

DIRECT GENERAL CORP  
Form 10-K/A  
March 30, 2007

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

**FORM 10-K/A  
(AMENDMENT NO. 1)**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

or

**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 000-50360

**DIRECT GENERAL CORPORATION**  
(Exact name of registrant as specified in its charter)

Tennessee  
(State or other jurisdiction of  
incorporation or organization)

62-1564496  
(I.R.S. Employer Identification No.)

1281 Murfreesboro Road, Nashville,  
TN  
(Address of principal executive  
offices)

37217  
(Zip Code)

(615) 399-0600  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class        | Name of each exchange on which registered |
|----------------------------|---|
| Common stock, no par value | Nasdaq Global Select Market               |

Securities registered pursuant to section 12(g) of the Act:  
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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.

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 <input type="checkbox"/> | Accelerated filer <input checked="" type="checkbox"/> | Non-accelerated filer <input type="checkbox"/> |
|--|---|--|

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

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 price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (quotation date on June 30, 2006 \$16.92): \$250,104,131.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 20,347,675 shares of common stock, no par value, at March 29, 2007.

#### DOCUMENTS INCORPORATED BY REFERENCE

All of the information called for by Part III of this report is incorporated by reference to the Proxy Statement for our 2007 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than April 30, 2007.

#### EXPLANATORY NOTE

This Amendment on Form 10-K/A (this "Amendment") constitutes Amendment No. 1 to the registrant's Annual Report on Form 10-K (the "Form 10-K") for the fiscal year ended December 31, 2006, filed on March 15, 2007, and includes, as Exhibit 10.15, the Tenth Amendment to the Eighth Amended and Restated Loan Agreement. Except for the inclusion of this exhibit, the Form 10-K remains unchanged.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a)(3) List of exhibits:

- 2.1 Agreement and Plan of Merger by and among Elara Holdings, Inc., Elara Merger Corporation and Direct General Corporation, dated as of December 4, 2006 incorporated herein by reference to Exhibit 2.1 of the Current Report on Form 8-K filed with the SEC on December 5, 2006.
- 2.2 Form of Limited Guarantee in favor of Direct General Corporation, dated as of December 4, 2006 incorporated herein by reference to Exhibit 2.2 of the Current Report on Form 8-K filed with the SEC on December 5, 2006.
- 3.1 Second Amended and Restated Charter of Direct General Corporation incorporated herein by reference to Exhibit 3.1 of the Registration Statement No. 333-113289 filed with the SEC on March 4, 2004.
- 3.2 Amended and Restated Bylaws of Direct General Corporation incorporated herein by reference to Exhibit 3.2 of the Registration Statement No. 333-113289 filed with the SEC on March 4, 2004.
- 4.1 Specimen stock certificate representing the common stock, no par value per share of Direct General Corporation incorporated herein by reference to Exhibit 4.1 of the Registration Statement No. 333-105505 filed with the SEC on August 1, 2003.
- 10.1 Employment Agreement by and between Direct General Corporation and William C. Adair, Jr. dated as of July 21, 2003 incorporated herein by reference to Exhibit 10.1 of the Registration Statement No. 333-105505 filed with the SEC on July 21, 2003.
- 10.2 Employment Agreement by and between Direct General Corporation and Jacqueline C. Adair dated as of July 21, 2003 incorporated herein by reference to Exhibit 10.2 of the Registration Statement No. 333-105505 filed with the SEC on July 21, 2003.
- 10.3 Employment Agreement by and between Direct General Corporation and Tammy R. Adair dated as of July 21, 2003 incorporated herein by reference to Exhibit 10.3 of the Registration Statement No. 333-105505 filed with the SEC on July 21, 2003.
- 10.4 Employment Agreement by and between Direct General Corporation and William J. Harter dated as of July 21, 2003 incorporated herein by reference to Exhibit 10.4 of the Registration Statement No. 333-105505 filed with the SEC on July 21, 2003.
- 10.5 Employment Agreement by and between Direct General Corporation, Elara Holdings, Inc., and Tammy R. Adair dated as of December 4, 2006 incorporated herein by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the SEC on December 5, 2006.
- 10.6 Employment Agreement by and between Direct General Corporation, Elara Holdings, Inc., and J. Todd Hagely dated as of December 4, 2006 incorporated herein by reference to Exhibit 10.4 of the Current Report on Form 8-K filed with the SEC on December 5, 2006.
- 10.7 Resignation and Restrictive Covenants Agreement by and between Direct General Corporation, Elara Holdings, Inc. and William C. Adair dated as of December 4, 2006 incorporated herein by reference to Exhibit 10.1 of the

Current Report on Form 8-K filed with the SEC on December 5, 2006.

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- 10.8 Resignation and Restrictive Covenants Agreement by and between Direct General Corporation, Elara Holdings, Inc. and Jacqueline C. Adair dated as of December 4, 2006 incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on December 5, 2006.
- 10.9 Employment Agreement by and between Direct General Corporation and J. Todd Hagely dated as of August 15, 2005 incorporated herein by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2005.
- 10.10 Direct General Corporation 1996 Employee Stock Incentive Plan incorporated herein by reference to Exhibit 10.6 of the Registration Statement No. 333-105505 filed with the SEC on May 23, 2003.
- 10.11 Direct General Corporation 2003 Equity Incentive Plan incorporated herein by reference to Exhibit 10.7 of the Registration Statement No. 333-105505 filed with the SEC on May 23, 2003.
- 10.12 Excess of Liability Reinsurance Agreement between Direct General Insurance Company and State National Specialty Insurance Company dated as of October 1, 2002 incorporated herein by reference to Exhibit 10.12 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.13 Quota Share Reinsurance Agreement between Direct General Insurance Company and State National Specialty Insurance Company dated as of October 1, 2002 incorporated herein by reference to Exhibit 10.13 of the Registration Statement No. 333-105505 filed with the SEC on May 23, 2003.
- 10.14 Quota Share Reinsurance Agreement between Direct General Insurance Company and Old American County Mutual Fire Insurance Company dated as of January 1, 2003 incorporated herein by reference to Exhibit 10.14 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.15 Eighth Amended and Restated Loan Agreement by and among Direct General Corporation and certain of its subsidiaries and First Tennessee Bank National Association, as agent, and other banks described therein dated as of October 31, 2002, as amended by the First Amendment to the Eighth Amended and Restated Loan Agreement dated as of March 31, 2003 and the Second Amendment to the Eighth Amended and Restated Loan Agreement dated as of May 28, 2003 and the Third Amendment to the Eighth Amended and Restated Loan Agreement dated as of June 30, 2003 and the Fourth Amendment to the Eighth Amended and Restated Loan Agreement dated as of July 17, 2003 incorporated herein by reference to Exhibit 10.15 of the Registration Statement No. 333-105505 filed with the SEC on August 1, 2003, the Fifth Amendment to the Eighth Amended and Restated Loan Agreement dated as of November 26, 2003 incorporated herein by reference to Exhibit 3.1 of the Registration Statement No. 333-113289 filed with the SEC on March 4, 2004, the Sixth Amendment to the Eighth Amended and Restated Loan Agreement dated as of June 30, 2004, the Seventh Amendment to the Eighth Amended and Restated Loan Agreement dated as of December 3, 2004, the Eighth Amendment to the Eighth Amended and Restated Loan Agreement dated as of June 30, 2006 incorporated herein by reference to Exhibit 10.1 of the Quarterly Report on Form 10-Q filed with the SEC on August 8, 2006, the Ninth Amendment to the Eighth Amended and Restated Loan Agreement dated as of November 22, 2006, but effective as of the effective date defined therein, incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the SEC on December 13, 2006, and the Tenth Amendment to the Eighth Amended and Restated Loan Agreement entered into as of November 22, 2006.\*\*

- 10.16 Seventh Amended and Restated Pledge and Security Agreement made by Direct General Corporation in favor of First Tennessee Bank National Association, as agent, and other banks described therein dated as of October 31, 2002, as amended by the First Amendment to the Seventh Amended and Restated Pledge and Security Agreement dated as of March 31, 2003 and the Second Amendment to the Seventh Amended and Restated Pledge and Security Agreement dated as of May 28, 2003 and the Third Amendment to the Seventh Amended and Restated Pledge and Security Agreement dated as of June 30, 2003 incorporated herein by reference to Exhibit 10.16 of the Registration Statement No. 333-105505 filed with the SEC on August 1, 2003, the Fourth Amendment to the Seventh Amended and Restated Pledge and Security Agreement dated as of November 26, 2003 incorporated herein by reference to Exhibit 3.1 of the Registration Statement No. 333-113289 filed with the SEC on March 4, 2004, the Fifth Amendment to the Seventh Amended and Restated Pledge and Security Agreement dated as of June 30, 2004, the Sixth Amendment to the Seventh Amended and Restated Pledge and Security Agreement dated December 3, 2004, the Seventh Amendment to the Seventh Amended and Restated Pledge and Security Agreement dated as of June 30, 2006 incorporated herein by reference to Exhibit 10.3 of the quarterly Report on Form 10-Q filed with the SEC on August 8, 2006, and the Eighth Amendment to the Seventh Amended and Restated Pledge and Security Agreement dated as of November 22, 2006, but effective as of the effective date defined therein, incorporated herein by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the SEC on December 13, 2006.
- 10.17 Seventh Amended and Restated Security Agreement by and between Direct General Financial Services, Inc. and First Tennessee Bank National Association, as agent, and other banks described therein dated as of October 31, 2002, as amended by the First Amendment to the Seventh Amended and Restated Security Agreement dated as of March 31, 2003 and the Second Amendment to the Seventh Amended and Restated Security Agreement dated as of May 28, 2003 and the Third Amendment to the Seventh Amended and Restated Security Agreement dated as of June 30, 2003 incorporated herein by reference to Exhibit 10.17 of the Registration Statement No. 333-105505 filed with the SEC on August 1, 2003, the Fourth Amendment to the Seventh Amended and Restated Security Agreement dated as of November 26, 2003 incorporated herein by reference to Exhibit 3.1 of the Registration Statement No. 333-113289 filed with the SEC on March 4, 2004, the Fifth Amendment to the Seventh Amended and Restated Security Agreement dated as of June 30, 2004, the Sixth Amendment to the Seventh Amended and Restated Security Agreement dated as of December 3, 2004, the Seventh Amendment to the Seventh Amended and Restate Security Agreement dated as of June 30, 2006 incorporated herein by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q filed with the SEC on August 8, 2006, and the Eighth Amendment to the Seventh Amended and Restated Security Agreement dated as of November 22, 2006, but effective as of the effective date defined therein, incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the SEC on December 13, 2006.
- 10.18 Fifteenth Amended and Restated Guaranty Agreement by and between Direct General Financial Services, Inc., Direct General Premium Finance Company, First Tennessee Bank National Association, as agent, and other banks described therein dated as of June 30, 2006, incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q filed with the SEC on August 8, 2006.
- 10.19 Third Amended and Restated Loan Agreement among Direct General Corporation, Direct General Financial Services, Inc., First Tennessee Bank National Association and Hibernia National Bank dated as of October 31, 2002 incorporated herein by reference to Exhibit 10.19 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.



- 10.20 Florida MGA Agreement between Direct General Insurance Company, Inc. and the Maitland Underwriters dated as of August 16, 1999 incorporated herein by reference to Exhibit 10.22 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.21 Option Agreement between Direct General Insurance Agency, Inc. and LR3 Enterprises, Inc. and Maitland Underwriters, Inc. dated as of August 16, 1999 as amended by the Letter Agreements dated January 9, 2001 and February 20, 2002 incorporated herein by reference to Exhibit 10.23 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.22 Managing General Agency Agreement between Direct General Insurance Agency Inc. and Old American County Mutual Fire Insurance Company dated as of January 1, 2003 incorporated herein by reference to Exhibit 10.24 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.23 Option Agreement between Direct General Insurance Agency, Inc. and All American General Agency, Inc., Guaranteed Insurance Agency, Inc., and certain guarantors described therein dated as of January 1, 2003 incorporated herein by reference to Exhibit 10.25 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.24 Texas Sub-Producers Agreement between Direct General Insurance Agency, Inc. and All American General Agency, Inc. dated as of January 1, 2003 incorporated herein by reference to Exhibit 10.26 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.25 Security Trust Agreement between Direct General Insurance Company and Old American County Mutual Fire Insurance Company and First Tennessee Bank National Association dated as of January 1, 2003 incorporated herein by reference to Exhibit 10.27 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.26 Stock Purchase Agreement and Letter between Direct General Corporation and Mutual Service Casualty Insurance Company dated as of December 2, 2002 incorporated herein by reference to Exhibit 10.28 of the Registration Statement No. 333-105505 filed with the SEC on June 27, 2003.
- 10.27 Stock Purchase Agreement among Direct General Corporation, New York Life and Health Insurance Company, NYLCare Health Plans, Inc. and Aetna Inc. dated as of June 26, 2003 incorporated herein by reference to Exhibit 10.31 of the Quarterly Report on Form 10-Q filed with the SEC on September 23, 2003.
- 10.28 Indenture by and between Direct General Corporation and Wilmington Trust Company dated as of September 15, 2005 incorporated herein by reference to Exhibit 10.3 of the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2005.
- 10.29 Guarantee Agreement by and between Direct General Corporation and Wilmington Trust Company dated as of September 15, 2005 incorporated herein by reference to Exhibit 10.4 of the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2005.
- 10.30 Amended and Restated Declaration of Trust by and among Wilmington Trust Company, Direct General Corporation and William J. Harter, J. Todd Hagely and Matthew P. McClure dated as of September 15, 2005 incorporated herein by reference to Exhibit 10.5 of the Quarterly Report on Form 10-Q filed with the SEC on November 9, 2005.



10.31 Form of Director Indemnification Agreement entered into between Direct General Corporation and directors William C. Adair, Jr., Jacqueline C. Adair, Fred H. Medling, Raymond L. Osterhout and Stephen L. Rohde, dated December 4, 2006 incorporated herein by reference to Exhibit 10.5 of the Current Report on Form 8-K filed with the SEC on December 5, 2006.

10.32 Form of Special Committee Indemnification Agreement entered into between Direct General Corporation and Special Committee members Fred H. Medling, Raymond L. Osterhout and Stephen L. Rohde, dated December 4, 2006 incorporated herein by reference to Exhibit 10.6 of the Current Report on Form 8-K filed with the SEC on December 5, 2006.

14 \* Code of Ethics and Policy on Business Conduct.

21 \* List of Subsidiaries of the Company.

23 \* Consent of Independent Registered Public Accounting Firm.

31.1 \* Rule 13a-14(a) Certifications of CEO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).

31.2 \* Rule 13a-14(a) Certifications of CFO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).

31.3 \*\* Rule 13a-14(a) Certifications of CEO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).

31.4 \*\* Rule 13a-14(a) Certifications of CFO (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002).

32.1 \* Rule 1350 Certifications of CEO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).

32.2 \* Rule 1350 Certifications of CFO (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).

\* Filed with the Form 10-K filed on March 15, 2007.

\*\* Filed herewith.

## 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.

DIRECT GENERAL CORPORATION  
(registrant)

/s/ William C. Adair, Jr.  
Chairman and Chief Executive Officer