PRE PAID LEGAL SERVICES INC
Form 10-K/A
June 29, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Mark one)

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

| | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________ to ____________

Commission File Number: 1-9293

PRE-PAID LEGAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Oklahoma	73-1016728
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Pre-Paid Way Ada, Oklahoma	74820
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: (580) 436-1234

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	New York Stock Exchange

Securities registered under Section 12 (g) of the Exchange Act: None

Indicate by check mark if registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No |X|

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No |X|

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K |X|.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer [ ]   Accelerated filer |X| Non-accelerated file [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes [ ] No |X|

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. As of June 30, 2008: $576,352,000

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of February 19, 2009 there were 11,194,317 shares of Common Stock, par value $.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of our definitive proxy statement for our 2009 annual meeting of shareholders are incorporated into Part III of this Form 10-K by reference.

EXPLANATORY NOTE

This amendment is being filed soley for purposes of filing the financial statements of the Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan, as required by form 11-K for the fiscal year of the plan ended December 31, 2008 pursuant to Rule 15d-21.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this report:

(1) Financial Statements: See Index to Consolidated Financial Statements and Consolidated Financial Statement Schedule set forth o page 40 of this report.

(2) Exhibits: For a list of the documents filed a exhibits to this report, see the Exhibit Index following the signatures to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

DATE: JUNE 29, 2009   By: /s/ Steve Williamson

Steve Williamson

Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of the Company, as amended reference to Exhibit 3.1 of the Company's Report on Form 8-K dated June 27, 2005)
3.2	Amended and Restated Bylaws of the Company (Incorporated by reference to Company's Report on Form 10-Q for the period ended June 30, 2003)
*10.1	Employment Agreement effective January 1, 1993 between the Company and Harland corporated by reference to Exhibit 10.1 of the Company's Annual Report on Form ended December 31, 1992)
*10.2	Agreements between Shirley Stonecipher, New York Life Insurance Company and th life insurance policy covering Harland C. Stonecipher (Incorporated by reference the Company's Annual Report on Form 10-K for the year ended December 31, 1985)
*10.3	Amendment dated January 1, 1993 to Split Dollar Agreement between Shirley S Company regarding life insurance policy covering Harland C. Stonecipher (Incorpor to Exhibit 10.3 of the Company's Annual Report on Form 10-KSB for the year ended
*10.4	Form of New Business Generation Agreement Between the Company and Harland C. Sto ated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K f December 31, 1986)
*10.5	Amendment to New Business Generation Agreement between the Company and Harl effective January, 1990 (Incorporated by reference to Exhibit 10.12 of the Comp on Form 10-KSB for the year ended December 31, 1992)
*10.6	Amendment No. 2 to New Business Generation Agreement between the Company and Har effective January, 1990 (Incorporated by reference to Exhibit 10.13 of the Comp on Form 10-K for the year ended December 31, 2002)
*10.7	Stock Option Plan, as amended effective May 2003 (Incorporated by reference to Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.8	Loan agreement dated June 11, 2002 between Bank of Oklahoma, N.A. and the Compan reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for th June 30, 2002)
10.9	Form of Mortgage dated July 23, 2002 between Bank of Oklahoma, N.A. and the Com by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q ended June 30, 2002)
*10.10	Deferred compensation plan effective November 6, 2002 (Incorporated by referen of the Company's Annual Report on Form 10-K for the year ended December 31, 2002)
*10.11	Amended Deferred Compensation Plan effective January 1, 2005 (Incorporated Exhibit 10.16 of the Company's Report on Form 10-K for the year ended December 31
10.12	Credit Agreement dated June 23, 2006 among Pre-Paid Legal Services, Inc, the thereto and Wells Fargo Foothill, Inc. as Arranger and Administrative Agent an N.A. (Incorporated by reference to Exhibit 10.1 of the Company's Current Repor June 27, 2006)

10.13	Security Agreement dated June 23, 2006 between Pre-Paid Legal Services, Inc subsidiaries and Wells Fargo Foothill, Inc., as Agent (Incorporated by reference the Company's Current Report on Form 8-K filed June 26, 2006)
10.14	Guaranty Agreement dated June 23, 2006 between certain subsidiaries of Pre-P Inc. and Wells Fargo Foothill, Inc., as Agent (Incorporated by reference to Company's Current Report on Form 8-K filed June 27, 2006)
10.15	Mortgage, Assignment of Rents and Leases and Security Agreement by Pre-Paid Lega favor of Wells Fargo Foothill, Inc as Agent (Incorporated by reference to E Company's Current Report on Form 8-K filed June 26, 2006)
10.16	First Amendment to Loan Agreement dated June 23, 2006 between Pre-Paid Legal Bank of Oklahoma, N.A. (Incorporated by reference to Exhibit 10.5 of the Company Current Report on Form 8-K filed June 26, 2006)
10.17	First Amendment to Credit Agreement dated September 10, 2007 between Pre-Paid Le and the lenders named therein and Wells Fargo Foothill, Inc. as administrative by reference to Exhibit 10.1 of the Company's of the Company's Current Repor September 10, 2007)
10.18	Term Loan Agreement dated September 28, 2007 between Pre-Paid Legal Services, I Equipment Finance, LLC (Incorporated by reference to Exhibit 10.1 of the Company Current Report on Form 8-K filed October 2, 2007)
10.19	Form of Aircraft Mortgage and Security Agreement between Pre-Paid Legal Servic Fargo Equipment Finance, LLC (Incorporated by reference to Exhibit 10.2 of t Company's Current Report on Form 8-K filed October 2, 2007)
10.20	Second Amendment to Credit Agreement dated February 22, 2008 between Pre-Paid Le and the lenders named therein and Wells Fargo Foothill, Inc. as administrative by reference to Exhibit 10.20 of our Annual Report on Form 10-K for the year 2007)
10.21	Third Amendment to Credit Agreement dated June 5, 2008 between Pre-Paid Legal the lenders named therein and Wells Fargo Foothill, Inc. as administrative agen reference to Exhibit 10.21 of the Company's Quarterly Report on Form 10-Q for t June 30, 2008)
10.22	Second Amendment to Loan Agreement dated June 6, 2008 between Pre-Paid Legal Bank of Oklahoma, N.A. (Incorporated by reference to Exhibit 10.22 of the C Report on Form 10-Q for the six-months ended June 30, 2008)
21.1	List of Subsidiaries of the Company
23.1	Consent of Grant Thornton LLP
23.2**	Consent of Grant Thornton LLP relating to report concerning plan financial infor part of Exhibit 99.1
31.1	Certification of Harland C. Stonecipher, Chairman, Chief Executive Officer and P to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.1(a)**	Certification of Harland C. Stonecipher, Chairman, Chief Executive Officer and P to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Steve Williamson, Chief Financial Officer, Pursuant to Rule 1 Securities Exchange Act of 1934
31.2(a)**	Certification of Steve Williamson, Chief Financial Officer, Pursuant to Rule 1 Securities Exchange Act of 1934

32.1	Certification of Harland C. Stonecipher, Chairman, Chief Executive Officer and P to 18 U.S.C. Section 1350
32.1(a)**	Certification of Harland C. Stonecipher, Chairman, Chief Executive Officer and P to 18 U.S.C. Section 1350
32.2	Certification of Steve Williamson, Chief Financial Officer, Pursuant to 18 U.S.C.
32.2(a)**	Certification of Steve Williamson, Chief Financial Officer, Pursuant to 18 U.S.C.

----

* Constitutes a management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.
** Filed herewith. All other Exhibits have been previously filed.

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated June 25, 2009, with respect to the financial statements and supplemental schedule of the Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan for the year ended December 31, 2008, included in this Amendment No. 1 on Form 10-K/A of Pre-Paid Legal Services, Inc. for the year ended December 31, 2008. We hereby consent to the incorporation by reference of said report in the Registration Statement of Pre-Paid Legal Services, Inc. on Form S-8 (File No. 33-82144, effective July 28, 1994).

/s/GRANT THORNTON LLP

Oklahoma City, Oklahoma
June 25, 2009

EXHIBIT 31.1(a)

CERTIFICATION

I, Harland C. Stonecipher, certify that:

1. I have reviewed this annual report on Form 10-K of Pre-Paid Legal Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and

15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information;

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 29, 2009

/s/ Harland C. Stonecipher

Harland C. Stonecipher
Chief Executive Officer

EXHIBIT 31.2(a)

CERTIFICATION

I, Steve Williamson, certify that:

1. I have reviewed this annual report on Form 10-K of Pre-Paid Legal Services, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements

were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information;

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: June 29, 2009

/s/ Steve Williamson

Steve Williamson
Chief Financial Officer

Exhibit 32.1(a)

CERTIFICATION PURSUANT TO 18 U.S.C. ss. 1350

Pursuant to 18 U.S.C. ss. 1350, the undersigned officer of Pre-Paid Legal Services, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2009

/s/ Harland C. Stonecipher

Harland C. Stonecipher
Chairman, Chief Executive Officer and President

Exhibit 32.2(a)

CERTIFICATION PURSUANT TO 18 U.S.C. ss. 1350

Pursuant to 18 U.S.C. ss. 1350, the undersigned officer of Pre-Paid Legal Services, Inc. (the "Company"), hereby certifies that the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 29, 2009

/s/ Steve Williamson

Steve Williamson
Chief Financial Officer

Exhibit 99.1

Financial statements and report of registered public accounting firm

Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan

December 31, 2008 and 2007

Contents

Report of Independent Registered Public Accounting Firm

Trustee and Participants
Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan

We have audited the accompanying statements of net assets available for benefits of Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan as of December 31, 2008 and 2007, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2008 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income

Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ GRANT THORNTON LLP

Oklahoma City, Oklahoma
June 25, 2009

Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31,

	2008
ASSETS	
Investments, at fair value	
Pre-Paid Legal Services, Inc. common stock	$ 7,113
Mutual funds	3,147
Collective trust fund	648
Money market funds	4
Participant notes	186
Receivables	
Employer contributions	492
Other receivables	12
Cash and cash equivalents	3
Total assets	11,608
LIABILITIES	
Accounts payable	7
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	11,600
Adjustment from fair value to contract value for interest in collective trust relating to fully benefit-responsive investment contracts	62
NET ASSETS AVAILABLE FOR BENEFITS	$11,663

The accompanying notes are an integral part of these statements.

Pre-Paid Legal Services, Inc. Employee Stock Ownership
and Thrift Plan

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31,

	200
Additions to net assets attributed to	
Contributions	
Employer contributions	$ 492
Participant contributions	715
Total contributions	1,207
Investment income (loss)	
Interest and dividend income	191
Net (depreciation) appreciation in fair value of investments	(4,990
Net investments	(4,799
Total additions, net of investment income (loss)	(3,591
Deductions from net assets attributed to	
Benefits paid to participants	468
Administrative fees	1
Total deductions	469
NET (DECREASE) INCREASE IN NET ASSETS	(4,061
Net assets available for benefits at beginning of year	15,725
Net assets available for benefits at end of year	$11,663

The accompanying notes are an integral part of these statements.

Pre-Paid Legal Services, Inc. Employee Stock Ownership
and Thrift Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A - DESCRIPTION OF PLAN

The Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan (the "Plan") was established on January 1, 1988 for the benefit of the employees of Pre-Paid Legal Services, Inc. and its subsidiaries (the "Company"). The Plan is administered by a committee (the "Committee") of three employees appointed by the Company. The Charles Schwab Trust Company ("Schwab") has entered into a Trust Agreement whereby Schwab acts as Plan Trustee.

The following brief description of the provisions of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

Under the terms of the Plan, the Trustee may acquire, hold and dispose of all cash and investments, including common and preferred stock of the Company in accordance with the Committee's written investment policy. Participants may direct the investment of 100% of their Elective Deferral accounts to any one or more of the investment funds designated by the Committee as permissible under the written investment policy.

Each participant or beneficiary shall have the sole right to vote shares of Company common stock allocated to such participant's account. The right to vote such shares shall be exercised by directing the Committee as to the manner in which the shares shall be voted.

The Plan is a defined contribution plan covering certain employees of the Company and employees of affiliated companies which are included in the Company's consolidated tax return. The Plan year-end is December 31. All employees at least 21 years of age are eligible to enroll in the Plan on the first day of the month following the date the employee completes one year of service (1,000 hours) within 12 consecutive months of his/her employment date.

The Company may make discretionary contributions to the Plan for each Plan year. The contributions may vary from year to year and are determined by written action of the Board of Directors of the Company. The Company's contribution may be paid to the Trustee either in cash, Company common stock or in other property.

The discretionary matching company contribution is an amount determined, in the sole discretion of the Company and added to amounts forfeited by other participants, to match the following percentages of participants' deferred compensation contributions (up to a maximum of 6%) for the Plan year. The discretionary matching company contribution is allocated at the end of each Plan year to each participant's Company Contribution Account based on the following percentages:

Years of service on first day of Plan year	Matching percentages
0-3	50%
4-5	75%
6 or more	100%

A participant may elect to defer a portion of his compensation in the form of a contribution to his deferred compensation account under the Plan. Participants contribute to the Plan on a pre-tax basis only. Subject to the limitations contained in the Plan, a participant may elect to defer any portion of his compensation. However, a participant may never defer more than the lesser of the Internal Revenue Service limitation ($15,500 for both 2008 and 2007) in any Plan year or 80% of compensation.

Separate accounts are maintained for each participant in the Plan. When an election is made by the participant to defer part of his compensation, an Employee Deferred Compensation Account is established. Each participant will also have a Company Contribution Account consisting of discretionary matching contributions made by the Company and a proportionate share of forfeitures.

All amounts in the participant's accounts are placed in a trust fund and invested by the Trustee. The Trustee must invest the trust fund solely in the interest of and for the exclusive purpose of providing benefits to the participants and their beneficiaries while minimizing the expenses of administering the Plan. The Plan allows participants to direct the Trustee as to the investment of their contributions including the portion, if any, to be invested in Company common stock. The Plan allows participants who have completed at least three years of service with the Company to direct the investment of their employer contributions.

A participant will be entitled to the full amount credited to his Company Contribution Account at the normal retirement date or upon permanent disability or death. If a participant terminates employment for any reason after he has completed at least one year of service, he will be entitled to receive a portion or all of his account, depending on his years of service. The percentage of the Company Contribution Account to which a participant is entitled and the percentage forfeited if a participant leaves the Company for reasons other than retirement, permanent disability or death prior to becoming fully vested is computed according to the following formula:

Years of service	Vested percentage	Forfeited percentage
Less than 1	0%	100%
1 but less than 2	20%	80%
2 but less than 3	40%	60%
3 but less than 4	60%	40%
4 but less than 5	80%	20%
5 or more	100%	0%

A participant will always be fully vested in his Employee Deferred Compensation Account, regardless of his years of service.

Upon termination of a participant's employment with the Company, the nonvested portion of the Company contribution is forfeited. Forfeitures of approximately $12,000 and $5,000 were used to reduce future Company contributions during 2008 and 2007, respectively. At December 31, 2008 and 2007, forfeited nonvested accounts totaled approximately $4,000 and $5,000, respectively.

The Company may amend the Plan at any time to conform to the Internal Revenue Code, Treasury Regulations and Rulings thereunder. The Company has the right to terminate the Plan at any time upon prior written notice to the Trustee and may direct the Trustee to liquidate the shares of participants in the trust fund. Upon termination or permanent suspension of contributions, the accounts of all participants affected thereby shall become nonforfeitable and shall be distributed.

NOTE B - SUMMARY OF ACCOUNTING POLICIES

The following is a summary of the Plan's significant accounting policies.

1. Basis of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the Plan's linked cash and money fund accounts at a national brokerage firm which may not be federally insured. The Plan has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents. Money fund amounts have a unit value of $1 and balances are immediately accessible by the Plan.

3. Investments

Investments are presented at fair value (see Note F). The cost of Company common stock sold is determined on the basis of average cost. Actual cost is used as a basis for sales of all other investments. Investment transactions are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

The Plan presents in the statements of changes in net assets available for benefits, the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, Reporting on Fully Benefit-Responsive Investment Contracts Held by Certain Investments Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the "FSP"), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measure attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to a fully-benefit responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a collective trust. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

4. Participant Notes

Participant notes are approved by the Committee and cannot be made for an amount less than $1,040 or exceed the lesser of $50,000 reduced by the excess of the highest outstanding balance of loans during the one-year period ending on the day before the loan is made or one-half of the participant's vested balance. The notes are secured by the participants' vested interest in the Plan, bear interest and are repayable based upon rates and terms set forth in the Loan Policy. Participant notes are valued at cost which approximates fair value.

5. Noncash Contributions

Contributions of Company common stock are recorded at fair value as determined by the market price of Company common stock on the New York Stock Exchange for the day when the company match is contributed.

6. Expenses

The Company elected to pay substantially all of the Plan's administration expenses in 2008 and 2007 although it is not obligated to do so. Any expenses not paid by the Company are to be paid by the Plan.

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

8. Adoption of New Accounting Guidance

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Plan adopted SFAS 157 on January 1, 2008, as required for the financial assets and financial liabilities. However, the FASB deferred the effective date of SFAS 157 for one year as it relates to fair value measurement requirements for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis. The adoption of SFAS 157 for the financial assets and financial liabilities did not have a material impact on the Plan's financial statements. The adoption of SFAS 157 for our nonfinancial assets and nonfinancial liabilities will have no impact on the Plan's financial statements. See Note F below.

NOTE C - INVESTMENTS

The following presents investments that represent 5% or more of the Plan's net assets as of December 31:

	200
Common stock - Pre-Paid Legal Services, Inc. (190,761 and 182,788, shares respectively)	$7,113
Washington Mutual Investors Fund/R4 (39,492 and 32,704 units, respectively)	842
SEI Stable Asset (602,305 and 608,782 units, respectively)	711
Bond Fund of America (59,942 units)	634
Growth Fund of America/R4 (29,192 units)	593
Euro Pacific Growth Fund/R4 (16,736 units)	

The following table presents the net appreciation (depreciation) (including gains and losses on investments bought and sold, as well as held during the year) by type of investment for the years ended December 31:

	20
Corporate common stock - Pre-Paid Legal Services, Inc.	$(3,37
Mutual funds	(1,62
	$(4,99

NOTE D - TAX STATUS

A favorable determination letter dated November 16, 2005 was received from the Internal Revenue Service indicating that the Plan, as amended through November 1, 2004, qualifies under section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under section 501(a) of the Code. The Plan has been further amended since receiving the determination letter. However, the Company and the Committee believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Company and the Committee believe that the Plan continues to be qualified and no provision for income taxes has been included in the Plan's financial statements.

NOTE E - DISTRIBUTIONS

Former participants may request distribution of their accounts in the form of Company common stock or cash. Former participants who have elected to diversify all or a portion of their Plan accounts into mutual fund investments will receive a distribution of mutual fund shares or cash. Distributions made in 2008 consisted of cash of $468,802. Distributions made in 2007 consisted of cash of $1,225,033.

Former participants who terminated employment during 2008 and had not yet received distribution of their account at December 31, 2008 will receive distribution in 2009. The balance due former participants at December 31, 2008 included cash of $3,685.

NOTE F - FAIR VALUE MEASUREMENT

On January 1, 2008, the Plan adopted SFAS No. 157, "Fair Value Measurements," for the financial assets and liabilities. SFAS 157 established the following fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Substantially all of the assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3: Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. At each balance sheet date, we perform an analysis of all instruments subject to SFAS No. 157 and include in Level 3 all of those whose fair value is based on significant unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds - Valued at the net asset value ("NAV") of shares held by the Plan at year-end.

Common stock - Valued at the closing price reported on the active market on which the security is traded.

Collective trust fund - Valued based on the fair value of the collective trust's underlying investmetns.

Participant notes - Valued at amortized cost, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2008:

	Level 1	Level 2	Level 3
Common stock	$ 7,113,478	$ -	$ -
Mutual funds	3,147,630	-	-
Collective trust funds	-	711,192	-
Money market funds	-	4,316	-
Participant notes	-	-	186,232
Total assets	$10,261,108	$ 715,508	$ 186,232

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2008:

Participant notes	
Balance, beginning of year	$199,560
Realized gains (losses)	-
Unrealized gains (losses)	-
Purchases, sales, issuances and settlements (net)	(13,328)
Balance, end of year	$186,232

NOTE G - RELATED PARTY TRANSACTIONS

A significant portion of the Plan's assets is invested in common stock of the Company. In addition, the Plan invests in a collective fund and various mutual funds that are issued or managed by the Trustee or an affiliate thereof.

NOTE H - RECONCILIATION TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to Form 5500 for the year ended December 31:

	20
Net assets available for benefits per financial statements	$11,66
Adjustment from fair value to contract value for interest in collective trust relating to fully benefit-responsive investment contracts	(6
Net assets available for benefits per Form 5500	$11,60

The Plan's investment in the collective trust is reported at fair value on the Form 5500.

SUPPLEMENTAL SCHEDULE

Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan

SCHEDULE H, LINE 4i--SCHEDULE OF ASSETS (HELD AT END OF YEAR)

December 31, 2008

(a)	(b) Identity of issuer, borrower, lessor or similar party	(c) Description of investment including maturity date, of interest, collateral, par or maturity value
	*Pre-Paid Legal Services, Inc. Common Stock	Common Stock, 190,761 shares/units
	SEI Stable Asset	Common Collective Trust Fund, 602,305.315 shares/uni
	American Balanced Fund/R4	Mutual Funds, 11,478.754 shares/units
	Bond Fund of America/R4	Mutual Funds, 59,941.502 shares/units
	Euro Pacific Growth Fund/R4	Mutual Funds, 19,153.175 shares/units
	Growth Fund of America/R4	Mutual Funds, 29,191.505 shares/units
	Vanguard Small Cap Growth Index Fund	Mutual Funds, 10,808.687 shares/units
	Vanguard Small Cap Value Index/Inv	Mutual Funds, 25,764.536 shares/units
	Washington Mutual Investors Fund/R4	Mutual Funds, 39,492.017 shares/units
	*Participant Loans	Participant loans, maturity dates various thru July interest rates vary between 6.00% and 10.25%
	Money Market Funds	
		Total Inves

*Party-in-interest
**Cost not required for participant-directed investments