



Fraud Discovery Institute Releases Top 10 Red Flags For Fraud At Pre-Paid Legal Services Inc.

New red flags show that recently released Pre-Paid Legal Services Inc. (NYSE:PPD) annual report confirmed the company's key metric has turned negative - very negative.

For Immediate Release

SAN DIEGO/EWORLDWIRE/March 2, 2009 --- The Fraud Discovery Institute ('<http://www.frauddiscovery.net>') today released a new Top 10 Red Flags for Fraud list exposing multiple alleged misrepresentations at service based multi-level marketer, Pre-Paid Legal Services Inc. (NYSE:PPD) (PPD). The findings came directly from the company's recently released annual report and were summarized by expert Robert Fitzpatrick in the below chart and summary.

"This market saturation is demonstrated not only in cumulative numbers of associates that are unsustainable in the future, but in current rates of decline in all important measures including:

- . Total sales
- . Total sales force
- . Recruitment rate of sales associates
- . Dropout/replacement rates of sales associates
- . Sales productivity rates of sales associates

From the 2008 10k:

Market Saturation Measure

2007

2008

Percentage Change

Total Members

1,575,802

1,559,154

- 1%

New Memberships Sold during Year

612,096

552,327

- 10%

Total Sales Associates

442,361

425,018

- 4%

New Associates Recruited during Year

148,802

122,255

- 18%

Associates that Made at least One Sale

90,123

81,731

- 9%

% of Associates that Made at least One Sale
20.37%
19.23%
- 1.14

Associates that Made at least Ten Sales
9,047
6,996
- 23%

% of Associates that Made at least Ten Sales
2.045%
1.64%
- 0.41%

. Not only does Pre-paid Legal Services Inc. show an 18 percent decline in its most important measure for overall growth - the rate of enrollment of multi-level marketing salespeople - but in 2008 more salespeople actually quit the company than were recruited during the year.

. PPD began 2008 with 442,361 associates and recruited another 122,255 during the year for a total of 564,616 sales people. Yet at year end, it reported only 425,018 still enrolled.

. 139,598 quit during the year. That is 17,343 more than PPD was able to recruit as replacements.

. Not only is the total number of PPD sales people making any sales dropping but also the percentage of the total number salespeople making sales - at least one sale or 10 or more sales - is also declining. PPD has a declining number of sales people and a declining percentage of this smaller force is making sales."

According to Barry Minkow, co-founder of the Fraud Discovery Institute Inc., "These are numbers that one would expect to find in PrePaid Legal Services Inc. was not just in a constant state of collapse but rather a company that is collapsing."

Learn more at the Fraud Discovery Institute Web site at '<http://www.frauddiscovery.net>'.

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