



## **Pre-Paid Legal Services Inc. Associate Recruitment For First Two Quarters Down Over 23 Percent From Same Period Last Year, Reports FDI**

*Critical recruitment of Pre-Paid (NYSE:PPD) sales force dropped 22 percent and enrollment of new customers dropped 9 percent over a year before, yet stock price was artificially pushed upward with the company's re-purchases*

For Immediate Release

SAN DIEGO/EWORLDWIRE/July 2, 2009 --- Pre-Paid Legal Services Inc.'s (NYSE:PPD) "Pyramid in Collapse" status - as characterized by nationally recognized and internationally known expert Robert Fitzpatrick - is re-confirmed in second quarter of 2009 figures, affirms Fraud Discovery Institute (FDI).

Since 2007, Fitzpatrick has characterized the current business cycle of Pre-Paid Legal Services Inc. (NYSE:PPD) based on published data, as "pyramid in collapse." The second quarter of 2009 data adds to this portrait and further confirms this status.

All key indicators for the second quarter compared to the same period one year ago show significant and continuing declines:

- . Recruiting of salespeople (called Associates), which is the engine of the entire business model, were down nearly 4% from the same period last year.
- . The total number of Associates is not reported quarterly but only at the end of each calendar year. At the end of 2008, Pre-Paid Legal Services claimed a total of 425,018 Associates which represented a 4% decline from 2007.
- . Recruitment of Associates for the first two quarters of 2009 is down over 23 percent from the same period last year. Recruitment of new Associates for all of 2008 was down 18 percent from 2007.
- . The number of new members (retail customers) dropped 9% from the same period last year and the Q-2 of a year ago was down 4% from the previous quarter. The total number of memberships is down 4% from a year ago. Total new memberships sold in all of 2008 was down 10% from the year before.

Declines Stand Out in Business Sector:

Though the recession has damaged sales of many companies, Pre-Paid Legal Services's accelerating declines stand out within its business sector of "direct selling." Pre-Paid's steep decline conflicts with the trends of large companies also in direct selling.

According to a May 15, 2009, article in USA Today, "Direct-sales businesses that rely on home-based representatives to peddle their wares are seeing their sales forces rapidly expand as the nation's unemployment rate soars ..." The president of the Direct Selling Association, of which Pre-Paid Legal Services is a member, stated, "Unfortunately as the unemployment rate rises to 10 percent or higher, we'll be picking up more people ..." An Avon official told the newspaper, "Right now, our direct-selling opportunity is really the No. 1 product that we have to sell." In fact, Avon reports that its U.S. sales force is now the largest in its history.

Insider Sell-offs:

Not only has Pre-Paid Legal Services shown definitive signs of irreversible market deterioration, but the maneuvers of its top officials also reveal classic pre-collapse patterns. In the midst of continuing and accelerating sales force and customer drop-offs, insiders have used company funds to buy up stock, driving up the share price artificially, and then have sold off many of their own personal shares at the high prices.

In its latest disclosures, Pre-Paid Legal Services announced that the company used \$524,824 of revenue during the second quarter to repurchase 13,315 shares of common stock at an average per share price of \$39.42. In this same quarter, company CEO Harland Stonecipher sold personal shares equivalent of 23 percent of this total. The buy-back/sell-off price was approximately 50 percent above the year's low trading price.

Despite dismal numbers, Pre-Paid Legal Services's stock price was artificially pushed upward with the company's re-purchases while critical recruitment of its sales force dropped 22 percent and enrollment of new customers dropped 9 percent over a year before.

According to Barry Minkow, co-founder of the Fraud Discovery Institute Inc., "Posterity will one day marvel at the incredible credulity Wall Street possessed and currently possesses by allowing a literal financial crime in progress to seemingly prosper in stock price in the face of every red flag for fraud - a collapsing company built on an endless chain, 'doomed by design' business model."

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