PRE PAID LEGAL SERVICES INC
Form 10-K/A
February 05, 2008

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

FORM 10-K/A
Amendment No. 2

(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, 2006

[ ] 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 [ ].

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 Exchange 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, 2006 -$323,799,000

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 16, 2007 there were 13,622,131 shares of Common Stock, par value $.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE.
Portions of our definitive proxy statement for its 2007 annual meeting of shareholders are incorporated into Part III of this Form 10-K by reference.

EXPLANATORY NOTE

This Amendment No. 2 to Form 10-K is being filed solely to correct the form of the opinion of Grant Thornton on the financial statements of the Employee Stock Ownership Plan ("ESOP") included in Exhibit 99.1 to conform to the standards of the Public Company Accounting Oversight Board (United States). There are no changes in the Company's or ESOP's previously reported financial condition, results of operations or cash flows. For convenience of reference, we are filing Exhibit 99.1 in its entirety. We are also filing a currently dated accountant's consent.

Pursuant to the rules of the SEC, currently dated certifications from our CEO and CFO required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are filed herewith.

The undersigned registrant hereby amends the following items, financial statements, exhibits of other portions of its Annual Report on Form 10-K pursuant to Section 13 of the Securities and Exchange Act of 1934 for the fiscal year ended December 31, 2006, as set forth below and in the pages attached hereto.

Part IV, Item 15 - "Exhibits, Financial Statement Schedules" is amended (i) to include as Exhibit 99.1 the attached financial information relating to The Employee Stock Option Ownership and Thrift Plan ("Plan"), as required by Form 11-K, for the fiscal year of the Plan ended December 31, 2006, which is filed as an exhibit pursuant to Rule 15d-21 under the Securities Exchange Act of 1934, and (ii) to include as Exhibit 23.2 the consent of Grant Thornton LLP, respectively relating to the use of their reports which are included as part of Exhibit 99.1.

The full text of Item 15 and the Exhibit Index, as amended, referred to therein are as set forth below.

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 on page 41 of this report.

(2) Exhibits: For a list of the documents filed as 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: February 5, 2008 By: /s/ Randy Harp

Randy Harp
Chief Operating Officer

INDEX TO EXHIBITS

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company (Incorporated by referen Report on Form 10-K for the year ended December 31, 2004)
3.2	Amended and Restated Bylaws of the Company (Incorporated by reference to Exhi for the period ended June 30, 2003)
*10.1	Employment Agreement effective January 1, 1993 between the Company and Harlan reference to Exhibit 10.1 of our Annual Report on Form 10-KSB for the year en
*10.2	Agreements between Shirley Stonecipher, New York Life Insurance Company and t insurance policy covering Harland C. Stonecipher (Incorporated by reference t 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 Sto life insurance policy covering Harland C. Stonecipher (Incorporated by refere Report on Form 10-KSB for the year ended December 31, 1992)
*10.4	Form of New Business Generation Agreement Between the Company and Harland C. reference to Exhibit 10.22 of our Annual Report on Form 10-K for the year end
*10.5	Amendment to New Business Generation Agreement between the Company and Harlan January, 1990 (Incorporated by reference to Exhibit 10.12 of our Annual Repor December 31, 1992)
*10.6	Amendment No. 2 to New Business Generation Agreement between the Company and January, 1990 (Incorporated by reference to Exhibit 10.13 of our Annual Repor December 31, 2002)
*10.7	Stock Option Plan, as amended effective May 2003 (Incorporated by reference t

	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 Com Exhibit 10.1 of our Quarterly Report on Form 10-Q for the six-months ended Ju
10.9	Security agreement dated June 11, 2002 between Bank of Oklahoma, N.A. and the to Exhibit 10.2 of our Quarterly Report on Form 10-Q for the six months ended
10.10	Form of Mortgage dated July 23, 2002 between Bank of Oklahoma, N.A. and the C to Exhibit 10.3 of our Quarterly Report on Form 10-Q for the six months ended
*10.11	Deferred compensation plan effective November 6, 2002 (Incorporated by refere Report on Form 10-K for the year ended December 31, 2002)
10.12	Loan agreement dated September 19, 2003 between Registrant and Bank of Oklaho United Bank & Trust (Incorporated by reference to Exhibit 10.1 of our Report September 30, 2003)
10.13	Aircraft purchase agreement dated December 9, 2004 by and between S&S Aviatio (Incorporated by reference to Exhibit 10.13 of our Annual Report on Form 10-K December 31, 2004)
10.14	Aircraft purchase agreement dated December 9, 2004 by and between Harland C. Stonecipher and Stonecipher Aviation, LLC and the Company (Incorporated by re Annual Report on Form 10-K for the year ended December 31, 2004)
10.15	Assignment and Assumption of Lease dated December 20, 2004 between Harland C. Company (Incorporated by reference to Exhibit 10.15 of our Annual Report on F December 31, 2004)
*10.16	Amended Deferred Compensation Plan effective January 1, 2005 (Incorporated by Annual Report on Form 10-K for the year ended December 31, 2004)
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 in Exhibit 99.1
31.1**	Certification of Harland C. Stonecipher, Chairman and Chief Executive Officer the Securities Exchange Act of 1934
31.2**	Certification of Steve Williamson, Chief Financial Officer, pursuant to Rule Exchange Act of 1934
32.1**	Certification of Harland C. Stonecipher, Chairman and Chief Executive Officer Section 1350
32.2**	Certification of Steve Williamson, Chief Financial Officer, pursuant to 18 U.
99.1**	Financial information relating to the Pre-Paid Legal Services, Inc. Employee as required by Form 11-K for the fiscal year of the plan ended December 31, 2

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* 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 26, 2007, accompanying the financial statements and supplemental schedules of the Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan for the year ended December 31, 2006, included in this Amendment No. 2 on Form 10-K/A of Pre-Paid Legal Services, Inc. for the year ended December 31, 2006. 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).

GRANT THORNTON LLP

Oklahoma City, Oklahoma
February 5, 2008

EXHIBIT 31.1

CERTIFICATION

I, Harland C. Stonecipher, Chief Executive Officer of the registrant, 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: February 5, 2008 /s/ Harland C. Stonecipher

Harland C. Stonecipher
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Steve Williamson, Chief Financial Officer of the registrant, 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: February 5, 2008

/s/ Steve Williamson

Steve Williamson
Chief Financial Officer

Exhibit 32.1

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, 2006 (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: February 5, 2008 /s/ Harland C. Stonecipher

Harland C. Stonecipher
Chairman, Chief Executive Officer and President

Exhibit 32.2

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, 2006 (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: February 5, 2008 /s/ Steve Williamson

Steve Williamson
Chief Financial Officer

EXHIBIT 99.1

Financial information relating to 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, 2005

C O N T E N T S

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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, 2006 and 2005, 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 audit 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, 2006 and 2005, 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 schedules of assets held for investment purposes and reportable transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are 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. These supplemental schedules are the responsibility of the Plan's management. Such supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

GRANT THORNTON LLP

Oklahoma City, Oklahoma
June 26, 2007

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

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31,

	2006
ASSETS	
Investments, at fair value	
Pre-Paid Legal Services, Inc. common stock	$ 7,988
Participant-directed mutual funds	3,109
Common collective trust funds	485
Money market funds	
Participant notes	169
Receivables	
Employer contributions	471
Dividends receivable	
Cash and cash equivalents	22
Total assets	12,247
LIABILITIES	
Accounts payable	21
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	12,226
Adjustment from fair value to contract value for interest in collective trust relating to fully benefit-responsive investment contracts	12

NET ASSETS AVAILABLE FOR BENEFITS	$12,239

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31,

	200
Additions to net assets attributed to	
Employer contributions	$ 471
Participant contributions	646
Interest and dividend income	167
Net appreciation in fair value of investments	495
Total additions	1,780
Deductions from net assets attributed to	
Benefits paid to participants	376
Administrative fees	1
NET INCREASE IN NET ASSETS	1,402
Net assets available for benefits at beginning of year	10,836
Net assets available for benefits at end of year	$12,239

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

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 Committee also served as the

Plan's Trustee and Invest-ment Manager until November 1, 2004 when the Company amended and restated the Plan to provide for appointment by the Committee of outside entities to assume the duties of both the Investment Manager and Trustee. The 401(k) Company was appointed Investment Manager. Effective November 1, 2004, the Employer and Nationwide Trust Company, FSB ("Nationwide") entered into a Trust Agreement whereby Nationwide became 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 25% 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. Participants who have attained the age of 55 have the right to make an election to direct the investment of up to 100% of their deferred compensation account and the vested portion of their Company Contribution Account in one or more of those permissible funds.

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. Contributions may be made only out of the Company's consolidated net profits before federal and state income taxes from the current or a preceding year. The Company's contribution may be paid to the Trustee either in cash, qualified employer securities 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 ($15,000 and $14,000 in 2006 and 2005, respectively) in any Plan year or a percentage of compensation greater than the maximum percentage of compensation determined annually by the Committee.

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. Under the terms of the Plan, all Company contributions and up to 75% of the participant's contributions may be invested in common stock of the Company or in preferred stock convertible into common stock of the Company at a conversion price which, as of the date of acquisition by the Plan, is reasonable. Such securities are termed qualified employer securities. Effective January 1, 2007, the Plan was amended to allow the participants to direct the Trustee as to the investment of their contributions including the portion, if any, to be invested in employer securities.

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 are used to reduce future Company contributions. At December 31, 2006, forfeited nonvested accounts totaled approximately $7,000.

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 as measured by market prices in active markets, including national securities exchanges. 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. The Plan's interest in the collective trust is valued based on information reported by the investment advisor using the audited financial statements of the collective trust at year-end. 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.

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 2006 and 2005 although it is not obligated to do so. Any expenses not paid by the Company are to be paid by the Plan and totaled $1,000 for 2006 and $1,200 for 2005.

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.

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.

NOTE C - INVESTMENTS

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

	200
Non-participant directed investments	
Common stock - Pre-Paid Legal Services, Inc. (204,146 and 186,684 shares, respectively)	$7,988
Participant directed investments	
Washington Mutual Investors Fund/R4 (23,673 and 21,333 units, respectively)	823
Growth Fund of America/R4 (19,015 and 17,655 units, respectively)	621

NOTE C - INVESTMENTS - CONTINUED

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.	$28
Mutual funds	21
	$49

NOTE D - NONPARTICIPANT-DIRECTED INVESTMENTS

Information regarding the Plan's nonparticipant-directed investment in the Company's common stock at December 31, 2006 and 2005 is included in Note C above. Significant components of the changes in net assets relating to nonparticipant-directed investments (including activity in the Plan's cash and cash equivalents) is as follows for the years ended December 31:

	200
Net investment gain and interest income	$ 303
Contributions	
Employer	445
Employee	492
Benefits paid to participants	(377
Transfers from participant-directed investments, net	19
	$ 882

NOTE E - 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 F - 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 2006 consisted of cash of $376,478. Distributions made in 2005 consisted of cash of $254,177.

Former participants who terminated employment during 2006 and had not yet received distribution of their account at December 31, 2006 will receive distribution in 2007. The balance due former participants at December 31, 2006 included cash of $8,065.

SUPPLEMENTAL SCHEDULES

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, 2006

(a)	(b) Identity of issuer, borrower, lessor or similar party	(c) Description of investment including maturity d rate of interest, collateral, par or maturity
*	Pre-paid Legal Services, Inc. Common Stock	Common Stock, 204,146.000 shares/units
	Federated Capital Reserve	Money Market Funds, 705.660 shares/units
	SEI Stable Asset	Common Collective Trust Fund, 498,477.430 shar
	American Balanced Fund/R4	Mutual Funds, 11,772.412 shares/units
	Bond Fund of America/R4	Mutual Funds, 42,104.057 shares/units
	EuroPacific Growth Fund/R4	Mutual Funds 11,303.371 shares/units
	Growth Fund of America/R4	Mutual Funds 19,015.224 shares/units
	Vanguard Small Cap Growth Index Fund	Mutual Funds 5,332.986 shares/units
	Vanguard Small Cap Value Index/Inv	Mutual Funds 15,449.630 shares/units
	Washington Mutual Investors Fund/R4	Mutual Funds 23,672.846 shares/units
*	Participant Loans	Participant loans, maturity dates various thru interest rates vary between 6.75% and 10.25%
		Total Investments

*Party-in-interest

**Cost not required for participant-directed investments

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

SCHEDULE H, LINE 4j--REPORTABLE TRANSACTIONS

Year ended December 31, 2006

(a) Identity of party involved	(b) Description of asset	(c) Purchase price	(d) Selling price	(e) Lease rental	(f) Expense incurred with transaction	(g C
*Pre-Paid Legal Services, Inc.	Common stock, 57 purchases	$750,170	$ -	$ -	$ -	$

* Party in interest