PRE PAID LEGAL SERVICES INC
Form PRER14A
April 18, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant o

Check the appropriate box:

x Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

PRE-PAID LEGAL SERVICES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

Common stock, par value $0.01 per share, of Pre-Paid Legal Services, Inc. (the “Company”)

(2) Aggregate number of securities to which the transaction applies:

9,789,269 shares of common stock issued and outstanding.

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The maximum aggregate value of the transaction was determined based upon 9,789,269 shares of common stock issued and outstanding and owned by persons other than the Company, MidOcean PPL Holdings Corp. (“Parent”) or any other direct or indirect wholly owned subsidiary of the Company or Parent on February 18, 2011, multiplied by the merger consideration of $66.50 per share. The filing fee equals the product of 0.00011610 multiplied by the maximum aggregate value of the transaction.

(4) Proposed maximum aggregate value of the transaction:

$650,986,388.50

(5) Total fee paid:

$75,579.52

x Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRE-PAID LEGAL SERVICES, INC.
One Pre-Paid Way
Ada, Oklahoma 74820

[ ], 2011

Dear Shareholder:

You are cordially invited to attend a special meeting of shareholders of Pre-Paid Legal Services, Inc. (the "Company") to be held at One Pre-Paid Way, Ada, Oklahoma, on [ ], [ ], 2011, at [ ] a.m., local time.

At the special meeting, you will be asked to consider and vote upon a proposal to approve a merger pursuant to which the Company will merge with PPL Acquisition Corp., a wholly owned subsidiary of MidOcean PPL Holdings Corp, which we refer to as Parent. We entered into a merger agreement (the "Merger Agreement") with Parent and its subsidiary PPL Acquisition Corp., which we refer to as Merger Sub, on January 30, 2011. If the merger is approved and is completed, you will be entitled to receive $66.50 in cash, without interest and less any applicable withholding taxes, for each share of our common stock owned by you as of the effective time of the merger, unless you have properly exercised your appraisal rights with respect to such shares.

Our board of directors, acting on the unanimous recommendation of a special committee composed of disinterested and independent directors, unanimously approved the Merger Agreement, determined that the Merger Agreement and the merger are fair to and in the best interests of the Company and its unaffiliated shareholders, and directed that the Merger Agreement be submitted to our shareholders for their adoption. Our board of directors unanimously recommends that you vote "FOR" the adoption of the Merger Agreement at the special meeting and "FOR" the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Your vote is very important, regardless of the number of shares you own. The proposal to adopt the Merger Agreement must be approved by the holders of a majority of the outstanding shares of the Company's common stock entitled to vote at the special meeting.

If you do not return your proxy card, submit a proxy via the Internet or by telephone or attend the special meeting and vote in person, it will have the same effect as if you voted "AGAINST" adoption of the Merger Agreement.

Only shareholders who owned shares of the Company's common stock at the close of business on [ ], 2011, the record date for the special meeting, will be entitled to vote at the special meeting.

To vote your shares, you may return your proxy card, submit a proxy via the Internet or by telephone or attend the special meeting and vote in person. Even if you plan to attend the special meeting, we urge you to promptly submit a proxy for your shares via the Internet or by telephone or by completing, signing, dating and returning the enclosed proxy card.

If you received your proxy card or voting instructions relating to shares allocated to your account under the Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan (the "ESOP") or your interests in the Associate Invesment Club, please follow the instructions provided to ensure that shares of stock allocated to your ESOP account and your Associate Investment Club shares are voted properly.

If your shares of our common stock are held in "street name" by your bank, brokerage firm or other nominee, your bank, brokerage firm or other nominee will be unable to vote your shares of our common stock without instructions from you. Accordingly, you should instruct your bank, brokerage firm or other nominee to vote your shares of our common stock in accordance with the procedures provided by your bank, brokerage firm or other nominee.

The enclosed notice of special meeting and proxy statement explain the proposed merger and provide specific information concerning the special meeting. Please read these materials (including the annexes) carefully.

If you have any questions or need assistance voting your shares of our common stock, please contact MacKenzie Partners, Inc., our proxy solicitor, by calling (800) 322-2885 (toll-free) or (212) 929-5500 (collect), or emailing proxy@mackenziepartners.com.

On behalf of your board of directors, thank you for your continued support.

Sincerely,

[ ]
Harland C. Stonecipher
Chairman of the Board
Pre-Paid Legal Services, Inc.

Neither the United States Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger or the Merger Agreement, passed upon the merits or fairness of the merger or the Merger Agreement or passed upon the adequacy or accuracy of the disclosures in the enclosed Proxy Statement. Any representation to the contrary is a criminal offense.

The enclosed Proxy Statement is dated [ ], 2011 and is first being mailed to shareholders of the Company on or about [ ], 2011.

PRE-PAID LEGAL SERVICES, INC.
One Pre-Paid Way
Ada, Oklahoma 74820

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON [ ], 2011

To the Shareholders of Pre-Paid Legal Services, Inc.:

NOTICE IS HEREBY GIVEN THAT a special meeting of the shareholders of the Pre-Paid Legal Services, Inc., an Oklahoma corporation (the "Company"), will be held at One Pre-Paid Way, Ada, Oklahoma, on [ ], 2011 at a.m., local time, for the following purposes:

1. To consider and vote upon the adoption of the Agreement and Plan of Merger, dated as of January 30, 2011, by and among the Company, MidOcean PPL Holdings Corp. ("Parent") and PPL Acquisition Corp. ("Merger Sub"), as such agreement may be amended from time to time (the "Merger Agreement");

2. To consider and vote upon any proposal to authorize the Company's board of directors, in its discretion, to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the Merger Agreement at the time of the special meeting; and

3. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of the Company's board of directors.

Only shareholders of record at the close of business on [ ], 2011 are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. A complete list of these shareholders will be available at One Pre-Paid Way, Ada, Oklahoma for at least ten days prior to the special meeting. Such list will also be produced and kept at the meeting site during the special meeting.

Your vote is important, regardless of the number of shares you own. The merger cannot be completed unless the Merger Agreement is adopted by the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. We urge you to complete, sign, date and return your proxy card as promptly as possible by mailing the card in the enclosed postage prepaid envelope, whether or not you expect to attend the special meeting. If you are unable to attend in person and you return your proxy card, your shares will be voted at the special meeting in accordance with your proxy. You may also submit a proxy by telephone or through the Internet by following the instructions on your proxy card. If you fail to return your proxy card, or submit your proxy by phone or the Internet, your shares of our common stock will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement.

If your shares of our common stock are held in "street name" by your bank, brokerage firm or other nominee, your bank, brokerage firm or other nominee will be unable to vote your shares of our common stock without instructions from you. You should instruct your bank, brokerage firm or other nominee to vote your shares of our common stock in accordance with the procedures provided by your bank, brokerage firm or other nominee. The failure to instruct your bank, brokerage firm or other nominee to vote your share of our common stock "FOR" the proposal to adopt the Merger Agreement will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement.

If you received your proxy card relating to shares allocated to your account under the Pre-Paid Legal Services, Inc. Employee Stock Ownership and Thrift Plan (the "ESOP") or your interests in the Associate Investment Club, please follow the voting instructions provided. The failure to vote the shares allocated to your ESOP account or your Associate Investment Club shares in accordance with the instructions provided will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement.

Our board of directors, acting on the unanimous recommendation of a special committee composed of disinterested and independent directors (the "Special Committee"), unanimously approved the Merger Agreement, determined that the Merger Agreement and the merger are fair to and in the best interests of the Company and its unaffiliated shareholders and directed that the Merger Agreement be submitted to our shareholders for their adoption. Our board of directors unanimously recommends that you vote "FOR" the adoption of the Merger Agreement at the special meeting and "FOR" the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Under Oklahoma law, if the merger is completed, holders of the Company's common stock who do not vote in favor of adoption of the Merger Agreement will have the right to seek appraisal of the fair value of their shares as determined by an Oklahoma District Court. In order to exercise your appraisal rights, you must submit a written demand for an appraisal prior to the shareholder vote on the Merger Agreement, not vote in favor of adoption of the Merger Agreement and you must comply with other Oklahoma law procedures explained in the accompanying proxy statement.

The merger is described in the accompanying proxy statement, which we urge you to read carefully. A copy of the Merger Agreement is attached as Annex A to the proxy statement.

By Order of the Board of Directors

[ ]
Kathleen S. Pinson, Secretary

[ ], 2011
Ada, Oklahoma

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope, or submit a proxy by telephone or through the Internet by following the instructions on your proxy card. Giving your proxy now will not affect your right to vote in person if you attend the special meeting other than with respect to shares allocated to your account under the ESOP or the Associate Investment Club shares which can only be voted in accordance with instructions provided.

PRE-PAID LEGAL SERVICES, INC.
One Pre-Paid Way
Ada, Oklahoma 74820

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SUMMARY TERM SHEET

This Summary Term Sheet highlights selected information from this proxy statement and may not contain all of the information that is important to you. To better understand the merger and for a more complete description of the legal terms of the transaction, you should read carefully this entire proxy statement and the annexes to this proxy statement. A copy of the Merger Agreement is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement. Each item in this Summary Term Sheet includes a page reference directing you to a more complete description of the item in this proxy statement. Except as otherwise specifically noted in this proxy statement, "we," "our," "us" and similar words in this proxy statement refer to Pre-Paid Legal Services, Inc. In addition, we refer to Pre-Paid Legal Services, Inc. as the "Company," to MidOcean PPL Holdings Corp. as "Parent" and to PPL Acquisition Corp. as "Merger Sub." The Company, as the surviving corporation of the merger, is also referred to as the "surviving corporation."

The Parties to the Merger (page 20)

Pre-Paid Legal Services, Inc.
One Pre-Paid Way
Ada, Oklahoma 74820
Telephone: (580) 436-1234

We were one of the first companies in the United States organized solely to design, underwrite and market legal expense plans. Our life events legal plans (referred to as "memberships") provide for a variety of legal services. In most states and provinces, standard plan benefits include preventive legal services, motor vehicle legal defense services, trial defense services, Internal Revenue Service audit services and a 25% discount off legal services not specifically covered by the membership. Additionally, in approximately 49 states, the District of Columbia and four Canadian provinces, a rider can be added to the standard plan that provides members with 24-hour access to a toll-free number for attorney assistance if the member is arrested or detained. We also offer our Identity Theft Shield which includes a credit report and related instructional guide, a credit score and related instructional guide, credit report monitoring with daily online and monthly offline notification of any changes in credit information and comprehensive identity theft restoration services.

Our website is located at http://www.prepaidlegal.com. Our website address is included in this proxy statement as a textual reference only, and the information available on our website is not incorporated by reference into this proxy statement. Additional information regarding the Company is contained in our filings with the Securities and Exchange Commission (the "SEC"). See "Where You Can Find More Information" beginning on page 93.

MidOcean PPL Holdings Corp.
320 Park Avenue, 16th Floor
New York, New York
Telephone: (212) 497-1400

MidOcean PPL Holdings Corp., or Parent, is a Delaware corporation that was formed solely for the purpose of entering into the Merger Agreement and, subject to the terms and conditions thereof, completing the transactions contemplated by the Merger Agreement, by affiliates of MidOcean Associates, SPC, which, with their affiliates we refer to as MidOcean. MidOcean is a premier private equity firm focused on the middle market. MidOcean is committed to investing in high quality companies with stable market positions and multiple opportunities for growth in the United States and Europe. Upon completion of the merger, the Company will be a direct, wholly owned subsidiary of Parent. We sometimes refer to the Company following the merger as the surviving corporation.

PPL Acquisition Corp.
320 Park Avenue, 16th Floor
New York, New York
Telephone: (212) 497-1400

PPL Acquisition Corp., or Merger Sub, is an Oklahoma corporation that was formed by Parent solely for the purpose of entering into the Merger Agreement and completing the transactions contemplated by the Merger Agreement and the related financing transactions. Upon consummation of the merger, Merger Sub will cease to exist, and the Company will continue as the surviving corporation and a wholly owned subsidiary of Parent.

The Special Meeting (page 53)

Date, Time and Place. A special meeting of our shareholders will be held on [ ], 2011, at One Pre-Paid Way, Ada, Oklahoma, at [ ] a.m., local time, to consider and vote on:

- adoption of the Merger Agreement; and
- authorizing our board of directors, in its discretion, to adjourn the special meeting to a later date or dates, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the Merger Agreement at the time of the special meeting.

Shareholders will also consider and act upon such other business that may properly come before the special meeting or any adjournment or postponement thereof.

Record Date and Voting Power. You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on [ ], 2011, the record date for the special meeting. You will have one vote at the special meeting for each share of our common stock you owned at the close of business on the record date. As of the record date, there were [ ] shares of our common stock outstanding and entitled to vote at the special meeting. A quorum is present if the holders of one-third of the outstanding shares of our common stock entitled to vote on the record date are present at the meeting, either in person or represented by proxy.

Required Vote. The adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Approval of any proposal to authorize our board of directors, in its discretion, to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the votes cast on the matter.

As of [ ], 2011 the record date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, [ ] shares of our common stock, representing [ ] % of the outstanding shares of our common stock on the record date. Adoption of the Merger Agreement does not require approval of a majority of unaffiliated shareholders. The directors and executive officers have informed the Company that they currently intend to vote all of their shares of Company common stock “FOR” the proposal to adopt the Merger Agreement and “FOR” the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

If you do not return your proxy card, submit a proxy via the Internet or by telephone or attend the special meeting and vote in person, it will have the same effect as if you voted “AGAINST” adoption of the Merger Agreement.

Voting of Proxies and Revocation of Proxies (page 55)

Any shareholder of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet, by returning the enclosed proxy card in the accompanying prepaid reply envelope, or may vote in person by appearing at the special meeting. If your shares of our common stock are held in “street name” through a bank, brokerage firm or other nominee, you should instruct your bank, brokerage firm or other nominee on how to vote your shares of our common stock using the instructions provided by your bank, brokerage firm or other nominee. If you received your proxy card with respect to shares allocated to your account under the ESOP or with respect to your Associate Investment Club shares, please follow the voting instructions provided. If you fail to submit a proxy or to vote in person at the special meeting or in accordance with instructions provided, or do not provide your bank, brokerage firm or other nominee with voting instructions, as applicable, your shares of our common stock will not be voted on the proposal to adopt the Merger Agreement, which will have the same effect as a vote “AGAINST” the proposal to adopt the Merger Agreement, and your shares of our common stock will not have an effect on any vote or a proposal to adjourn the special meeting.

You may change your vote at any time before your proxy card is voted at the special meeting. If your shares are registered in your name, you may revoke your proxy by:

- delivering a written revocation of the proxy, or a later dated, signed proxy card, to our corporate secretary, Kathleen S. Pinson, at our corporate offices at One Pre-Paid Way, Ada, Oklahoma 74820, or by fax to the attention of Kathleen S. Pinson at (580) 436-7409, on or before the business day prior to the special meeting;
- delivering a new, later dated proxy by telephone or via the Internet through 11:59 p.m., eastern time, the day prior to the special meeting;
- delivering a written revocation or later dated, signed proxy card to us at the special meeting prior to the taking of the vote on the matters to be considered at the special meeting; or
- attending the special meeting and voting in person.

If you have instructed a bank, brokerage firm or other nominee to vote your shares, you may revoke your proxy only by following the directions received from your bank, brokerage firm or other nominee to change those instructions.

You may revoke your proxy with respect to shares allocated to your account under the ESOP or your Associate Investment Club shares only by following the instructions provided.

Revocation of the proxy will not affect any vote previously taken. Attendance at the special meeting will not in itself constitute the revocation of a proxy; you must vote in person at the special meeting to revoke a previously delivered proxy.

The Merger (page 58)

Upon the terms and subject to the conditions of the Merger Agreement, at the effective time of the merger, Merger Sub will be merged with and into the Company with the Company continuing as the surviving corporation. If the merger is completed, the Company will cease to be a publicly-traded company.

If the merger is completed, you will be entitled to receive $66.50 in cash, without interest and less any applicable withholding taxes, in exchange for each share of our common stock that you own as of the effective time of the merger and for which you have not properly exercised appraisal rights. If the merger is completed, you will not own any shares of the capital stock of the surviving corporation.

A copy of the Merger Agreement is attached as Annex A to this proxy statement. Please read it carefully.

Reasons for the Merger and Recommendation of Our Board of Directors (page 32)

The board of directors of the Company, which we refer to as the board of directors, after considering the unanimous recommendation of the Special Committee and the various factors described in the section entitled “Special Factors—Reasons for the Merger and Recommendation of Our Board of Directors,” unanimously (i) determined that the merger is fair to and in the best interests of the Company and our unaffiliated shareholders, (ii) approved and declared advisable the Merger Agreement and the merger (iii) directed that the Merger Agreement be submitted for consideration by the shareholders of the Company at a special meeting of shareholders and (iv) resolved to recommend that our shareholders vote to adopt the Merger Agreement. The Special Committee made its recommendation to the board of directors after consideration of the factors described in the section entitled “Special Factors—Reasons for the Merger and Recommendation of Our Board of Directors”. The Special Committee is comprised entirely of disinterested and independent directors of the Company. Members of the Special Committee are also independent of Parent, Merger Sub and MidOcean Investors.

In considering the recommendation of the board of directors with respect to the proposal to adopt the Merger Agreement, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, yours. The board of directors was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the merger, and in recommending that the Merger Agreement be adopted by the shareholders of the Company. See the section entitled "Special Factors—Interests of Our Directors and Executive Officers in the Merger" beginning on page 45.

The board of directors recommends that you vote "FOR" the proposal to adopt the Merger Agreement and "FOR" the proposal to adjourn the special meeting, if necessary or appropriate to solicit additional proxies.

Purposes and Reasons of the PPD Parties for the Merger and Positions of the PPD Parties Regarding the Fairness of the Merger (page 34)

Each of Harland C. Stonecipher, Chairman of the Board of Directors of the Company, Randy Harp, Co-Chief Executive Officer, President and Chief Operating Officer of the Company, and Steve Williamson, Chief Financial Officer of the Company (collectively, the "PPD Parties") agrees with and adopts the reasons for the merger described under "—Reasons for the Merger and Recommendation of Our Board of Directors." In addition, each of the PPD Parties believes that the merger is fair to the Company's unaffiliated shareholders on the basis of the factors described under "—Reasons for the Merger and Recommendation of Our Board of Directors." None of the PPD Parties participated in the deliberations of the Special Committee regarding, or received advice from the Special Committee's legal or financial advisor as to, the fairness of the merger.

Opinion of the Special Committee's Financial Advisor (page 35)

Berenson & Company, LLC ("Berenson") served as the Special Committee's financial advisor in connection with the merger. On January 30, 2011, Berenson rendered to the Special Committee its opinion as investment bankers to the effect that, as of that date and based upon and subject to the various considerations and assumptions set forth therein, the merger consideration of $66.50 in cash to be received by the holders of our common stock pursuant to the merger was fair from a financial point of view to the holders of such shares. The Berenson written opinion, dated January 30, 2011, is sometimes referred to herein as the Berenson opinion.

The full text of the Berenson opinion, which sets forth the assumptions made, matters considered, and limitations on the scope of review undertaken by Berenson in rendering its opinion, is attached to this proxy statement as Annex B. The Berenson opinion was provided to the Special Committee in connection with its consideration of the merger. The Berenson opinion does not constitute a recommendation as to how any shareholder should vote on the merger or any other matter. The Company encourages the Company's shareholders to read the Berenson opinion carefully and in its entirety. The summary of the Berenson opinion in this proxy statement is qualified in its entirety by reference to the full text of the Berenson opinion.

Financing of the Merger (page 40)

The total amount of funds necessary to pay the aggregate merger consideration as well as related transaction charges, fees and expenses is estimated to be approximately $[ ]. Parent has informed us that it intends to fund the transaction with equity and debt financing, together with unrestricted cash and cash equivalents held by us and our subsidiaries, which will be available to Parent following consummation of the merger. Consummation of the merger is not conditioned on the funding of Parent's financing or on Parent obtaining financing.

Parent has obtained an equity commitment letter and a debt commitment letter, which we refer to collectively as the commitment letters. The funding under those commitment letters is subject to certain conditions, including conditions that do not relate directly to the Merger Agreement. We believe the amounts committed under the commitment letters will be sufficient to complete the merger, but we cannot assure you of that. Those amounts might be insufficient if, among other things, we have substantially less cash on hand or one or more of the parties to the commitment letters fails to fund the committed amounts in breach of such commitment letters or if the conditions to such commitments are not met. Although obtaining the proceeds of any financing, including the financing under the commitment letters, is not a condition to the completion of the merger, the failure of Parent and Merger Sub to obtain any portion of the committed financing (or alternative financing) is likely to result in the failure of the merger to be completed. In that case, Parent may be obligated to pay the Company a reverse termination fee of $50.0 million as described under "The Merger Agreement—Fees and Expenses" beginning on page 78. The obligation of Parent to pay the reverse termination fee is guaranteed by the guarantor referred to below.

Equity Financing. Parent has entered into an equity commitment letter with MidOcean Partners III, L.P., MidOcean Partners III-A, L.P. and MidOcean Partners III-D, L.P. (collectively with their affiliates, the "MidOcean Investors"), dated January 30, 2011, pursuant to which they have severally and not jointly committed to provide equity financing up to a specified dollar amount. The funding of the financing contemplated by the equity commitment letter is subject to several conditions, including the satisfaction or waiver by Parent and Merger Sub (with the prior written consent of the MidOcean Investors in the case of any waiver) of each of the conditions to the obligations of Parent and Merger Sub to consummate the merger (other than any condition that by its nature is to be satisfied at the closing of the merger), the concurrent closing of the merger and the contemporaneous consummation of the debt financing. The obligation of the MidOcean Investors to fund their respective equity commitments will expire upon certain events, including the termination of the Merger Agreement in accordance with its terms and the consummation of the merger after giving effect to the equity contributions.

Debt Financing. In connection with Parent's entry into the Merger Agreement, Parent received a debt commitment letter, dated January 29, 2011, as subsequently amended on March 25, 2011, from Macquarie Capital (USA) Inc., Royal Bank of Canada, Key Bank National Association and The Governor and Company of the Bank of Ireland (acting through such of their affiliates or branches as they deem appropriate) (collectively, the "Commitment Parties"). The debt commitment letter provides in the aggregate up to $440 million in debt financing to Parent, consisting of (i) a senior secured term loan facility in an aggregate principal amount of $410 million and (ii) a senior secured revolving credit facility with a maximum availability of $30 million (which may not be drawn at the closing of the merger). The debt commitment terminates automatically upon the earlier to occur of 5:00 p.m., New York City time, on July 31, 2011, the closing of the merger and the termination of the Merger Agreement in accordance with its terms.

The availability of the facilities contemplated by the debt commitment letter is subject to certain conditions described beginning on page 41. There is a risk that one or more of the conditions to the debt financing will not be satisfied and the debt financing may not be funded when required.

If any portion of the debt financing becomes unavailable on the terms and conditions contemplated by the debt commitment letter, Parent will, at our request, use its reasonable best efforts to arrange and obtain alternative debt financing from alternative debt sources in an amount sufficient to consummate the merger with terms and conditions not less favorable, taken as a whole, to Parent and Merger Sub than the terms and conditions in the existing debt commitment letter. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event the debt financing described in this proxy statement is not available as anticipated.

Limited Guarantee (page 42)

The MidOcean Investors have entered into a limited guarantee in favor of the Company in an aggregate amount of $50 million. Under the limited guarantee, each of the MidOcean Investors guarantees, severally and not jointly, and subject to the terms and conditions of the limited guarantee and up to the specified portion of the maximum amount set forth therein, the payment of any termination fee that may become payable by Parent under certain specified circumstances and certain other specified obligations of Parent under the Merger Agreement. In the event that Parent breaches the Merger Agreement or fails to pay us any termination fee that it becomes obligated to pay under the Merger Agreement, our only recourse would be against Parent for specific performance or to seek $50 million from the MidOcean Investors under the limited guarantee.

Interests of Our Directors and Executive Officers in the Merger (page 45)

When considering the recommendation of the Company's board of directors, you should be aware that the Company's directors and executive officers have interests in the merger other than their interests as the Company shareholders generally, as described below. These interests may be different from, or in conflict with, your interests as a shareholder of the Company. The members of our board of directors and the Special Committee were aware of these additional interests, and considered them, when they unanimously approved the Merger Agreement. These interests include the following:

- enhanced severance payments and benefits upon a qualifying termination of employment;
- payment of retention bonuses following the merger;

- following the effective time of the merger, Parent and the surviving corporation of the merger will provide continued indemnification to directors and officers for the period prior to the effective time of the merger; and

- Harland C. Stonecipher, the Chairman of our board of directors, may be entitled to special payments under his employment agreement if his employment is terminated under certain circumstances prior to the transaction or if his employment is terminated within a limited period of time following the transaction.

The Merger Agreement (page 58)

Treatment of Common Stock and Equity Awards (page 60)

Common Stock. At the effective time of the merger, each share of our common stock issued and outstanding (other than (i) shares owned by Parent or any direct or indirect subsidiary of Parent, (ii) shares owned by the Company or any direct or indirect subsidiary of the Company and (iii) shares owned by shareholders who have perfected and not otherwise waived, withdrawn or lost their rights as dissenting shareholders, if any, to demand to be paid the "fair value" of their shares of common stock under Oklahoma law) will convert into the right to receive the per share merger consideration of $66.50 in cash, without interest, less any applicable withholding taxes.

Stock Options. The Merger Agreement provides that immediately prior to the effective time of the merger, each option then outstanding (whether or not vested) will be cancelled and converted into the right to receive a cash payment in an amount equal to the product of (i) the amount by which $66.50 exceeds the applicable per share exercise price (if any) multiplied by (ii) the number of shares of common stock issuable upon exercise of such stock option, without interest and less any applicable withholding taxes. Parent, or the surviving corporation acting on its behalf, will make such cash payments within 10 business days of the closing of the merger. As of the date of this proxy statement, there were no options outstanding under our stock option plan.

Conditions to the Closing of the Merger (page 74)

The respective obligations of the Company, Parent and Merger Sub to consummate the merger are subject to the satisfaction or waiver of certain customary conditions, including the adoption of the Merger Agreement by our shareholders, the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), approvals from the Commissioner of the Oklahoma Insurance Department and the Commissioner of the Florida Office of Insurance Regulation the absence of any statute, rule, regulation or order that restrains, enjoins or otherwise prohibits the consummation of the merger, the accuracy of the representations and warranties of the parties contained in the Merger Agreement and compliance by the parties with their respective obligations under the Merger Agreement.

Restrictions on Solicitation of Alternative Transaction Proposals (page 67)

We have agreed that from the date of the Merger Agreement until the effective time of the merger, we, our subsidiaries and our and our subsidiaries' respective directors, officers, employees, advisors and representatives shall not, directly or indirectly:

- initiate, solicit, propose or knowingly encourage or knowingly facilitate any "alternative transaction proposal", or any inquiries or the making of any proposal or offer that constitutes or could reasonably be expected to lead to an "alternative transaction proposal";
- engage in, continue or otherwise participate in any discussions or negotiations regarding, or furnish any person any information concerning the Company or any of its subsidiaries with respect to, any "alternative transaction proposal" or any proposal or offer that could reasonably be expected to lead to an "alternative transaction proposal";
- grant any waiver, amendment or release under any standstill or confidentiality agreement or anti-takeover statute;
- approve, endorse, recommend, or execute or enter into any agreement relating to an "alternative transaction proposal" or that contradicts the Merger Agreement or requires the Company to abandon the Merger Agreement; or
- resolve, propose, commit or agree to do any of the foregoing.

However, prior to the adoption of the Merger Agreement by the Company's shareholders, under certain circumstances specified in the Merger Agreement, we may respond to certain unsolicited "alternative transaction proposals" or participate in discussions or negotiations with person making any such proposals and our board of directors or the Special Committee may modify or withdraw its recommendation in favor of the merger and, with respect to a "superior proposal" we may terminate the Merger Agreement to enter into an agreement with respect to such proposal. See "The Merger Agreement—Restrictions on Change of Recommendation to Shareholders" beginning on page 68. We must notify Parent at least three business days prior to effecting a "Company adverse recommendation change" or a "change of recommendation" in response to an "intervening event" or terminating the Merger Agreement to enter into an agreement with respect to a "superior proposal". We must then negotiate in good faith with Parent (to the extent Parent desires to negotiate) during such period to make such revisions to the Merger Agreement as would permit the board of directors not to take such action. See "The Merger Agreement—Restrictions on Change of Recommendation to Shareholders" beginning on page 68.

Termination of the Merger Agreement (page 76)

Parent and the Company (upon approval of the Special Committee) may, by mutual written consent, terminate the Merger Agreement and abandon the merger at any time prior to the effective time of the merger, whether before or after the adoption of the Merger Agreement by our shareholders.

The Merger Agreement may also be terminated by either Parent or the Company (and the merger abandoned at any time prior to the effective time of the merger) if:

- the merger has not been consummated by the "outside date" (which, unless extended as provided in the Merger Agreement, is July 31, 2011), but this right to terminate the Merger Agreement will not be available to any party whose breach of or failure to fulfill any obligation under the Merger Agreement has been a principal cause of or resulted in the failure of the merger to be consummated by such date, and if the Company has brought any litigation against Parent seeking to specifically enforce its rights as provided under the Merger Agreement and such litigation is pending on such date, this right to terminate the Merger Agreement will not be available to Parent until the third business day after Parent and Merger Sub shall have complied with any all orders included in the final ruling in such litigation;
- an injunction, judgment or order of a governmental entity permanently restraining enjoining or otherwise prohibiting the merger shall have become final or nonappealable or any law makes the consummation of the merger illegal or otherwise prohibited, unless the consummation of the merger in violation of such law would not have a Company material adverse effect, (but this termination right shall not be available to a party unless, prior to such termination, such party shall have used its reasonable best efforts to oppose any such injunction, judgment or order or law or to have such injunction, judgment or order or law vacated or made inapplicable to the merger and shall have complied in all material respects with its obligations to use reasonable best efforts to consummate the Merger contained in the Merger Agreement, and this termination right shall not be available to any party whose breach of any provision of the Merger Agreement results in the imposition of any such injunction, judgment or order or the failure of such injunction, judgment or order to be resisted, resolved or lifted, as applicable); or

- at the special meeting of our shareholders, a proposal to adopt the Merger Agreement shall have been voted upon and our shareholders shall not have adopted the Merger Agreement at such meeting or any adjournment of such meeting.

The Merger Agreement may also be terminated by Parent (and the merger abandoned at any time prior to the effective time of the merger) if:

- the Company shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in the Merger Agreement, which breach or failure to perform would give rise to the failure of the condition to the closing of the merger relating to the accuracy of the representations and warranties of the Company or the compliance by it with its obligations under the Merger Agreement, and such breach or failure to perform is incapable of being cured, or if capable of being cured, is not cured by the earlier to occur of 30 days (or, in the case of a breach of the Company's obligations not to solicit "alternative transaction proposals", five days) after the Company receives notice of such breach from Parent or Merger Sub and the "outside date"; provided that each of Parent and Merger Sub is not then in breach of the Merger Agreement so as to cause any of the parties' mutual conditions to the closing of the merger or either condition to the closing of the merger relating to the accuracy of the representations and warranties of Parent and Merger Sub or the compliance by Parent and Merger Sub with their obligations under the Merger Agreement not to be satisfied; or

- prior to the adoption of the Merger Agreement by the Company's shareholders our board of directors or the Special Committee shall have effected a Company adverse recommendation change or a change of recommendation in response to an intervening event, or Parent shall have received written notice from the Company to the effect that the Company intends to terminate the Merger Agreement in connection with entering into an agreement with respect to a "superior proposal".

The Merger Agreement may also be terminated by the Company (and the merger abandoned at any time prior to the effective time of the merger) if:

- prior to the adoption of the Merger Agreement by the Company's shareholders, our board of directors or the Special Committee shall have determined, in good faith, that an " alternative transaction proposal" is a "superior proposal" and the Company shall have complied with the restrictions in the Merger Agreement on the solicitation of "alternative transaction proposals" and on our board of directors or the Special Committee changing the recommendation to our shareholders and paid a termination fee of $21.5 million to MidOcean US Advisor, LP;

- if Parent or Merger Sub shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in the Merger Agreement, which breach or failure to perform would give rise to the failure of the condition to the closing of the merger relating to the accuracy of the representations and warranties of Parent and Merger Sub or the compliance by them with their obligations under the Merger Agreement, and is incapable of being cured, or if capable of being cured, is not cured by the earlier to occur of 30 days after Parent or Merger Sub receives notice of such breach from the Company and the "outside date"; provided that the Company is not then in breach of the Merger Agreement so as to cause any of the parties' mutual conditions to the closing of the merger or either condition to the closing of the merger relating to the accuracy of the representations and warranties of the Company or the compliance by the Company with its obligations under the Merger Agreement not to be satisfied; or

- if (i) the parties' mutual conditions to the closing of the merger and the additional conditions to the closing of the merger of Parent and Merger Sub have been satisfied (other than those conditions that by their nature are to be satisfied at the closing of the merger), (ii) the Company has irrevocably confirmed in writing that all of its additional conditions to the closing of the merger have been satisfied or that it is willing to waive all such conditions that may be unsatisfied provided that the closing of the merger occurs by the close of business on the second business day following the date of such notice, (iii) Parent's marketing period has ended or will end on the date of such notice, and (iv) by the close of business on the second business day after the Company has delivered written notice to Parent of the satisfaction of such conditions and such confirmation, the merger shall not have been consummated; provided that the conditions described in clause (i) remain satisfied and the Company's certification described in clause (ii) remains in full force and effect at the close of business on such second business day; provided, further, that during such two-business-day period, no party shall be entitled to terminate the Merger Agreement for the failure of the merger to be consummated by the "outside date" until after the close of business on the business day immediately following the last day of such period.

Fees and Expenses (page 78)

Termination Fee Payable by Parent. Parent will be required to pay the Company a termination fee equal to $50 million if:

- the Company terminates the Merger Agreement because Parent or Merger Sub shall have breached any of its representations or warranties or failed to perform any of its covenants or other agreements contained in the Merger Agreement, which breach or failure to perform would give rise to the failure of the condition to the closing of the merger relating to the accuracy of the representations and warranties of Parent and Merger Sub or the compliance by them with their obligations under the Merger Agreement, and is incapable of being cured, or if capable of being cured, is not cured by the earlier to occur of 30 days after Parent or Merger Sub receives notice of such breach from the Company and the "outside date"; provided that the Company is not then in breach of the Merger Agreement so as to cause any of the parties' mutual conditions to the closing of the merger or either condition to the closing of the merger relating to the accuracy of the representations and warranties of the Company or the compliance by the Company with its obligations under the Merger Agreement not to be satisfied; or

- the Company terminates the Merger Agreement because (i) the parties' mutual conditions to the closing of the merger and the additional conditions to the closing of the merger of Parent and Merger Sub have been satisfied (other than those conditions that by their nature are to be satisfied at the closing of the merger), (ii) the Company has irrevocably confirmed in writing that all of its additional conditions to the closing of the merger have been satisfied or that it is willing to waive all such conditions that may be unsatisfied provided that the closing of the merger occurs by the close of business on the second business day following the date of such notice, (iii) Parent's marketing period has ended or will end on the date of such notice, and (iv) by the close of business on the second business day after the Company has delivered written notice to Parent of the satisfaction of such conditions and such confirmation, the merger shall not have been consummated; provided that the conditions described in clause (i) remain satisfied and the Company's certification described in clause (ii) remains in full force and effect at the close of business on such second business day; provided, further, that during such two-business-day period, no party shall be entitled to terminate the Merger Agreement for the failure of the merger to be consummated by the "outside date" until after the close of business on the business day immediately following the last day of such period.

Termination Fee Payable by the Company. The Company will be required to pay MidOcean US Advisor, LP a termination fee equal to $21.5 million if:

- prior to the adoption of the Merger Agreement by the Company's shareholders, the Company terminates the Merger Agreement because our board of directors or the Special Committee shall have determined, in good faith, that an "alternative transaction proposal" is a "superior proposal" and we shall have complied with the restrictions in the Merger Agreement on the solicitation of "alternative transaction proposals" and on our board of directors or the Special Committee changing the recommendation to our shareholders;

- Parent terminates the Merger Agreement because prior to the adoption of the Merger Agreement by the Company's shareholders our board of directors or the Special Committee shall have effected a Company adverse recommendation change or a change of recommendation in response to an intervening event, or Parent shall have received written notice from the Company to the effect that the Company intends to terminate the Merger Agreement in connection with entering into an agreement with respect to a "superior proposal";

- Parent or the Company terminates the Merger Agreement because the Company's shareholders shall have voted not to adopt the Merger Agreement at the meeting of Company shareholders (or any adjournment of such meeting) and prior to such meeting our board of directors shall have made a change of recommendation based on an intervening event; or

- (i) after the date of the Merger Agreement (and in the case of a termination of the Merger Agreement by Parent or the Company on account of the Company's shareholders voting not to adopt the Merger Agreement at the meeting of Company shareholders, prior to such meeting (or any adjournment of such meeting)) an "alternative transaction proposal" shall have become publicly known and not withdrawn, (ii) thereafter, the Merger Agreement is terminated by Parent or the Company because the merger shall not have been consummated by the "outside date" or the Company's shareholders shall have voted not to adopt the Merger Agreement at the meeting of Company shareholders (or any adjournment of such meeting) or the Merger Agreement is terminated by Parent because of the Company's uncured material breach, in any case, such termination being made in accordance with the Merger Agreement and (iii) within 12 months after such termination, the Company enters into a definitive agreement providing for any transaction contemplated by any "alternative transaction proposal", regardless of when made (which transaction is thereafter consummated) or consummates any "alternative transaction proposal" regardless of when made (for purposes of clause (iii), the term "alternative transaction proposal" shall have the meaning set forth in the section of this proxy statement entitled "The Merger Agreement—Restrictions on Solicitation of Alternative Transaction Proposals" beginning on page 67, except that all references to "20%" shall be deemed to be references to "50%".

In addition, if the Merger Agreement is terminated under certain circumstances and we are not otherwise required to pay the $21.5 million termination fee, we will be required to pay MidOcean US Advisor, LP reimbursement for the transaction expenses incurred by Parent and its related parties, up to an aggregate limit of $5 million. In the event we shall later be required to pay the $21.5 million termination fee, the aggregate amount of transaction expense reimbursement paid by us shall be credited against the amount of such termination fee.

Litigation Related to the Merger (page 43)

Oklahoma District Court of Oklahoma County

On February 8, 2011, a putative shareholder class action complaint was filed in the Oklahoma District Court of Oklahoma County by Andrew D. McMullan and James E. McCurdy, individually and on behalf of all others similarly situated, against the Company and each member of the Company's board of directors (case number CJ-2011-871). The complaint generally alleges that the directors breached their fiduciary duties to the shareholders by agreeing to sell the Company pursuant to an unfair process and at an unfair price. The complaint alleges that the directors breached their fiduciary duties of care, loyalty, candor, good faith and independence and have acted to put their personal interests ahead of the interests of the Company's shareholders, and that the Company has aided and abetted such breaches. The complaint seeks injunctive relief, rescission of any barriers to the maximization of shareholder value and attorneys' fees.

Oklahoma District Court of Pontotoc County

On February 11, 2011, a putative shareholder class action complaint was filed in the Oklahoma District Court of Pontotoc County by Czar Fredrik D. Reyes, individually and on behalf of all others similarly situated, against the Company, each member of the Company's board of directors and Parent and Merger Sub (case number CJ-11-26). The complaint generally alleges that the directors breached their fiduciary duties to the shareholders by agreeing to sell the Company pursuant to an unfair process and at an unfair price. The complaint alleges that the directors breached their fiduciary duties of loyalty, due care, independence, good faith and fair dealing, and that the Company, Parent and Merger Sub have aided and abetted such breaches. The complaint also alleges that the defendants agreed to onerous and preclusive deal protection devices as part of the Merger Agreement, including the "no solicitation" provision, the requirement to notify Parent and Merger Sub of any competing proposals and negotiate in good faith with Parent to amend the terms of the Merger Agreement so that the competing proposal would not be a "superior proposal" and the $21.5 million termination fee. The complaint seeks injunctive relief, damages and costs of the action, including attorneys' fees. On March 2, 2011, the complaint was amended to add allegations that the directors breached their fiduciary duties of candor to the shareholders of the Company and that the Company's preliminary proxy statement filed with the SEC on February 23, 2011 is materially misleading and omits material information that the shareholders require in order to make a fully informed decision in voting on the Merger Agreement, including details regarding the background of the merger and the work performed by Berenson.

On March 3, 2011, a putative shareholder class action complaint was filed in the Oklahoma District Court of Pontotoc County by Troy Ball, individually and on behalf of all others similarly situated, against the Company, each member of the Company's board of directors, Randy Harp, Kathleen S. Pinson, Parent and Merger Sub (case number CJ-11-35). The complaint generally alleges that the sale of the Company is unfair and inequitable to the Company's shareholders and that the directors breached their fiduciary duties to the shareholders. The complaint alleges that the directors, Mr. Harp and Ms. Pinson have breached their fiduciary duties of loyalty, due care, good faith and candor and have acted to put their personal interests ahead of the interests of the shareholders, and that Parent and Merger Sub have aided and abetted such breaches. The complaint also alleges that the defendants agreed to onerous and preclusive deal protection devices as part of the Merger Agreement, including the "no solicitation" provision, the requirement to notify Parent and Merger Sub of any competing proposals and negotiate in good faith with Parent to amend the terms of the Merger Agreement so that the competing proposal would not be a "superior proposal" and the $21.5 million termination fee. In addition, the complaint alleges that the Company's preliminary proxy statement filed with the SEC on February 23, 2011 provides misleading information or omits material information, including details regarding the background of the merger and the work performed by Berenson, resulting in the shareholders being unable to make a fully informed decision in voting on the Merger Agreement. The complaint seeks injunctive relief and costs of the action, including attorneys' fees.

On March 11, 2011, the plaintiffs in the Reyes and Ball actions filed motions to consolidate the two actions and appoint Bull & Lifshitz, LLP and Levi & Korsinsky, LLP co-lead class counsel. On March 4, 2011 and March 8, 2011, respectively, the plaintiffs in the Reyes and Ball actions filed motions seeking leave to conduct discovery on an expedited basis. On March 10, 2011, the Company and the other defendants in the Reyes action moved to stay the Reyes action in deference to the earlier-filed McMullan action. Also on March 10, 2011, all defendants previously served with process in the Ball action moved to stay that action in deference to the McMullan action. The foregoing motions are currently scheduled to be heard by the Oklahoma District Court of Pontotoc County on April 18, 2011. On March 28, 2011, the plaintiffs in the Ball action voluntarily dismissed their claims against Mr. Harp and Ms. Pinson without prejudice.

On April 15, 2011, the parties to the McMullan action, Parent and Merger Sub executed a Memorandum of Understanding, which we refer to as the MOU, reflecting their agreement to settle the claims asserted in the McMullan action, subject to, among other things, the execution of a stipulation of settlement, notice of the settlement being given to the Company's shareholders, approval of the settlement by the Oklahoma District Court of Oklahoma County, completion of confirmatory discovery and completion of the merger. If approved by the Oklahoma District Court of Oklahoma County, the settlement will resolve all pending litigation related to the merger, including the Reyes and Ball actions, and would result in the release by the plaintiffs and the proposed settlement class, which consists of all record and beneficial holders of the Company's common stock during the period beginning January 30, 2011 and through and including the consummation of the merger (other than the defendants), of all claims that were or could have been brought challenging any aspect of the Merger Agreement, the merger and any disclosures made in connection therewith, among other claims (but excluding any properly perfected claims for statutory appraisal in connection with the merger). The MOU provides, among other things, that the Company shall make certain supplemental disclosures that are set forth in this proxy statement; that the parties to the Merger Agreement shall clarify certain provisions thereunder; and that the parties to the Merger Agreement shall modify certain deadlines in the Oklahoma General Corporation Act (the "OGCA") for the exercise of appraisal rights in connection with the merger, as described under "Appraisal Rights" on page 82.

The Company and its board of directors believe and these lawsuits are without merit and are seeking to settle them solely to eliminate the burden and expense of litigation. Absent such settlement, they intend to defend themselves vigorously.

Material United States Federal Income Tax Consequences of the Merger (page 50)

The receipt of cash in exchange for common stock of the Company will be a taxable transaction for United States federal income tax purposes and may also be taxable under applicable state, local, foreign or other tax laws. In general, United States holders of the Company's common stock who receive cash in exchange for their shares pursuant to the merger will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the holder's adjusted tax basis in the shares exchanged and the amount of cash received. If the United States holder holds the Company's common stock as a capital asset, any gain or loss generally should (determined before the deduction of any applicable withholding taxes) be capital gain or loss. If the United States holder has held the shares for more than one year, any gain or loss generally should be long-term capital gain or loss. The deductibility of capital losses is subject to limitations. You should read "Special Factors—Material United States Federal Income Tax Consequences of the Merger" for a more detailed discussion.

Tax matters are very complex, and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your tax advisor for a full understanding of the tax consequences of the merger to you, including the federal, state, local and foreign tax consequences of the merger.

Regulatory Matters (page 52)

Under the terms of the Merger Agreement, the merger cannot be completed until (i) the waiting period (and any extensions thereof) applicable to the merger under the HSR Act and the rules and regulations promulgated thereunder have terminated or expired, (ii) the Commissioner of the Oklahoma Insurance Department has approved the merger, (iii) the Commissioner of the Florida Office of Insurance Regulation has approved the merger and (iv) any other consent from or with any governmental entity that is required to be obtained or made in connection with the execution, delivery and performance of the Merger Agreement or the consummation of the transactions contemplated thereby, including the merger, that, if not obtained would materially impair the benefits, taken as a whole, that Parent or Merger Sub reasonably expects to derive from the consummation of the transactions has been obtained.

Under the HSR Act, each party must file a pre-merger notification with the Federal Trade Commission ("FTC") and the Antitrust Division of the Department of Justice ("DOJ"). A transaction notifiable under the HSR Act may not be completed until the expiration of a 30-calendar-day waiting period following the parties' filing of their respective HSR Act notification forms or the early termination of that waiting period. The parties to the merger originally filed their respective notification and report forms pursuant to the HSR Act with the FTC and DOJ on February 24, 2011 and the initial 30-day waiting period was scheduled to expire on March 28, 2011. Early termination of the waiting period was granted by the DOJ and FTC effective February 28, 2011.

The Company has filed the required "applications for approval" with the States of Oklahoma and Florida but has not received the required approvals as of the date of this proxy statement. In addition, the Company will be required to provide certain notifications, prior to and following the merger, to government agencies in other jurisdictions where it operates.

Appraisal Rights (page 82)

Holders of our common stock who do not vote in favor of the Merger Agreement may elect to pursue their appraisal rights to receive the judicially determined "fair value" of their shares, which could be more or less than, or the same as, the per share merger consideration under the Merger Agreement, but only if they comply with the procedures required under Oklahoma law. In order to qualify for these rights, you must (1) not vote in favor of adoption of the Merger Agreement (although you may choose not to vote), (2) deliver to us a written demand for appraisal within ten days following the vote on the Merger Agreement at the special meeting, and (3) otherwise comply with the procedures of Oklahoma law regarding the exercise of appraisal rights. An executed proxy that is not marked "AGAINST" or "ABSTAIN" will be voted for the adoption of the Merger Agreement and will disqualify the shareholder submitting that proxy from demanding appraisal rights.

A copy of Section 1091 of the OGCA is included as Annex C to this proxy statement. Failure to follow the procedures set forth therein, as modified pursuant to the MOU as described under "Appraisal Rights" beginning on page 82, will result in the loss of appraisal rights.

Market Price of Common Stock (page 84)

The closing price of our common stock on the New York Stock Exchange, or NYSE, on January 28, 2011, the last trading day prior to the public announcement of the Merger Agreement, was $60.26 per share of common stock. On [ ], 2011, the most recent practicable date before this proxy statement was mailed to our shareholders, the closing price for Company common stock on the NYSE was $[ ] per share of common stock. You are encouraged to obtain current market quotations for our common stock in connection with voting your shares of our common stock.

Delisting and Deregistration of Company Common Stock (page 48)

If the merger is completed, our common stock will be delisted from and no longer be traded on the NYSE and deregistered under the Securities Exchange Act of 1934, as amended, or the Exchange Act. As such, we would no longer file periodic reports with the SEC on account of our common stock.

Additional Information (page 93)

You can find more information about the Company in the periodic reports and other information we file with the SEC. The information is available at the SEC's public reference facilities and at the website maintained by the SEC at www.sec.gov. For a more detailed description of the additional information available, please see the section entitled "Where You Can Find More Information" beginning on page 93.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address some commonly asked questions regarding the special meeting of shareholders and the merger. These questions and answers may not address all questions that may be important to you as a shareholder of the Company. We urge you to read carefully the more detailed information contained elsewhere in this proxy statement and the annexes to this proxy statement.

The Proposed Merger

Q: What will happen in the proposed merger?

A: Upon the terms and subject to the conditions of the Merger Agreement, Merger Sub will be merged with and into the Company with the Company continuing as the surviving corporation and a wholly owned subsidiary of Parent. We have been advised by Parent that it expects to continue to operate the surviving corporation under the name Pre-Paid Legal Services immediately following the merger.

Q: What will I receive for my shares of our common stock in the merger?

A: As a result of the merger, shareholders of the Company will be entitled to receive $66.50 in cash, without interest and less any applicable withholding taxes, for each share of our common stock they own as of the effective time of the merger. For example, if you own 1,000 shares of our common stock, you will be entitled to receive $66,500 in cash, less any applicable withholding taxes, in exchange for your 1,000 shares.

Q: What effects will the proposed merger have on the Company?

A: Upon completion of the proposed merger, the Company will cease to be a publicly traded company and will be wholly owned by Parent. As a result, you will no longer have any interest in our future earnings or growth, if any. Following completion of the merger, the registration of our common stock and our reporting obligations with respect to our common stock under the Exchange Act are expected to be terminated. In addition, upon completion of the proposed merger, shares of our common stock will no longer be listed on the NYSE.

Q: How does the Company’s board recommend that I vote?

A: Our board of directors, acting on the unanimous recommendation of the Special Committee, determined that the Merger Agreement and the merger are fair to and in the best interests of the Company and its unaffiliated shareholders. Our board of directors has unanimously approved the Merger Agreement. Our board of directors recommends that you vote “FOR” the adoption of the Merger Agreement at the special meeting and “FOR” the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Q: What regulatory approvals and filings are needed to complete the merger?

A: The merger is subject to compliance with the applicable requirements of the HSR Act and of the Oklahoma Insurance Department and the Office of Insurance Regulation of the Financial Services Commission of the State of Florida. See “Special Factors—Regulatory Matters” beginning on page 52.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible and currently expect to consummate the merger by July 31, 2011. In addition to obtaining shareholder approval, we must satisfy all other closing conditions, including the receipt of regulatory approvals, and Parent’s marketing period in connection with its debt financing for the merger must have expired or terminated.

Q: Do any “affiliates” of the Company have an interest in the merger that differs from the interests of all shareholders?