



Pre-Paid Legal Services Inc. 1.9 Million Shareowner and Board Member Thomas Smith Knew Associates Didn't Renew, Reports Fraud Discovery Institute

FDI releases statistics revealing that Pre-Paid Legal Services, Inc. (NYSE:PPD) director and largest stockholder, Thomas Smith, knowingly profited from failed members and associates

For Immediate Release

SAN DIEGO/EWORLDWIRE/Feb. 25, 2009 --- The Fraud Discovery Institute Inc. (FDI) has just released statistics revealing that over 70 percent of vested associates of the Pre-Paid Legal Services Inc. (NYSE:PPD) business opportunity never sold a single Pre-Paid Legal Services plan dating from 2001 to 2007 - the filing of the company's latest 10-K. Equally as troubling is the fact that 95 percent of all Pre-Paid Legal Services vested associates trying to establish a business never sold more than 10 memberships.

Percentage of Vested Associates who failed to sell:

| Year | Vested Associates | A single membership | More than 10 memberships |
|------|-------------------|---------------------|--------------------------|
| 2007 | 442,361 | 79% | 98% |
| 2006 | 444,499 | 80% | 98% |
| 2005 | 468,365 | 78% | 98% |
| 2004 | 343,696 | 77% | 97% |
| 2003 | 329,600 | 74% | 97% |
| 2002 | 341,116 | 70% | 96% |
| 2001 | 286,488 | 72% | 95% |

"After reading the above, the only question left is, 'What kind of evidence in a post-Madoff, post-Stanford world are you willing to accept that Pre-Paid Legal Services Inc. is a financial crime in progress?' Barry Minkow, co-founder of the Fraud Discovery Institute Inc., asks in the just-released YouTube video posted on the PonziPlusPyramidEqualsPrepaid.com ('<http://www.ponzipluspyramidequalsprepaid.com>') Web site.

"For seven consecutive years, no less than 70 percent and as high as 80 percent of Pre-Paid Legal Services associates trying to build a business never sold even one plan. No less than 95 percent and as high as 98 percent of all vested associates never sold more than 10 Pre-Paid Legal Services plans. This demonstrates beyond any doubt that the business opportunity used to lure people into the company takes their money for 'training' and requires recruitment of multiple people in order to become commission-qualified is business opportunity fraud," said Minkow.

As of 12/31/2008, the largest institutional shareholder of Pre-Paid Legal Services was a group controlled by Board of Directors' member Thomas Smith (<http://finance.yahoo.com/q/mh?s=PPD>). "Mr. Smith and his entity clearly knew that the money to repurchase, for example, his 200,000 share trade on January 29, 2009, and his 308,000 shares sold on December 8, 2008, came from revenue derived directly from the people who fell prey to the above statistics. This demonstrates the money transfer game going on at Pre-Paid Legal Services," added Minkow.

"Talk about a conflict of interest - how can this be?" asked Minkow. "The most important metric for the company is the number of vested salespeople of the product, and the best use of money for them is investing

in name recognition and an improved product to increase retention. The best use of cash is not repurchasing the stock held by a guy who votes on how to spend the money."

FDI also pointed out how Pre-Paid Legal Services depends on debt and revenue from the lure of the business opportunity to continue repurchasing shares. As of September 30, 2008, Pre-Paid Legal Services had negative working capital of \$4.6 million, leading FDI to question why the company is squandering cash on continued repurchases of stock.

To learn more, visit [PonziPlusPyramidEqualsPrepaid.com](http://www.ponzipluspyramidequalsprepaid.com) ('<http://www.ponzipluspyramidequalsprepaid.com>') or the Fraud Discovery Institute Web site at '<http://www.frauddiscovery.net>'.

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