27,428	25,773	25,773
Provision for income taxes.....	10,327	9,831	9,831
Net income.....	\$ 17,101	\$ 15,942	\$ 15,942

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Basic earnings per common share.....	\$ 1.53	\$ 1.29	\$
Diluted earnings per common share.....	\$ 1.52	\$ 1.29	\$
Weighted average number of shares, as adjusted:			
Primary.....	11,207	12,361	
Diluted.....	11,218	12,382	
Net cash provided by operating activities.....	\$ 29,661	\$ 20,825	\$
Net cash used in investing activities.....	\$ (3,559)	\$ (10,408)	\$
Net cash used in financing activities.....	\$ (20,483)	\$ (17,269)	\$ (

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