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PRE PAID LEGAL SERVICES INC

Form 8-K

October 03, 2006

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): October 2, 2006

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

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Exchange Act (17 CFR 240.14d-2(b))

|\_| 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 October 2, 2006, Pre-Paid Legal Services, Inc. (the "Company") issued a press release announcing its membership production and recruiting information for the three months ended September 30, 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 October 2, 2006

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: October 2, 2006

For Immediate Release Company Steve Williamson  
Monday, October 2, 2006 Contact: (580) 436-1234

PRE-PAID ANNOUNCES 2006 3rd QUARTER MEMBERSHIP AND RECRUITING RESULTS

ADA, OK, October 2, 2006 - Pre-Paid Legal Services, Inc. (NYSE: PPD), reported new memberships produced and new sales associates enrolled for the 2006 third quarter. During the 3rd quarter of 2006, new sales associates enrolled decreased 37% compared to the third quarter of 2005. Memberships produced and new membership fees written decreased 14% and our active membership base decreased slightly by 2,535 memberships compared to the comparable period of the previous year.

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On a sequential quarterly basis, new associates enrolled decreased 7%, new memberships produced increased 2%, new membership fees written increased 4% and our active membership base increased slightly by 3,607 memberships.

	9/30/2006	Three 6/30/2006
New Memberships:		
New legal service membership sales.....	148,311	
New "stand-alone" IDT membership sales.....	7,047	
Total new membership sales.....	155,358	
New "add-on" IDT membership sales.....	102,341	
Average Annual Membership fee.....	\$334.70	
Active Memberships:		
Active legal service memberships at end of period.....	1,484,456	1,480,849
Active "stand-alone" IDT memberships at end of period (see note below).....	60,816	57,213
Total active memberships at end of period.....	1,545,272	1,538,062
Active "add-on" IDT memberships at end of period (see note below).....	529,983	
New Sales Associates:		
New sales associates recruited.....	42,395	
Average enrollment fee paid by new sales associates.....	\$49.74	
Average Membership fee in force:		
Average Annual Membership fee.....	\$292.60	
Note - reflects 6,775 net transfers from "add-on" status to "stand-alone" status during the quarter		

Our total active membership fees in force increased approximately 2% during the last year and continues our annualized trend of increasing our membership fees in force. 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 70.9% for the 12 month period ended September 30, 2006.

Our third quarter 2006 corporate finance focus has again been on share repurchases. During the 3rd quarter, we returned \$10.6 million to shareholders through the repurchase of 294,341 shares of common stock, at an average per share price of \$35.94. Since April 1999, we have returned \$270.7 million to shareholders through the purchase of 10.8 million shares, average price of \$25.11 per share, and \$17.1 million in dividends for a combined total of \$287.8 million representing more than 110 percent of our net earnings during the same timeframe.

We anticipate announcing our 2006 third quarter financial results on October 23, 2006 after the market closes and hosting a conference call to discuss such results on October 25, 2006.

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

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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 June 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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