

QUANTA CAPITAL HOLDINGS LTD

Form 10-K/A

April 28, 2006

Table of Contents

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, 2005

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: 000-50885

QUANTA CAPITAL HOLDINGS LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

1 Victoria Street
Hamilton, Bermuda HM
(Address of principal executive offices)

n/a
(I.R.S. Employer Identification No.)

HM 11
(Zip code)

Registrant's telephone number, including area code: (441) 294-6350

Securities registered pursuant to Section 12(b) of the Act: None

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

Title of each class

Name of each exchange on which registered

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Common Shares, Par Value \$0.01
Series A Preferred Shares, Par Value \$0.01

Nasdaq National Market
Nasdaq National Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 or any amendment to 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 and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one).

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

The aggregate market value of the Registrant's common shares, \$0.01 par value, held by non-affiliates of the Registrant as of June 30, 2005, was \$215,681,323. For purposes of the foregoing calculation only, all directors, executive officers and 5% beneficial owners have been deemed affiliates.

Number of the Registrant's common shares outstanding as of March 15, 2006 was 69,946,861.

DOCUMENTS INCORPORATED BY REFERENCE

None.

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends Quanta Capital Holdings Ltd.'s (the "Company") annual report on Form 10-K for the fiscal year ended December 31, 2005, originally filed on March 31, 2006 (the "Original Filing"). The Company is filing this Amendment to include the information required by Part III and not included in the Original Filing as the Company will not file its definitive proxy statement within 120 days of the end of the Company's fiscal year ended December 31, 2005. In addition, in connection with the filing of this Amendment and pursuant to the rules of the Securities and Exchange Commission, the Company is including with this Amendment

certain currently dated certifications. Item 15 of Part IV has also been amended to reflect the filing of these currently dated certifications and Exhibit 10.1.

Except as described above, no other changes have been made to the Original Filing. This Amendment continues to speak as of the date of the Original Filing, and the Company has not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing. In this Amendment, unless the context indicates otherwise, the terms “Company,” “we,” “us,” and “our” refer to Quanta Capital Holdings Ltd. and its subsidiaries.

QUANTA CAPITAL HOLDINGS LTD.
FORM 10-K
TABLE OF CONTENTS

	PART III	
<u>Item 10.</u>	<u>Directors and Executive Officers of the Registrant</u>	<u>1</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>5</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>11</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions</u>	<u>13</u>
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	<u>15</u>
	PART IV	
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	<u>17</u>
<u>Signatures</u>		<u>18</u>

i

Table of Contents

PART III

Item 10. Directors and Executive Officers of the Registrant
Directors and Executive Officers

The following table lists the name, age and position of our directors and executive officers. The biographies of each of these individuals are also set forth below.

Name	Age	Position
James J. Ritchie	52	Chairman of the Board

Michael J. Murphy	55	Deputy Chairman of the Board and Chairman of the Office of Strategic Innovation
Robert Lippincott, III	59	Interim Chief Executive Officer, President and Director
Roland C. Baker	67	Director
Nigel W. Morris	47	Director
W. Russell Ramsey	46	Director
Robert B. Shapiro	56	Director
Jonathan J.R. Dodd	36	Chief Financial Officer
Gary G. Wang	42	Chief Risk Officer

James J. Ritchie — 52 — Chairman of the Board. Mr. Ritchie has served as a director since September 2003 and as Chairman of the Board since October 2005. As non-executive Chairman of the Board, Mr. Ritchie leads the work of the Board particularly with respect to our strategy development and monitoring its execution. He has over 28 years of experience in the insurance and financial services industries, particularly in the U.S. and international insurance and reinsurance industries. From February 2001 until May 2003, he served as managing director and chief financial officer of White Mountains Insurance Group, Ltd.'s OneBeacon Insurance Company and served as a group chief financial officer for White Mountains Insurance Group, Ltd. From December 2000 until February 2001, Mr. Ritchie was a consultant for White Mountains Insurance Group, Ltd. From 1986 until 2000, Mr. Ritchie held various positions with CIGNA Corporation including chief financial officer of the company's international division and head of its internal audit division. Prior to Mr. Ritchie's insurance career, from 1977 until 1986, he served in the audit group at Price Waterhouse, including as a senior audit manager. Mr. Ritchie is also a member of the board of directors and chairman of the audit committee of Ceres Group, Inc., a public company engaged in an array of health and life insurance products and is a member of the board of directors, audit and compensation committee of KMG America Corporation, a public company engaged in life and health insurance risk assumption, third-party administration and medical management services. He is a Certified Public Accountant and participates in various industry groups, including Financial Executives International, the National Association of Corporate Directors, the American Institute of Certified Public Accountants and the Institute of Internal Auditors.

Michael J. Murphy — 55 — Deputy Chairman of the Board and Chairman of the Office of Strategic Innovation. Mr. Murphy was appointed as our Deputy Chairman of the Board in 2003. He served as our Chief Operating Officer from 2003 until March 2005. He has served as our Chairman of the Office of Strategic Innovation since March 2005. From January 2001 to June 27, 2003, Mr. Murphy served as executive vice president of CFS where he was responsible for Chubb's environmental solutions business. Mr. Murphy was also the chairman of the board of directors and co-founder of Environmental Strategies Corporation ("ESC"). He has over 25 years of experience in risk analysis and has played an active role in the development of environmental policy and technical risk assessment procedures for the environmental insurance industry. Prior to co-founding ESC, he was the chief operating officer of Risk Science International, a corporate division of Frank B. Hall & Co. Mr. Murphy was formerly appointed to the World Health Organization's Expert Advisory Consultation of Environmental Risk Management and testified on waste policy issues before the House of Lords Conference to assist in establishing U.K. waste policy.

1

Table of Contents

Robert Lippincott III — 59 — Interim Chief Executive Officer, President and Director. Mr. Lippincott was appointed as our Interim Chief Executive Officer and President on November 21, 2005. He has served as a director since March 2005 and prior to his appointment as our Interim Chief Executive Officer, he also served on our Audit Committee. Mr. Lippincott has been the president of Lippincott Consulting Holding LLC, which provides consulting services to the

insurance and reinsurance industries since January 2005. From April 2003 until December 2004, Mr. Lippincott served as executive vice president of Towers Perrin Reinsurance, a reinsurance intermediary. From October 1983 to March 2003, Mr. Lippincott served in a number of positions at the AXA group of insurance companies, most recently, from January 2001 to February 2003 as the chairman, president and chief executive officer of AXA Re Property and Casualty Insurance Company. He was also the founder of the U.S. reinsurance operations of AXA Reinsurance Company. Prior to his employment with AXA, Mr. Lippincott served in various positions at Tokyo Reinsurance Company, MONY Reinsurance Company, INA Reinsurance Company and Aetna Casualty and Surety Company. Mr. Lippincott currently also serves as a director of privately held AXA Art Insurance Company where he is a member of the compensation committee. He was also the former president and director of the Independent Reinsurance Underwriters Association of America.

Roland C. Baker — 67 — Director. Mr. Baker has served as a director since February 2006. He has more than 35 years experience in the insurance industry. He served as president of First Penn-Pacific Life Insurance Company, a member of the Lincoln Financial Group, from 1995 until his retirement in 2001. Since his retirement in 2001, Mr. Baker has served as a consultant to the insurance industry and as adjunct professor of finance at Northeastern Illinois University. Mr. Baker also serves as a director and a member of the audit committee of Ceres Group, Inc., a public company engaged in an array of health and life insurance products, and has served on the board of directors of American College, American Council of Life Insurers and the American Insurance Association. He is a Certified Public Accountant, a Chartered Life Underwriter, and a Fellow of the Life Insurance Management Institute.

Nigel W. Morris — 47 — Director. Mr. Morris has served as a director since September 2003. He is the president of Ffestiniog Company LLC., an investment company. Until April 2004, he was the vice chairman of the board of directors of Capital One Financial Corporation (“Capital One”), a leading provider of consumer financial products, which he co-founded in 1995. From 1995 until May 2003, Mr. Morris was the president and chief operating officer of Capital One. Mr. Morris has been named, among other honors, “Entrepreneur of the Year” in July 1999 by the London Business School. He is currently a member of the governing body of the London Business School and serves on the board of directors and the audit committee of The Economist Group. He is a trustee of New Philanthropy Capital, a charity in the United Kingdom that develops and encourages more effective charitable giving worldwide.

W. Russell Ramsey — 46 — Director. Mr. Ramsey has served as a director since September 2003. He is currently the chairman and chief executive officer of Ramsey Asset Management LLC. Mr. Ramsey is also a co-founder of Friedman, Billings, Ramsey Group, Inc., a national investment bank, where he has been a director since its inception in 1989. Further, Mr. Ramsey served as president and secretary of Friedman, Billings, Ramsey Group, Inc. from 1989 to 1999 and served as its president and co-chief executive officer from 1999 to December 2001. Mr. Ramsey is on the board and audit and governance committees of JER Investors Trust, a company which invests in and originates real estate financial products, primarily commercial mortgage-backed securities and nonconforming mezzanine and other mortgage loans. He also serves on the board of trustees of George Washington University and is a member of the advisory council of the National Geographic Society.

Robert B. Shapiro — 56 — Director. Mr. Shapiro has served as a director since February 2006. He currently is also Of Counsel with the Jordan Burt LLP specializing in insurance operations, mergers and acquisitions, financial transactions and compliance. Before joining Jordan Burt LLP in May 2005, he practiced with The Bernstein Law Firm from 1983 to 2005. He also practiced with the U.S. Securities and Exchange Commission.

Jonathan J.R. Dodd — 36 — Chief Financial Officer. Mr. Dodd joined the Company in September 2003 and has 15 years of finance and insurance industry experience. Mr. Dodd was

Table of Contents

appointed as Chief Financial Officer in November 2005. Prior to serving as Chief Financial Officer, Mr. Dodd has served as Interim Chief Financial Officer from July 2005 to November 2005 and as Group Controller from September 2003 to July 2005. Before joining the Company, he served for approximately three years as director and the head of finance and operations for Allianz Risk Transfer — North America. His prior experience also includes a management position at Centre Solutions Ltd. and serving as a senior audit manager at KPMG LLP.

Gary G. Wang — 42 — Chief Risk Officer. Mr. Wang was appointed our Chief Risk Officer in September 2003. Prior to joining us, Mr. Wang served as senior vice president and director of research at CFS since December 2002. He has ten years of experience in the financial services industry, including service as head of Asia Risk Finance of Barclays Capital Asia, an investment banking subsidiary of Barclays Capital, from February 1998 to May 2000, senior derivatives trader of Barclays Capital New York from May 1996 to February 1998 and senior quantitative analyst at Wells Fargo Bank from January 1994 to May 1996. He is a co-founder of China Network International, a telecom services company in China. He also serves as a director of China Risk Finance and Jade Capital Management, both of which are privately held companies engaged in consumer credit and direct investment businesses in China.

Audit Committee

The audit committee assists our board of directors and our management to ensure that we consistently act with integrity and accuracy in financial reporting. The audit committee's responsibilities include:

- selecting and reviewing our independent registered public accounting firm and their services;
- reviewing and discussing with appropriate members of our management our audited financial statements, related accounting and auditing principles, practices and disclosures;
- reviewing and discussing our quarterly financial statements prior to the filing of those quarterly financial statements;
- establishing procedures for the receipt of, and response to, any complaints received by us regarding accounting, internal accounting controls, or auditing matters, including anonymous submissions by employees;
- reviewing the accounting principles and auditing practices and procedures to be used for our financial statements and reviewing the results of those audits; and
- monitoring the adequacy of our operating and internal controls as reported by management and the independent registered public accounting firm or internal auditors.

James J. Ritchie is the chairman of our audit committee and the other members of our audit committee are Nigel W. Morris, Roland C. Baker and Robert B. Shapiro. The board has determined that each member of the audit committee is independent within the meaning of the Nasdaq Stock Market listing standards, satisfies the financial literacy requirements of the Nasdaq Stock Market listing standards and that James J. Ritchie and Roland C. Baker are audit committee financial experts as that term is defined under Item 401(h) of Regulation S-K.

References to the independence of directors serving on the audit committee are not deemed to be “soliciting material” or “filed” with the Securities and Exchange Commission (the “SEC”), are not subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and shall not be deemed incorporated by reference into any of the filings previously made or made in the future by our company under the Exchange Act or the Securities Act of 1933, as amended (except to the extent our company specifically incorporates any such information into a document that is filed).

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers, directors and persons who own more than ten percent of a registered class of the Company's equity securities to file

3

Table of Contents

reports of ownership and changes in ownership with the SEC. Executives, officers and greater than ten-percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received by it, the Company believes that, during the year ended December 31, 2005, all filing requirements applicable to its executive officers, directors and greater than ten-percent beneficial owners were complied with, except for the following Form 4 late filings:

- March 8, 2005 stock option grant, and December 8, 2005 stock option grant, to Jonathan J.R. Dodd was filed on December 15, 2005;
- March 8, 2005 stock option grant to Gary G. Wang was filed on December 15, 2005;
- December 8, 2005 acquisition of common shares by James J. Ritchie was filed on December 30, 2005;
- December 20, 2005 acquisition of series A preferred shares by James J. Ritchie and his spouse was filed on February 8, 2006; and
- December 20, 2005 acquisition of series A preferred shares by Michael J. Murphy was filed on February 8, 2006.

Code of Ethics

We have adopted a code of ethics entitled "Code of Business Conduct," which applies to all employees, including our chief executive officer and our chief financial officer and principal accounting officer. The full text of our Code of Business Conduct is published on our website, at www.quantaholdings.com, under the "Investor Information" caption. We intend to disclose future amendments to, or waivers from, certain provisions of our Code of Business conduct and Ethics by filing a Current Report on Form 8-K with the SEC.

4

Table of Contents

Item 11. Executive Compensation
Summary Compensation Table

The following table sets forth certain compensation information for our Interim Chief Executive Officer, our former Chief Executive Officer and the most highly compensated executive officers (the "Named Executive Officers") for the three years ended December 31, 2005:

Annual Compensation

Long Term
Compensation

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Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards Securities Underlying Options/ SARs(#) ⁽¹⁾	All Other Compensation (\$)
Robert Lippincott III Interim Chief Executive Officer and President ⁽²⁾	2005	\$ 95,404 ⁽³⁾	\$ —	\$ —	25,000 ⁽⁴⁾	\$ —
	2004	—	—	—	—	—
	2003	—	—	—	—	—
	2005	253,409	75,000	96,000 ⁽⁶⁾	24,835	—
Jonathan J.R. Dodd Chief Financial Officer ⁽⁵⁾	2004	—	—	—	—	—
	2003	—	—	—	—	—
	2005	350,000	—	—	9,529	—
Gary G. Wang Chief Risk Officer	2004	350,000	—	—	—	—
	2003 ⁽⁷⁾	116,667	320,833 ⁽⁸⁾	—	20,000	—
Tobey J. Russ Former Chairman of the Board, President and Chief Executive Officer ⁽⁹⁾	2005	667,788	—	—	—	3,125,769 ⁽¹⁰⁾
	2004	750,000	—	—	—	—
	2003 ⁽⁷⁾	250,000	250,000	—	649,830	—
	2005	241,827	—	—	—	177,259 ⁽¹²⁾
John S. Brittain Jr. Former Chief Financial Officer ⁽¹¹⁾	2004	365,144	50,000 ⁽¹³⁾	—	—	94,188 ⁽¹⁴⁾
	2003	—	—	—	100,000 ⁽¹⁵⁾	—
Michael J. Murphy Deputy Chairman of the Board and Chairman of the Office of Strategic Innovation ⁽¹⁶⁾	2005	600,000	—	—	—	—
	2004	600,000	—	—	—	—
	2003 ⁽⁷⁾	200,000	200,000	—	565,070	—

⁽¹⁾Amounts represent options to acquire common shares.

⁽²⁾Mr. Lippincott joined the Company in March 2005 as a director on the Board and was appointed Interim Chief Executive Officer and President on November 21, 2005.

⁽³⁾Includes \$29,250 of fees received for director service in 2005 prior to his appointment as Interim Chief Executive Officer.

⁽⁴⁾Mr. Lippincott received options to purchase 25,000 shares with an exercise price of \$8.92 per share upon his appointment as a director on March 8, 2005.

⁽⁵⁾Mr. Dodd was appointed Interim Chief Financial Officer on July 20, 2005 and was appointed Chief Financial Officer on November 21, 2005. See section entitled "Employment Agreements" below.

⁽⁶⁾Amount represents housing allowance.

⁽⁷⁾No compensation was paid to the Named Executive Officers prior to September 3, 2003.

⁽⁸⁾Includes a sign-on bonus of \$58,333 paid to Mr. Wang at the commencement of his employment in September 2003.

⁽⁹⁾On October 24, 2005, Mr. Russ resigned as Chairman of the Board of the Company. Effective November 21, 2005, Mr. Russ resigned as the Company's President and Chief Executive Officer pursuant to the terms of a separation agreement and general release entered into between Mr. Russ and the Company on January 3, 2006. See section entitled "Separation and Release Agreements" below.

⁽¹⁰⁾Amounts represent a \$3,105,769 severance payment (including \$43,269 in unused vacation) and \$20,000 paid in outplacement services.

(11) Effective July 20, 2005, Mr. Brittain resigned as the Company's Chief Financial Officer pursuant to the terms of a separation agreement and general release entered into between Mr. Brittain and the Company on August 5, 2005. See section entitled "Separation and Release Agreements" below.

5

Table of Contents

(12) Amount represents a \$156,250 severance payment, \$18,000 paid in outplacement services and \$3,009 paid for medical insurance.

(13) Consists of a sign-on bonus of \$50,000 paid to Mr. Brittain at the commencement of his employment in January 2004.

(14) Consists of relocation costs paid to Mr. Brittain.

(15) These options were granted in connection with the acceptance of employment by Mr. Brittain on December 15, 2003 and were forfeited upon his resignation.

(16) On March 18, 2005, Michael J. Murphy commenced transitioning from his position as our Chief Operating Officer to his new role as our Chairman of the Office of Strategic Innovation. Mr. Murphy remains our Deputy Chairman of the Board of Directors.

Option Grants

The following table sets forth certain information concerning individual grants of stock options made during the year ended December 31, 2005 to each of the Named Executive Officers.

Option/SAR Grants in Last Fiscal Year

Name	Number of Securities Underlying Option/SARs Granted (#) ⁽¹⁾	Individual Grants Percent of Total Options/SARs Granted to Employees in Fiscal Year	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term