COVANTA HOLDING CORP
Form S-1/A
January 30, 2006

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As filed with the Securities and Exchange Commission on January 30, 2006

Registration No. 333-120755

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

Amendment No. 4
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Covanta Holding Corporation
(Exact name of registrant as specified in its charter)

Delaware	**4991**	**95-6021257**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

40 Lane Road
Fairfield, New Jersey 07004
(973) 882-9000
(Address, including zip code and telephone number, including area code, of registrant s principal executive offices)
Anthony J. Orlando
President and Chief Executive Officer
Covanta Holding Corporation
40 Lane Road
Fairfield, New Jersey 07004
(Name, address, including zip code, and telephone number, including area code, of agent for service)
with copies to:
Timothy J. Simpson, Esq.
Senior Vice President, General Counsel and Secretary
Covanta Holding Corporation
40 Lane Road
Fairfield, New Jersey 07004
and
David S. Stone, Esq.
Neal, Gerber & Eisenberg LLP
Two North LaSalle Street
Suite 2200
Chicago, Illinois 60602
(312) 269-8000

Approximate date of commencement of proposed sale to the public: From time to time after the registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: þ

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Non-transferable warrants to purchase shares of common stock, $0.10 par value per share, and common stock issuable upon the exercise of non-transferable rights	3,000,000	$1.53	$4,590,000	$582
Non-transferable and contingently issuable warrants to purchase shares of common stock and common stock issuable upon the exercise of non-transferable warrants	2,700,000	$6.00	$16,200,000	$1,734
Total	5,700,000 shares(1)	N/A	$20,790,000	$2,316

(1) Represents: (a) 3,000,000 shares of the common stock, $0.10 par value, of Covanta Holding Corporation, that are issuable upon the exercise of warrants, referred to as the Base Warrants, to purchase common stock to be issued to holders of 9.25% debentures of Covanta Energy Corporation who voted in favor of Covanta Energy Corporation s second plan of reorganization sponsored by Covanta Holding Corporation or who have been authorized to participate by the Bankruptcy Court having jurisdiction over that plan of reorganization; and (b) 2,700,000 shares of common stock that may be issued upon the exercise of the contingently issuable warrants, referred to as the Contingent Warrants.

(2) The Base and Contingent Warrants are being offered at no charge to the eligible offerees as described in this Registration Statement; however, the purchase of common stock pursuant to the exercise of either Warrant requires the payment to Covanta Holding Corporation of the following per share purchase prices: $1.53 per share of common stock purchased pursuant to the exercise of a Base Warrant and $6.00 per share of common stock purchased pursuant to the exercise of a Contingent Warrant. The maximum offering price per share and the maximum aggregate offering price listed in the fee table above are estimated solely for the purpose of calculating the registration fee pursuant to Rule 457.

(3) A registration fee of $582 was previously paid pursuant to Covanta Holding Corporation s Registration Statement on Form S-3 filed on November 24, 2004 (File No. 333-120755) in connection with the offering of 3,000,000 shares of common stock for purchase to holders of the 9.25% debentures of Covanta Energy Corporation to which this Registration Statement is Amendment Number 3. The remaining filing fee of $1,734 was previously paid by Covanta Holding Corporation simultaneously with its filing of Amendment No. 3 to that Registration Statement on Form S-1 on December 19, 2005.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS DATED JANUARY 30, 2006

Covanta Holding Corporation

Up to 3,000,000 Shares of Common Stock Issuable upon Exercise of Non-Transferable Warrants to Purchase Common Stock and

Up to 2,700,000 Shares of Common Stock Issuable upon Exercise of Contingently Issuable, Non-Transferable Warrants to Purchase Common Stock

We are conducting an offering in which we are offering at no charge 3,000,000 non-transferable warrants to purchase 3,000,000 shares of our common stock at a purchase price of $1.53 per share. This base offering is being made solely to holders as of January 12, 2004 of the $100,000,000 of principal amount of 9.25% debentures issued by Covanta Energy Corporation who voted in favor of its second plan of reorganization sponsored by us or who have been authorized to participate by the Bankruptcy Court.

The number of warrants to be issued to each eligible offeree in the base offering is determined by multiplying by 3,000,000 the ratio of the principal amount of 9.25% debentures held by each eligible offeree over $93,593,000.

We are also offering at no charge non-transferable and contingently issuable warrants to purchase up to 2,700,000 shares of our common stock to eligible offerees who exercise warrants in the base offering. For each share of our common stock purchased by an eligible offeree through the exercise of its warrants in the base offering, we will issue one non-transferable warrant to purchase 0.9 shares of our common stock at $6.00 per share. No contingently issuable warrants will be issued with respect to base offering warrants that are not exercised.

All warrants offered in this offering are non-transferable. Warrants will not be certificated. There are no oversubscription rights with respect to any warrants. All warrants are immediately exercisable. Any warrants not exercised prior to the expiration or termination of this offering will expire, be cancelled and have no value. There is no minimum subscription requirement.

If all of the warrants in the base offering are exercised, and all contingently issuable warrants are issued and exercised, we will receive gross proceeds of $4,590,000 and $16,200,000, respectively, and total gross proceeds will be $20,790,000.

This offering begins on the date of this prospectus and ends on February 21, 2006.

Our common stock is listed on the New York Stock Exchange under the symbol CVA. On January 17, 2006, the last reported sale price for the common stock was $16.27 per share.

You should carefully consider the risk factors beginning on page 8 of this prospectus before exercising your rights to purchase any of the shares offered by this prospectus.

In order to avoid an ownership change for federal tax purposes, our certificate of incorporation prohibits any person from becoming a beneficial owner of 5% or more of our outstanding common stock, except under limited circumstances. Consequently, there are limitations on the exercise of the warrants as described in this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is January 30, 2006.

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Unless the context otherwise requires, references in this prospectus to we, our, us and similar terms refer to Covanta Holding Corporation and its subsidiaries; references to Covanta refer to Covanta Energy Corporation and its subsidiaries; references to Ref-Fuel refer to Covanta ARC Holdings, Inc. and its subsidiaries; references to Ref-Fuel Holdings refer to Covanta Ref-Fuel Holdings LLC; references to ARC refer to Covanta ARC LLC; references to TransRiver refer to TransRiver Marketing Company, L.P.; references to NAICC refer to National American Insurance Company of California and its subsidiaries; and references to ACL refer to American Commercial Lines, LLC and its subsidiaries.

SUMMARY

About Covanta Holding Corporation

We are a holding company incorporated in Delaware on April 16, 1992. We changed our name as of September 20, 2005 from Danielson Holding Corporation to Covanta Holding Corporation. Prior to entering the waste and energy services business through our acquisition of Covanta in March 2004 and Ref-Fuel in June 2005, substantially all of our operations were conducted in the insurance services industry. We engage in insurance operations through our indirect subsidiaries, National American Insurance Company of California and related entities.

As a result of the consummation of the Covanta acquisition on March 10, 2004, and the acquisition of Ref-Fuel on June 24, 2005, our business strategy and future performance will predominantly reflect the performance of our waste and energy operations, often referred to as our Waste and Energy Services in this prospectus. As a result, the nature of our business, the risks attendant to such business and the trends that we face have been and will be significantly altered by these acquisitions. Accordingly, our financial results prior to 2004 will not be comparable to our current and future results.

As of the end of 2004, we had estimated aggregate consolidated net operating loss tax carryforwards, which we refer to as NOLs in this prospectus, for federal income tax purposes of approximately $516 million. These NOLs will expire over the course of the next 18 years unless utilized prior thereto. Our NOLs are primarily from the taxable results of certain grantor trusts established in 1990 as part of a reorganization in which Mission Insurance Group, Inc., referred to as Mission Insurance in this prospectus, emerged from bankruptcy as Danielson Holding Corporation. Since 1990, these grantor trusts have remained in existence as part of the administration of the insolvency estates of the former Mission Insurance entities. A significant portion of our operating losses in the past three years stem from lines of insurance business, such as commercial, automobile and workers compensation insurance, which our subsidiaries have ceased actively underwriting.

As described in *Risk Factors Covanta Holding Corporation-Specific Risks We cannot be certain that our NOLs will continue to be available to offset our tax liability,* possible changes in the status of certain liabilities and the manner of distributions to holders of certain claims in the Mission Insurance insolvency proceedings may require us to recognize significant taxable income, which may substantially reduce our available NOLs. While we cannot predict with certainty what amounts, if any, may be includable in our taxable income, we have received preliminary information which raises the possibility that we may recognize taxable income in connection with the conclusion of the administration of the insolvency estates. However, after reviewing the preliminary information, we determined that it was insufficient to warrant inclusion of taxable income in our 2004 tax filing based on such preliminary information. We are in the process of obtaining additional information regarding the potential amount of includible taxable income and are also considering a number of permissible actions and approaches. The arrangements include agreements with the California insurance regulatory authorities to clarify the treatment of certain liabilities and the manner of distributions to claimsholders in insolvency proceedings.

We acquired a 100% ownership interest in ACL in May 2002. As a result of adverse developments in the marine transportation business, ACL was no longer able to meet its obligations under applicable financing arrangements. On January 31, 2003, ACL and many of its subsidiaries and its immediate direct parent entity, American Commercial Lines Holdings, LLC, referred to in this prospectus as ACL Holdings, filed a petition with the U.S. Bankruptcy Court for the Southern District of Indiana to reorganize under Chapter 11 of the U.S. Bankruptcy Code, referred to as Chapter 11 in this prospectus. We wrote off our investment in ACL as an other than temporarily impaired asset at the end of the first quarter of 2003. ACL Holdings and ACL confirmed a plan of reorganization on December 30, 2004. As a result, under the ACL plan of reorganization, our equity interest in ACL was cancelled and we received warrants to purchase 672,920 shares of ACL s new common stock at a price of $3.00 per share from certain creditors of ACL. We subsequently exercised the warrants and sold the shares of ACL stock.

As of January 13, 2006, our executive officers and directors as a group owned approximately 23.88% of our common stock that is outstanding and entitled to vote. This percentage reflects shares beneficially owned by affiliates of executive officers and directors, as well as shares underlying currently exercisable options to purchase shares of common stock that our executive officers and directors have the right to acquire within 60 days of the date hereof, excluding any shares which they might be entitled to receive upon exercise of warrants in the offering.

Our principal executive offices are located at 40 Lane Road, Fairfield, New Jersey 07004, and our telephone number is (973) 882-9000.

About Covanta Energy Corporation

Our principal subsidiary is Covanta, which we acquired in March 2004 in connection with Covanta s emergence from bankruptcy. We acted as sponsor of Covanta s second plan of reorganization in purchasing 100% of its equity.

Covanta develops, constructs, owns and operates for itself and others infrastructure for the conversion of waste to energy and independent power production in the United States and abroad. Following its acquisition of Ref-Fuel, an owner and operator of six waste-to-energy projects, Covanta has ownership interests in or operates 56 power generation facilities, 44 of which are in the United States and twelve of which are located outside of the United States. Covanta s power generation facilities use a variety of fuels, including municipal solid waste, hydroelectric, natural gas, coal, wood waste, landfill gas and heavy fuel oil. Covanta also has several businesses that are associated with its waste-to-energy business, including a waste procurement business, two landfills, and several waste transfer stations. Covanta also operates one water treatment facility which is located in the United States.

Prior to March 10, 2004, when we acquired Covanta upon its emergence from bankruptcy proceedings, it and most of its domestic subsidiaries had been operating as debtors in possession under Chapter 11. When Covanta emerged from bankruptcy proceedings, Covanta and certain of its subsidiaries entered into both secured and unsecured financing arrangements, which were repaid and replaced with new financing arrangements in connection with the acquisition of Ref-Fuel. In addition, many of Covanta s operating subsidiaries are parties to financing arrangements for individual operating projects which are secured by the assets of the project. We have guaranteed Covanta s obligations with respect to the new financing arrangements in connection with the acquisition of Ref-Fuel.

Covanta ARC Holdings, Inc. Acquisition

We acquired Ref-Fuel as of June 24, 2005, pursuant to the terms of a stock purchase agreement with Ref-Fuel and Ref-Fuel s stockholders to purchase 100% of the issued and outstanding shares of Ref-Fuel capital stock. Under the terms of the agreement, we paid $740 million in cash for the stock of Ref-Fuel and assumed the consolidated net debt of Ref-Fuel, which was approximately $1.3 billion ($1.5 billion of consolidated indebtedness and $0.2 billion of cash and restricted cash). See Note 11 to the Notes to the Condensed Consolidated Financial Statements (Unaudited) for the period ended September 30, 2005 that are included in Appendix B attached to this prospectus, such Notes referred to as Notes to the Unaudited Interim Financial Statements in this prospectus, for a more detailed description of the indebtedness that we assumed in connection with the transaction. Also, additional information regarding this indebtedness is set forth in this prospectus under *Management s Discussion and Analysis of Financial Condition and Results of Operations Management s Discussion and Analysis of Liquidity and Capital Resources Waste and*

Energy Services Segment Financing Arrangements Covanta Debt. Upon completion of the transaction, Ref-Fuel became a wholly-owned subsidiary of Covanta.

We financed this transaction through a combination of debt and equity financing. The equity component of the financing was obtained through a pro rata rights offering to our stockholders that was completed as of June 21, 2005, referred to as the Ref-Fuel rights offering in this prospectus. In that rights offering, we issued all 66,673,004 shares of common stock offered at $6.00 per share for total gross proceeds of approximately $400 million. Stockholders exercised subscriptions for over 95% of their base subscription rights and the Ref-Fuel rights offering had significant oversubscriptions. In the Ref-Fuel rights offering, three of our largest stockholders, SZ Investments, L.L.C., together with its affiliate EGI-Fund (05-07) Investors, L.L.C., referred to in this prospectus as Fund 05-07 and collectively with SZ Investments, L.L.C. SZ Investments, Third Avenue Trust, on behalf of Third Avenue Value Fund, referred to in this prospectus as Third Avenue, and D. E. Shaw Laminar Portfolios, L.L.C., referred to in this prospectus as Laminar, collectively then representing ownership of approximately 40.4% of our outstanding common stock, pursuant to prior commitments, each separately acquired at least their respective pro rata portion of the shares offered in the rights offering. In addition, they acquired an additional 1,315,921 shares through their individual exercise of their respective oversubscription rights. As consideration for their commitments, we paid each of these stockholders an amount equal to 1.75% of their respective equity commitments. We also agreed to amend an existing registration rights agreement to provide these stockholders with the right to demand that we undertake an underwritten offering within twelve months of the closing of the acquisition of Ref-Fuel in order to provide such stockholders with liquidity.

The debt financing for the Ref-Fuel acquisition was arranged by Goldman Sachs Credit Partners, L.P. and Credit Suisse First Boston. The debt financing package not only financed the acquisition, but also refinanced the existing recourse debt of Covanta and provided additional liquidity for us. This financing consisted of two tranches, each of which is secured by pledges of the stock of Covanta s subsidiaries that had not otherwise been pledged, guarantees from us and certain of Covanta s subsidiaries and all other available assets of Covanta s subsidiaries. The first tranche, a first priority senior secured bank facility, is made up of a $275 million term loan facility due 2012, a $100 million revolving credit facility due 2011 and a $340 million letter of credit facility due 2012. The second tranche is a $400 million second priority senior secured term loan facility due 2013. See *Management s Discussion and Analysis of Financial Condition and Results of Operations Management s Discussion and Analysis of Liquidity and Capital Resources Waste and Energy Services Segment* and Note 11 to the Notes to the Unaudited Interim Financial Statements for a more detailed description of this debt financing.

Ref-Fuel is now a wholly-owned subsidiary of Covanta, and Covanta controls the management and operations of the Ref-Fuel facilities. The current project and other debt of Ref-Fuel subsidiaries were not refinanced in connection with the acquisition, except that two of the Ref-Fuel subsidiaries which had outstanding secured notes were required to offer to purchase their respective notes from existing note holders as a result of the change in control of Ref-Fuel. Approximately $5 million of such notes were repurchased as a result of such offers. In addition, an existing revolving credit and letter of credit facility of ARC (the parent of each Ref-Fuel project company) has been cancelled and replaced with Covanta s new facilities, described above.

Shortly after the acquisition, we changed the names of Ref-Fuel and many of its subsidiaries such that they are now operating under the Covanta name.

About the Contingent Offering

As part of our obligations as the sponsor of a second plan of reorganization for Covanta, we agreed to offer the right to purchase 3,000,000 shares of our common stock, which we refer to in this prospectus as the Base Offering. In connection with the financing of our acquisition of Ref-Fuel and prior to the commencement of the Base Offering, we agreed with Laminar that because the Base Offering did not close prior to the record date for the Ref-Fuel rights offering, we would revise the terms of this offering so that eligible offerees, including Laminar, would be offered the opportunity to purchase additional shares as if the Ref-Fuel rights

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offering had occurred after this offering. Therefore, we are offering to eligible offerees who participate in the Base Offering contingently issuable warrants to purchase 0.9 shares of our common stock at $6.00 per share for each share of common stock purchased in the Base Offering. We refer to this additional offering as the Contingent Offering in this prospectus. If all warrants under the Base Offering and the Contingent Offering are exercised, we will issue 3,000,000 shares of our common stock under the Base Offering and 2,700,000 additional shares of our common stock under the Contingent Offering. We sometimes refer to the Base Offering and the Contingent Offering collectively in this prospectus as the offering.

The Offering

Reason for Offering	We agreed in January 2004 to make an offering of the right to purchase our common stock at $1.53 per share to provide additional benefits to those holders of 9.25% debentures of Covanta, referred to in this prospectus as the 9.25% Debentures, who voted in favor of the second plan of reorganization for Covanta sponsored by us, referred to as the Covanta Plan of Reorganization in this prospectus, or who were authorized to participate by the Bankruptcy Court having jurisdiction over the Covanta Plan of Reorganization, as an inducement to facilitate the approval of our proposed plan of reorganization. We also agreed pursuant to a letter agreement dated January 31, 2005 with Laminar, one of our stockholders and a holder of Covanta s 9.25% Debentures, that if this offering had not commenced prior to the record date for the Ref-Fuel rights offering, we would restructure the offering covered by this prospectus to offer additional shares of our common stock at the same purchase price and in an equivalent amount to the number of shares of common stock that eligible offerees would have been entitled to purchase in the Ref-Fuel rights offering if this offering had been consummated on or prior to the record date of the Ref-Fuel rights offering.
Eligible Offerees	Holders of the 9.25% Debentures on January 12, 2004 who voted in favor of the Covanta Plan of Reorganization and holders who were authorized to participate by the Bankruptcy Court having jurisdiction over the Covanta Plan of Reorganization are the only persons eligible to participate in this offering. These holders are referred to as eligible offerees in this prospectus. No other person is eligible to participate in either the Base Offering or the Contingent Offering covered by this prospectus. Only those eligible offerees who purchase common stock in the Base Offering will receive the contingently issuable warrants to purchase additional shares of our common stock under the Contingent Offering. The warrants offered under this prospectus in both the Base and Contingent Offering may not be transferred to any other person. Warrants in both the Base and Contingent Offering which are not exercised will be cancelled upon termination of this offering.
Warrants Being Offered	In the Base Offering, we are offering the right to purchase shares of our common stock in the form of an offering, at no charge, of warrants to purchase shares of our common stock at $1.53 per share, which we sometimes refer to as Base Warrants in this prospectus. The number of shares of our common stock that each eligible offeree is entitled to purchase in the Base Offering is determined by multiplying by 3,000,000 the ratio of the principal

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	amount of 9.25% Debentures held by each eligible offeree over $93,593,000, the principal amount of all outstanding 9.25% Debentures voted in favor of the Covanta Plan of Reorganization or which have been authorized to participate by the Bankruptcy Court having jurisdiction over the Covanta Plan of Reorganization. For each share of common stock purchased by an eligible offeree under the Base Offering, we are offering the additional right, in the form of a contingently issuable, non-transferable warrant, to purchase 0.9 shares of our common stock at $6.00 per share, which we sometimes refer to as the Contingent Warrants in this prospectus. Wells Fargo, the warrant agent in this offering, will verify and confirm the eligibility of and the number of shares of our common stock that each eligible offeree is entitled to purchase in each of the Base Offering and the Contingent Offering.
Size of Offering	We are offering to sell a total of 5,700,000 shares of our common stock. 3,000,000 shares of our common stock are being offered in the form of Base Warrants under the Base Offering for purchase by eligible offerees at $1.53 per share and up to 2,700,000 shares of our common stock are being offered in the form of Contingent Warrants to purchase 0.9 shares of our common stock at a price of $6.00 per share under the Contingent Offering to eligible offerees who purchase shares in the Base Offering. If all of the shares of common stock offered under this prospectus are purchased in the Base Offering and Contingent Offering, then the total purchase price of our common stock will be $20,790,000.
Offering Period	This offering, consisting of the Base Offering and the Contingent Offering, will commence on the date of this prospectus and remain open until 5:00 p.m., Eastern Time, on February 21, 2006.
Oversubscription Rights	There are no oversubscription rights in the offering. Any warrants to purchase our common stock in the Base Offering or the Contingent Offering which are not exercised by any eligible offeree will not be reallocated to any other eligible offeree and will be cancelled upon expiration or termination of this offering.
Transferability of Warrants	The warrants to purchase our common stock under the Base Offering and the Contingent Offering are not transferable. Warrants may only be exercised by eligible offerees in the amount offered to an eligible offeree or in the amount an eligible offeree is entitled to purchase.
Conditions to the Offering	There is no minimum subscription requirement. Your subscription rights are subject to, among other things, ownership restrictions imposed by our certificate of incorporation and the escrow protection mechanics described in this prospectus. See *The Offering* for more details.
Certificate of Incorporation Restrictions; Escrow Protection Mechanics	Our ability to utilize our NOLs would be substantially reduced if we were to undergo an ownership change within the meaning of Section 382 of the Internal Revenue Code. In order to reduce the risk of an ownership change, our certificate of incorporation restricts the ability of any holder of 5% or more of our common

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stock to sell or otherwise transfer any shares owned by such holder or to purchase or otherwise acquire shares of our common stock. Our certificate of incorporation also restricts the ability of any other holder to make an acquisition of our common stock which will result in total ownership by such stockholder of 5% or more of our common stock. These restrictions will apply unless and until we determine that such acquisition will not result in an unreasonable risk of an ownership change. We have the right, in our sole and absolute discretion, to limit the exercise of the warrants to purchase our common stock, including instructing the warrant agent to refuse to honor any exercise of warrants, by 5% stockholders or stockholders who would become 5% holders upon exercise of their warrants.

The total number of shares of our common stock to be outstanding upon completion of the offering, assuming the offering is fully subscribed, would be 146,865,840. 5% of 146,865,840 is 7,343,292.

In order to avoid an ownership change for federal income tax purposes, we have also implemented the following escrow protection mechanics: (1) by exercising its warrants under this offering, each eligible offeree will represent to us that such eligible offeree will not be, after giving effect to the exercise of the warrants, an owner, directly or indirectly (as described in this prospectus), of more than 6,600,000 shares; (2) if such exercise would result in such holder owning more than approximately 6,600,000 shares of our common stock, such holder must notify the warrant agent at the telephone number set forth under *The Offering The Warrant Agent* ; (3) if requested, each eligible offeree will provide us with additional information regarding the amount of common stock that the eligible offeree owns; and (4) we shall have the right to instruct the warrant agent to refuse to honor such eligible offeree s exercise of its warrants to the extent such exercise of warrants might, in our sole and absolute discretion, result in such holder owning 5% or more of our common stock. By exercising your warrants in this offering, you agree that the escrow protection mechanics are valid, binding and enforceable against you. See *The Offering Certificate of Incorporation Restrictions; Escrow Protection Mechanics.*

Procedure for Purchasing Common Stock under the Automated Subscription Offer Program

The offering is eligible for the Automated Subscription Offer Program, referred to in this prospectus as ASOP, of The Depository Trust Company, referred to in this prospectus as DTC. Since all record holders of the 9.25% Debentures are DTC participants, we are requiring that all rights under the Base Offering and the Contingent Offering be exercised through ASOP.

If you are an eligible offeree and wish to exercise the rights that are issued to you in the Base Offering or which may be available to you in the Contingent Offering, you must transmit your notice of exercise by electronic message through ASOP prior to 5:00 p.m., Eastern Time, on the expiration date. DTC will then send an agent s message to the warrant agent for the offering, Wells Fargo Bank, National Association, for its acceptance. Delivery of the

	warrant agent s message by DTC indicates that you agree to be bound to the terms and conditions of the offering (including the authorization that the exercise price(s) be debited from your DTC account). Once you have exercised your warrants, your exercise may not be revoked in whole or in part. Warrants to purchase our common stock under both the Base Offering and the Contingent Offering that are not exercised prior to the expiration date will be cancelled and will lose their value.
United States Federal Income Tax Consequences to Eligible Offerees	For United States federal income tax purposes, it is likely that the Internal Revenue Service would take the position that each eligible offeree will recognize ordinary income for federal income tax purposes in an amount equal to the value of the warrants received upon receipt.
Issuance of Our Common Stock	We will make the necessary book-entry transfers or, upon your request, issue certificates representing shares purchased in this offering, as soon as reasonably practicable after the closing of this offering. All exercises of warrants under the Base Offering and the Contingent Offering will be effective on the closing of the offering.
No Recommendation to Eligible Offerees	Our board of directors is not making any recommendation to you as to whether you should purchase common stock in the offering. You should decide whether to purchase shares of our common stock in the offering based upon your own assessment of your best interests.
New York Stock Exchange Listing of our Common Stock	Our common stock is traded on the New York Stock Exchange, which we sometimes refer to as the NYSE, under the symbol CVA. On January 17, 2006, the closing price of our common stock on the NYSE was $16.27 per share. Shares of our common stock issued upon the exercise of the warrants will also be listed on the NYSE under the same symbol.

Risk Factors

An investment in our common stock is very risky. You should consider carefully the risk factors beginning on page 8 of this prospectus.

Use of Proceeds

The proceeds from the offering, estimated to be approximately $20 million, after deduction of expenses of the offering estimated to be $800,000, will be used by us for general corporate purposes.

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RISK FACTORS

An investment in our common stock is very risky. You should carefully consider the following factors and all the information in this prospectus and in the other documentation that is referenced in this prospectus.

Risks Related to the Offering

We have the right to limit the purchase of our common stock.

Article Fifth of our certificate of incorporation generally restricts the ability of any 5% holder of our common stock from disposing of or acquiring shares of our common stock without our consent. Our certificate of incorporation also restricts the ability of other holders from becoming 5% stockholders without our consent. In order to comply with these restrictions, we may limit the number of shares purchased by a holder. If your purchase of our common stock might result in a risk of you becoming a 5% stockholder, your exercise may be reduced in order to eliminate that risk. We may also limit the exercise of warrants being offered in the offering by holders who possess 5% of our outstanding common stock. In addition, you may be required to provide certain information concerning your share ownership in order to help us enforce these restrictions.

The irrevocable exercise of warrants may adversely affect investors.

Once you have exercised your warrants to purchase our common stock, your exercise may not be revoked in whole or in part for any reason, including a decline in our common stock price. Warrants not exercised prior to the expiration date will lose their value.

The market price of our common stock may decline prior to the expiration date of the offering.

The exercise of warrants pursuant to the offering is irrevocable. During the past twelve months, the market price per share of our common stock on the American Stock Exchange (on which our common stock was listed until the close of trading on October 4, 2005) and the NYSE (on which our common stock has been listed from October 5, 2005 through the present) has ranged from $7.95 to $17.70. Although the exercise prices of both Base Warrants and Contingent Warrants to purchase our common stock are at a significant discount to the market price per share of our common stock as of the commencement of the offering, the market price of our common stock may decline prior to the expiration date due to many factors, including business exigencies, acts of terrorism, general market declines, interruptions to our business, accidents or other catastrophic events, changes in investor perception, unanticipated financial results, defaults on indebtedness or other factors that could affect our stock price. In such event, you may be forced to purchase the common stock at a price higher than the market price.

Covanta Holding Corporation-Specific Risks

We cannot be certain that our NOLs will continue to be available to offset our tax liability.

As of December 31, 2004, we estimated that we had approximately $516 million of NOLs. In order to utilize the NOLs, we must generate consolidated taxable income which can offset such carryforwards. The NOLs are also utilized by income from certain grantor trusts that were established as part of the Mission Insurance reorganization. The NOLs will expire if not used. The availability of NOLs to offset taxable income would be substantially reduced if we were to undergo an ownership change within the meaning of Section 382(g)(1) of the Internal Revenue Code. We will be treated as having had an ownership change if there is more than a 50% increase in stock ownership during a three-year testing period by 5% stockholders.

In order to help us preserve the NOLs, our certificate of incorporation contains stock transfer restrictions designed to reduce the risk of an ownership change for purposes of Section 382 of the Internal Revenue Code. The transfer restrictions were implemented in 1990, and we expect that the restrictions will remain in force as long as the NOLs are available. We cannot assure you, however, that these restrictions will prevent an ownership change.

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The NOLs will expire in various amounts, if not used, between 2005 and 2023. The Internal Revenue Service, referred to in this prospectus as the IRS, has not audited any of our tax returns for any of the years during the carryforward period including those returns for the years in which the losses giving rise to the NOLs were reported. We cannot assure you that we would prevail if the IRS were to challenge the availability of the NOLs. If the IRS were successful in challenging our NOLs, all or some portion of the NOLs would not be available to offset our future consolidated taxable income and we may not be able to satisfy our obligations to Covanta under a tax sharing agreement described below or to pay taxes that may be due from our consolidated tax group.

Reductions in our NOLs could occur in connection with the administration of the grantor trusts associated with the Mission Insurance entities which are in state insolvency proceedings. During or at the conclusion of the administration of these grantor trusts, material taxable income could result which could utilize a substantial portion of our NOLs, which in turn could materially reduce our cash flow and ability to service our current debt. The impact of a material reduction in our NOLs could also cause an event of default under our current debt and a possible substantial reduction of our deferred tax asset, as reflected in our financial statements. For a more detailed discussion of the Mission Insurance entities and the grantor trusts, please see Note 25 to Notes to our Consolidated Financial Statements for the years ended December 31, 2004 and 2003 and December 27, 2002 included in Appendix A attached to this prospectus, such Notes referred to as the Notes to the Audited Annual Financial Statements in this prospectus, Note 12 to the Notes to the Unaudited Interim Financial Statements, *Management s Discussion and Analysis of Financial Condition and Results of Operations Executive Summary NOLs* and *The Business General Overview* in this prospectus below.

In addition, if our existing insurance business were to require capital infusions from us in order to meet certain regulatory capital requirements and were we to fail to provide such capital, some or all of our subsidiaries comprising our insurance business could enter insurance insolvency or bankruptcy proceedings. In such event, such subsidiaries may no longer be included in our consolidated tax return, and a portion, which could constitute a significant portion, of our remaining NOLs may no longer be available to us and we may not be able to recognize significant taxable income.

The market for our common stock has been historically illiquid which may affect your ability to sell your shares.

The volume of trading in our stock has historically been low. In the last six months, the daily trading volume for our stock has been approximately 420,603 shares. Having a market for shares without substantial liquidity can adversely affect the price of the stock at a time when you might want to sell your shares.

Reduced liquidity and price volatility could result in a loss to investors.

Although our common stock is listed on the NYSE, there can be no assurance as to the liquidity of an investment in our common stock or as to the price an investor may realize upon the sale of our common stock. These prices are determined in the marketplace and may be influenced by many factors, including the liquidity of the market for our common stock, the market price of our common stock, investor perception and general economic and market conditions.

Concentrated stock ownership and a restrictive certificate of incorporation provision may discourage unsolicited acquisition proposals.

Assuming the issuance of 5,700,000 shares of our common stock in the offering described in this prospectus, SZ Investments, Third Avenue and Laminar, separately own as of January 13, 2006, approximately 15.8%, 6.0% and 18.0%, respectively, or when aggregated, 39.8% of our outstanding common stock. In addition, Laminar is an eligible offeree in the offering. Although there are no agreements among SZ Investments, Third Avenue and Laminar regarding their voting or disposition of shares of our common stock, the level of their combined ownership of shares of common stock could have the effect of discouraging or impeding an unsolicited acquisition proposal. In addition, the change in ownership limitations contained in

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Article Fifth of our certificate of incorporation could have the effect of discouraging or impeding an unsolicited takeover proposal.

Future sales of our common stock may depress our stock price.

No prediction can be made as to the effect, if any, that future sales of our common stock, or the availability of our common stock for future sales, will have on the market price of our common stock. Sales in the public market of substantial amounts of our common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for our common stock. In addition, in connection with the Covanta acquisition financing, we filed a registration statement on Form S-3 to register the resale of 17,711,491 shares of our common stock held by Laminar, Third Avenue and SZ Investments, which was declared effective on August 24, 2004. In connection with our acquisition of Ref-Fuel, we have agreed to register, within twelve months of the June 24, 2005 closing of the Ref-Fuel acquisition, the resale of certain shares held or acquired by Laminar, Third Avenue and SZ Investments in an underwritten public offering. The potential effect of these shares being sold may be to depress the price at which our common stock trades.

Our disclosure controls and procedures may not prevent or detect all acts of fraud.

Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission commonly referred to as the SEC.

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within our companies have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by an unauthorized override of the controls. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Failure to maintain an effective system of internal control over financial reporting may have an adverse effect on our stock price.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, and the rules and regulations promulgated by the SEC, to implement Section 404, we are required to furnish a report by our management to include in our annual report on Form 10-K regarding the effectiveness of our internal control over financial reporting. The report includes, among other things, an assessment of the effectiveness of our internal control over financial reporting as of the end of our fiscal year, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by management.

We have in the past, and in the future may discover, areas of our internal control over financial reporting which may require improvement. For example, during the course of its audit of our 2004 financial statements, our independent auditors, Ernst & Young LLP, referred to as Ernst & Young in this prospectus, identified errors, principally related to complex manual fresh-start accounting calculations, predominately affecting Covanta s investments in its international businesses. Although the net effect of these errors was immaterial

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(less than $2.0 million, pretax), and such errors were corrected before our 2004 consolidated financial statements were issued, management determined that errors in complex fresh-start and other technical accounting areas originally went undetected due to insufficient technical in-house expertise necessary to provide sufficiently rigorous review. As a result, management has concluded that our internal control over financial reporting was not effective as of December 31, 2004. Although we have identified and undertaken steps necessary in order to remediate this material weakness, as of our quarterly report on Form 10-Q for the period ended September 30, 2005, we were unable to conclude that we had remediated this material weakness. The effectiveness of our internal control over financial reporting in the future will depend on our ability to fulfill these steps to remediate this material weakness. If we are unable to assert that our internal control over financial reporting is effective now or in any future period, or if our auditors are unable to express an opinion on the effectiveness of our internal controls, we could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price.

Waste and Energy Services Business-Specific Risks

In connection with the Ref-Fuel acquisition, Covanta has incurred a large amount of debt, and we cannot assure you that our cash flow from operations will be sufficient to pay this debt.

Following the acquisition of Ref-Fuel, Covanta had corporate debt of $675 million, which we have guaranteed. Our ability to service this debt will depend upon:

- the continued operation and maintenance of our facilities, consistent with historical performance levels;
- compliance with our debt covenants under our, and our subsidiaries, various credit arrangements;
- compliance by our subsidiaries with their respective debt covenants in order to permit distributions of cash to Covanta;
- maintenance or enhancement of revenue from renewals or replacement of existing contracts, which begin to expire in 2007, and from new contracts to expand existing facilities or operate additional facilities;
- market conditions affecting waste disposal and energy pricing, as well as competition from other companies for contract renewals, expansions and additional contracts, particularly after Covanta s existing contracts expire; and
- the continued availability to Covanta of the benefit of our NOLs under a tax sharing agreement.

For a more detailed discussion of Covanta s domestic debt covenants, please see *Management s Discussion and Analysis of Financial Condition and Results of Operations Management s Discussion and Analysis of Liquidity and Capital Resources Waste and Energy Services Segment* and Note 11 to the Notes to the Unaudited Interim Financial Statements.

Covanta s ability to make payments on its indebtedness and to fund planned capital expenditures and other necessary expenses will depend on its ability to generate cash and receive dividends and distributions from its subsidiaries in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that Covanta s business will generate sufficient cash flow from operations to pay this debt.

We may be unable to integrate the operations of Ref-Fuel and Covanta successfully and may not realize the full anticipated benefits of the acquisition.

Achieving the anticipated benefits of the recent acquisition of Ref-Fuel will depend in part upon our ability to integrate the two companies businesses in an efficient and effective manner. Our attempt to integrate two companies that have previously operated independently may result in significant challenges, and we may be unable to accomplish the integration smoothly or successfully. In particular, the necessity of coordinating organizations in additional locations and addressing possible differences in corporate cultures and management philosophies may increase the difficulties of integration. The integration will require the

dedication of significant management resources, which may temporarily distract management s attention from the day-to-day operations of the businesses of the combined company. The process of integrating operations after the transaction could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company s businesses and the loss of key personnel. Employee uncertainty and lack of focus during the integration process may also disrupt the businesses of the combined company. Any inability of management to successfully integrate Ref-Fuel s operations with the operations of Covanta could have a material adverse effect on our business and financial condition.

The anticipated benefits of the transaction include the elimination of duplicative costs, the strategic expansion of Covanta s core waste-to-energy business in the northeast region of the United States and the strengthening of Covanta s credit profile and lowering of our costs of capital. We may not be able to realize, in whole or in part, or within the anticipated time frames, any of these expected costs of savings or improvements. The realization of the anticipated benefits of the transaction are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. As a result, we may not be able to achieve our expected results of operations and our actual income, cash flow or earnings available to satisfy debt obligations may be materially lower than the pro forma results we have previously filed with the SEC and that are included in this prospectus.

We may not have access to the cash flow and other assets of our subsidiaries that may be needed to make payment on Covanta s debt.

Much of our business is conducted through our subsidiaries. Our ability to make payments on the debt incurred by Covanta is dependent on the earnings and the distribution of funds from our subsidiaries.

Certain of our subsidiaries and affiliates are already subject to project and other financing and will not guarantee our obligations on Covanta s debts. The debt agreements of these subsidiaries and affiliates generally restrict their ability to pay dividends, make distributions or otherwise transfer funds to us. In addition, a substantial amount of the assets of our non-guarantor subsidiaries and affiliates has been pledged as collateral under their respective project financing agreements, or financings at intermediate subsidiary levels, and will be excluded entirely from the liens in favor of Covanta s new financing. See *Management s Discussion and Analysis of Financial Condition and Results of Operations Management s Discussion and Analysis of Liquidity and Capital Resources Waste and Energy Services Segment* and Note 11 to the Notes to the Unaudited Interim Financial Statements for a more complete description of the terms of such indebtedness. We cannot assure you that certain of the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on the Covanta indebtedness when due.

Our ability to grow our Waste and Energy Services business may be limited.

Our ability to grow our Waste and Energy Services business by investing in new projects may be limited by debt covenants in Covanta s principal financing agreements, and by potentially fewer market opportunities for new waste-to-energy facilities. Our Waste and Energy Services business is based upon building and operating municipal solid waste disposal and energy generating projects, which are capital intensive businesses that require financing through direct investment and the incurrence of debt. The covenants in Covanta s financing agreements limit investments in new projects or acquisitions of new businesses and place restrictions on Covanta s ability to expand existing projects. The covenants limit borrowings to finance new construction, except in limited circumstances related to expansions of existing facilities.

Operation of our Waste and Energy Services facilities and the expansion of facilities involve significant risks.

The operation of our Waste and Energy Services facilities and the construction of new or expanded facilities involve many risks, including:

- the inaccuracy of our assumptions with respect to the timing and amount of anticipated revenues;
- supply interruptions;
- the breakdown or failure of equipment or processes;
- difficulty or inability to find suitable replacement parts for equipment;
- the unavailability of sufficient quantities of waste;
- decreases in the fees for solid waste disposal;
- decreases in the demand or market prices for recovered ferrous or non-ferrous metal;
- disruption in the transmission of electricity generated;
- permitting and other regulatory issues, license revocation and changes in legal requirements;
- labor disputes and work stoppages;
- unforeseen engineering and environmental problems;
- unanticipated cost overruns;
- weather interferences, catastrophic events including fires, explosions, earthquakes, droughts and acts of terrorism;
- the exercise of the power of eminent domain; and
- performance below expected levels of output or efficiency.

We cannot predict the impact of these risks on our Waste and Energy Services business or operations. These risks, if they were to occur, could prevent Covanta and its subsidiaries from meeting their obligations under their operating contracts.

Development, construction and operation of new projects may not commence as scheduled, or at all.

The development and construction of new facilities involves many risks including siting, permitting, financing and construction delays and expenses, start-up problems, the breakdown of equipment and performance below expected levels of output and efficiency. New facilities have no operating history and may employ recently developed technology and equipment. Our Waste and Energy Services businesses maintain insurance to protect against risks relating to the construction of new projects; however, such insurance may not be adequate to cover lost revenues or increased expenses. As a result, a new facility may be unable to fund principal and interest payments under its debt service obligations or may operate at a loss. In certain situations, if a facility fails to achieve commercial operation, at certain levels or at all, termination rights in the agreements governing the facility s financing may be triggered, rendering all of the facility s debt immediately due and payable. As a result, the facility may be rendered insolvent and we may lose our interest in the facility.

Our insurance and contractual protections may not always cover lost revenues, increased expenses or liquidated damages payments.

Although our Waste and Energy Services businesses maintain insurance, obtain warranties from vendors, require contractors to meet certain performance levels and, in some cases, pass risks we cannot control to the service recipient or output purchaser, the proceeds of such insurance, warranties, performance guarantees or risk sharing arrangements may not be adequate to cover lost revenues, increased expenses or liquidated damages payments.

Performance reductions could materially and adversely affect us and our projects may operate at lower levels than expected.

Most service agreements for our waste-to-energy facilities provide for limitations on damages and cross-indemnities among the parties for damages that such parties may incur in connection with their performance under the contract. In most cases, such contractual provisions excuse our Waste and Energy Services businesses from performance obligations to the extent affected by uncontrollable circumstances and provide for service fee adjustments if uncontrollable circumstances increase its costs. We cannot assure you that these provisions will prevent our Waste and Energy Services businesses from incurring losses upon the occurrence of uncontrollable circumstances or that if our Waste and Energy Services businesses were to incur such losses they would continue to be able to service their debt.

Covanta and certain of its subsidiaries have issued or are party to performance guarantees and related contractual obligations associated with its waste-to-energy, independent power and water facilities. With respect to its domestic businesses, Covanta and certain of its subsidiaries have issued guarantees to their municipal clients and other parties that our subsidiaries will perform in accordance with contractual terms, including, where required, the payment of damages or other obligations. The obligations guaranteed will depend upon the contract involved. Many of our subsidiaries have contracts to operate and maintain waste-to-energy facilities. In these contracts the subsidiary typically commits to operate and maintain the facility in compliance with legal requirements; to accept minimum amounts of solid waste; to generate a minimum amount of electricity per ton of waste; and to pay damages to contract counterparties under specified circumstances, including those where the operating subsidiary s contract has been terminated for default. Any contractual damages or other obligations incurred by Covanta and certain of its subsidiaries could be material, and in circumstances where one or more subsidiary s contract has been terminated for its default, such damages could include amounts sufficient to repay project debt. Additionally, damages payable under such guarantees on our owned waste-to-energy facilities could expose us to recourse liability on project debt. Covanta and certain of its subsidiaries may not have sufficient sources of cash to pay such damages or other obligations. We cannot assure you that Covanta and such subsidiaries will be able to continue to avoid incurring material payment obligations under such guarantees or that if it did incur such obligations that they would have the cash resources to pay them.

Our Waste and Energy Services businesses generate their revenue primarily under long-term contracts and must avoid defaults under their contracts in order to service their debt and avoid material liability to contract counterparties.

Covanta s subsidiaries must satisfy performance and other obligations under contracts governing waste-to-energy facilities. These contracts typically require Covanta s subsidiaries to meet certain performance criteria relating to amounts of waste processed, energy generation rates per ton of waste processed, residue quantity and environmental standards. The failure of Covanta subsidiaries to satisfy these criteria may subject them to termination of their respective operating contracts. If such a termination were to occur, Covanta s subsidiaries would lose the cash flow related to the projects and incur material termination damage liability, which may be guaranteed by Covanta or certain of its subsidiaries. In circumstances where the contract of one or more subsidiaries has been terminated due to the default of the Covanta subsidiary they may not have sufficient sources of cash to pay such damages. We cannot assure you that Covanta s subsidiaries will be able to continue to perform their respective obligations under such contracts in order to avoid such contract terminations, or damages related to any such contract termination, or that if they could not avoid such terminations that they would have the cash resources to pay amounts that may then become due.

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Covanta and certain of its subsidiaries have provided guarantees and support in connection with its subsidiaries projects.

Covanta and certain of its subsidiaries are obligated to guarantee or provide financial support for its subsidiaries projects in one or more of the following forms:

- support agreements in connection with service or operating agreement-related obligations;
- direct guarantees of certain debt relating to three of its facilities;
- contingent obligation to pay lease payment installments in connection with two of its facilities;
- contingent credit support for damages arising from performance failures;
- environmental indemnities; and
- contingent capital and credit support to finance costs, in most cases in connection with a corresponding increase in service fees, relating to uncontrollable circumstances.

Many of these contingent obligations cannot readily be quantified, but, if we were required to provide this support, it may be material to our cash flow and financial condition.

Covanta may face increased risk of market influences on its domestic revenues after its contracts expire.

Covanta s contracts to operate waste-to-energy projects expire on various dates between 2007 and 2023, and its contracts to sell energy output generally expire when the project s operating contract expires. One of Covanta s contracts will expire in 2007. During the twelve-month period from January 1 to December 31, 2004, this contract contributed $12.5 million in revenues. Expiration of these contracts will subject Covanta to greater market risk in maintaining and enhancing its revenues. As its operating contracts at municipally-owned projects approach expiration, Covanta will seek to enter into renewal or replacement contracts to continue operating such projects. However, we cannot assure you that Covanta will be able to enter into renewal or replacement contracts on terms favorable to it, or at all. Covanta will seek to bid competitively for additional contracts to operate other facilities as similar contracts of other vendors expire. The expiration of existing energy sales contracts, if not renewed, will require Covanta to sell project energy output either into the electricity grid or pursuant to new contracts.

At some of our facilities, market conditions may allow Covanta to effect extensions of existing operating contracts along with facility expansions. Such extensions and expansions are currently being considered at a limited number of Covanta s facilities in conjunction with its municipal clients. If Covanta were unable to reach agreement with its municipal clients on the terms under which it would implement such extensions and expansions, or if the implementation of these extensions, including renewals and replacement contracts, and expansions are materially delayed, this may adversely affect Covanta s cash flow and profitability. We cannot assure you that Covanta will be able to enter into such contracts or that the terms available in the market at the time will be favorable to it.

Our Waste and Energy Services businesses depend on performance by third parties under contractual arrangements.

Our Waste and Energy Services businesses depend on a limited number of third parties to, among other things, purchase the electric and steam energy produced by its facilities, and supply and deliver the waste and other goods and services necessary for the operation of our energy facilities. The viability of our facilities depends significantly upon the performance by third parties in accordance with long-term contracts, and such performance depends on factors which may be beyond our control. If those third parties do not perform their obligations, or are excused from performing their obligations because of nonperformance by our Waste and Energy Services businesses or other parties to the contracts, or due to force majeure events or changes in laws or regulations, our Waste and Energy Services businesses may not be able to secure alternate arrangements on substantially the same terms, if at all, for the services provided under the contracts. In addition, the

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bankruptcy or insolvency of a participant or third party in our Waste and Energy Services facilities could result in nonpayment or nonperformance of that party s obligations to us.

Concentration of suppliers and customers may expose us to heightened financial exposure.

Our Waste and Energy Services businesses often rely on single suppliers and single customers at our facilities, exposing such facilities to financial risks if any supplier or customer should fail to perform its obligations.

Our Waste and Energy Services businesses often rely on a single supplier to provide waste, fuel, water and other services required to operate a facility and on a single customer or a few customers to purchase all or a significant portion of a facility s output. In most cases our Waste and Energy Services businesses have long-term agreements with such suppliers and customers in order to mitigate the risk of supply interruption. The financial performance of these facilities depends on such customers and suppliers continuing to perform their obligations under their long-term agreements. A facility s financial results could be materially and adversely affected if any one customer or supplier fails to fulfill its contractual obligations and we are unable to find other customers or suppliers to produce the same level of profitability. We cannot assure you that such performance failures by third parties will not occur, or that if they do occur, such failures will not adversely affect the cash flows or profitability of our Waste and Energy Services business.

In addition, for their waste-to-energy facilities, our subsidiaries rely on their municipal clients as a source not only of waste for fuel but also of revenue from fees for disposal services our subsidiaries provide. Because contracts of our subsidiaries with their municipal clients are generally long-term, our subsidiaries may be adversely affected if the credit quality of one or more of their municipal clients were to decline materially.

Our Waste and Energy Services business is subject to pricing fluctuations caused by the waste disposal and energy market.

While our Waste and Energy Services businesses both sell the majority of their waste disposal capacity and energy output pursuant to long-term contracts, a portion of this capacity and output representing less than 30% of our revenue is subject to market price fluctuation. With the acquisition of Ref-Fuel, a larger percentage of our revenue is subject to market risk from fluctuations in waste market prices than has historically been the case. Consequently, short-term fluctuations in the waste and energy markets may have a greater impact on our revenues than we have previously experienced.

Covanta s waste operations are concentrated in one region, and expose us to regional economic or market declines.

The majority of Covanta s waste disposal facilities are located in the northeastern United States, primarily along the Washington, D.C. to Boston corridor. Adverse economic developments in this region could affect regional waste generation rates and demand for waste disposal services provided by Covanta. Adverse market developments caused by additional waste disposal capacity in this region could adversely affect waste disposal pricing. Either of these developments could have a material adverse effect on Covanta s revenues and cash generation.

Some of Covanta s energy contracts involve greater risk of exposure to performance levels which could result in materially lower revenues.

While our historic energy business typically is contractually entitled to only a small share (generally 10%) of the energy revenues generated by a waste-to-energy project, subsequent to the Ref-Fuel acquisition, seven of our 31 waste-to-energy facilities receive 100% of the energy revenues they generate.

As a result, if we are unable to operate these seven facilities at their historical performance levels for any reason, our revenues from energy sales could materially decrease.

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Exposure to international economic and political factors may materially and adversely affect our Waste and Energy Services businesses.

Covanta Power International Holdings, Inc., which we refer to as CPIH in this prospectus, is a wholly-owned subsidiary of Covanta. CPIH s operations are entirely outside the United States and expose it to legal, tax, currency, inflation, convertibility and repatriation risks, as well as potential constraints on the development and operation of potential business, any of which can limit the benefits to CPIH of a foreign project.

CPIH s projected cash distributions from existing facilities comes from facilities located in countries with sovereign ratings below investment grade, including Bangladesh, the Philippines and India. The financing, development and operation of projects outside the United States can entail significant political and financial risks, which vary by country, including:

- changes in law or regulations;
- changes in electricity tariffs;
- changes in foreign tax laws and regulations;
- changes in United States federal, state and local laws, including tax laws, related to foreign operations;
- compliance with United States federal, state and local foreign corrupt practices laws;
- changes in government policies or personnel;
- changes in general economic conditions affecting each country, including conditions in financial markets;
- changes in labor relations in operations outside the United States;
- political, economic or military instability and civil unrest; and
- expropriation and confiscation of assets and facilities.

The legal and financial environment in foreign countries in which CPIH currently owns assets or projects also could make it more difficult for it to enforce its rights under agreements relating to such projects.

Any or all of the risks identified above with respect to the CPIH projects could adversely affect our revenue and cash generation. As a result, these risks may have a material adverse effect on our Waste and Energy Services business, consolidated financial condition and results of operations.

Exposure to foreign currency fluctuations may affect CPIH s costs of operations.

CPIH participates in projects in jurisdictions where limitations on the convertibility and expatriation of currency have been lifted by the host country and where such local currency is freely exchangeable on the international markets. In most cases, components of project costs incurred or funded in the currency of the United States are recovered with limited exposure to currency fluctuations through negotiated contractual adjustments to the price charged for electricity or service provided. This contractual structure may cause the cost in local currency to the project s power purchaser or service recipient to rise from time to time in excess of local inflation. As a result, there is a risk in such situations that such power purchaser or service recipient will, at least in the near term, be less able or willing to pay for the project s power or service.

Exposure to fuel supply prices may affect CPIH s costs and results of operations.

Changes in the market prices and availability of fuel supplies to generate electricity may increase CPIH s cost of producing power, which could adversely impact our energy businesses profitability and financial performance.

The market prices and availability of fuel supplies of some of CPIH s facilities fluctuate. Any price increase, delivery disruption or reduction in the availability of such supplies could affect CPIH s ability to operate its facilities and impair its cash flow and profitability. CPIH may be subject to further exposure if any

of its future operations are concentrated in facilities using fuel types subject to fluctuating market prices and availability. We may not be successful in our efforts to mitigate our exposure to supply and price swings.

Our inability to obtain resources for operations may adversely affect our ability to effectively compete.

Our waste-to-energy facilities depend on solid waste for fuel, which provides a source of revenue. For most of our facilities, the prices they charge for disposal of solid waste are fixed under long-term contracts and the supply is guaranteed by sponsoring municipalities. However, for some of our waste-to-energy facilities, the availability of solid waste to us, as well as the tipping fee that we must charge to attract solid waste to its facilities, depends upon competition from a number of sources such as other waste-to-energy facilities, landfills and transfer stations competing for waste in the market area. In addition, we may need to obtain waste on a competitive basis as our long-term contracts expire at our owned facilities. There has been consolidation and there may be further consolidation in the solid waste industry which would reduce the number of solid waste collectors or haulers that are competing for disposal facilities or enable such collectors or haulers to use wholesale purchasing to negotiate favorable below-market disposal rates. The consolidation in the solid waste industry has resulted in companies with vertically integrated collection activities and disposal facilities. Such consolidation may result in economies of scale for those companies as well as the use of disposal capacity at facilities owned by such companies or by affiliated companies. Such activities can affect both the availability of waste to us for disposal at some of our waste-to-energy facilities and market pricing.

Compliance with environmental laws could adversely affect our results of operations.

Costs of compliance with federal, state and local existing and future environmental regulations could adversely affect our cash flow and profitability. Our Waste and Energy Services businesses are subject to extensive environmental regulation by federal, state and local authorities, primarily relating to air, waste (including residual ash from combustion) and water. We are required to comply with numerous environmental laws and regulations and to obtain numerous governmental permits in operating our facilities. Our Waste and Energy Services businesses may incur significant additional costs to comply with these requirements. Environmental regulations may also limit our ability to operate our facilities at maximum capacity or at all. If our Waste and Energy Services businesses fail to comply with these requirements, we could be subject to civil or criminal liability, damages and fines. Existing environmental regulations could be revised or reinterpreted and new laws and regulations could be adopted or become applicable to us or our facilities, and future changes in environmental laws and regulations could occur. This may materially increase the amount we must invest to bring our facilities into compliance. In addition, lawsuits or enforcement actions by federal and/or state regulatory agencies may materially increase our costs. Stricter environmental regulation of air emissions, solid waste handling or combustion, residual ash handling and disposal, and waste water discharge could materially affect our cash flow and profitability.

Our Waste and Energy Services businesses may not be able to obtain or maintain, from time to time, all required environmental regulatory approvals. If there is a delay in obtaining any required environmental regulatory approvals or if we fail to obtain and comply with them, the operation of our facilities could be jeopardized or become subject to additional costs.

Federal energy regulation could adversely affect our revenues and costs of operations.

Our Waste and Energy Services businesses are subject to extensive energy regulations by federal and state authorities. The economics, including the costs, of operating our facilities may be adversely affected by any changes in these regulations or in their interpretation or implementation or any future inability to comply with existing or future regulations or requirements.

The Federal Power Act, commonly referred to as the FPA, regulates energy generating companies and their subsidiaries and places constraints on the conduct of their business. The FPA regulates wholesale sales of electricity and the transmission of electricity in interstate commerce by public utilities. Under the Public Utility Regulatory Policies Act of 1978, commonly referred to as PURPA, our domestic facilities are exempt from most provisions of the FPA and state rate regulation. In addition, PURPA requires utility companies to purchase electricity produced by exempt non-utility generators, such as Covanta. Our foreign projects are also exempt from regulation under the FPA.

The Energy Policy Act of 2005, referred to as the Policy Act in this prospectus, enacted comprehensive changes to the domestic energy industry which may affect our businesses. The Policy Act removed certain regulatory constraints that previously limited the ability of utilities and utility holding companies to invest in certain activities and businesses, which may have the effect over time of increasing competition in energy markets in which we participate. In addition, the Policy Act includes provisions that may remove some of the benefits provided to non-utility electricity generators, like Covanta, after its existing energy sale contracts expire. As a result, we may face increased competition after such expirations occur.

If our Waste and Energy Services businesses become subject to either the FPA or lose the ability under PURPA to require utilities to purchase our electricity, the economics and operations of our energy projects could be adversely affected, including as a result of rate regulation by the Federal Energy Regulatory Commission, referred to as the FERC in this prospectus, with respect to our output of electricity, which could result in lower prices for sales of electricity. In addition, depending on the terms of the project s power purchase agreement, a loss of our exemptions could allow the power purchaser to cease taking and paying for electricity under existing contracts. Such results could cause the loss of some or all contract revenues or otherwise impair the value of a project and could trigger defaults under provisions of the applicable project contracts and financing agreements. Defaults under such financing agreements could render the underlying debt immediately due and payable. Under such circumstances, we cannot assure you that revenues received, the costs incurred, or both, in connection with the project could be recovered through sales to other purchasers.

Failure to obtain regulatory approvals could adversely affect our operations.

Our Waste and Energy Services businesses are continually in the process of obtaining or renewing federal, state and local approvals required to operate our facilities. While our Waste and Energy Services businesses currently have all necessary operating approvals, we may not always be able to obtain all required regulatory approvals, and we may not be able to obtain any necessary modifications to existing regulatory approvals or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if we fail to obtain and comply with any required regulatory approvals, the operation of our facilities or the sale of electricity to third parties could be prevented, made subject to additional regulation or subject our Waste and Energy Services businesses to additional costs or a decrease in revenue.

The energy industry is becoming increasingly competitive, and we might not successfully respond to these changes.

We may not be able to respond in a timely or effective manner to the changes resulting in increased competition in the energy industry in both domestic and international markets. These changes may include deregulation of the electric utility industry in some markets, privatization of the electric utility industry in other markets and increasing competition in all markets. To the extent U.S. competitive pressures increase and the pricing and sale of electricity assumes more characteristics of a commodity business, the economics of our business may come under increasing pressure. Regulatory initiatives in foreign countries where our Waste and Energy Services businesses have or will have operations involve the same types of risks.

Changes in laws and regulations affecting the solid waste and the energy industries could adversely affect our Waste and Energy Services business.

Our Waste and Energy Services business is highly regulated. We cannot predict whether the federal or state governments or foreign governments will adopt legislation or regulations relating to the solid waste or energy industries. These laws and regulations can result in increased capital, operating and other costs to our Waste and Energy Services business, particularly with regard to enforcement efforts. The introduction of new laws or other future regulatory developments that increase the costs of operation or capital to us may have a material adverse effect on our business, financial condition or results of operations.

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Changes in technology may have a material adverse effect on our profitability.

Research and development activities are ongoing to provide alternative and more efficient technologies to dispose of waste or produce power, including fuel cells, microturbines and solar cells. It is possible that advances in these or other technologies will reduce the cost of waste disposal or power production from these technologies to a level below our costs. Furthermore, increased conservation efforts could reduce the demand for power or reduce the value of our facilities. Any of these changes could have a material adverse effect on our revenues and profitability.

We have incurred and will continue to incur significant transaction and combination-related costs in connection with the acquisition of Ref-Fuel.

We expect to incur significant costs, which we currently estimate to be approximately $20 million through 2007, associated with combining the operations of Covanta and Ref-Fuel. However, we cannot predict with certainty the specific size of those charges at this preliminary stage of the integration process. Although we expect the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, we cannot give any assurance that this net benefit will be achieved as planned in the near future or at all.

Insurance Business-Specific Risks

Insurance regulations may affect NAICC s operations.

The insurance industry is highly regulated. NAICC is subject to regulation by state and federal regulators, and a significant portion of NAICC s operations are subject to regulation by the state of California. Changes in existing insurance regulations or adoption of new regulations or laws which could affect NAICC s results of operations and financial condition may include, without limitation, proposed changes to California regulations regarding a broker s fiduciary duty to select the best carrier for an insured, extension of California s Low Cost Automobile Program beyond Los Angeles and San Francisco counties and changes to California s workers compensation laws. We cannot predict the impact of changes in existing insurance regulations or adoption of new regulations or laws on NAICC s results of operations and financial condition.

The insurance products sold by NAICC are subject to intense competition.

The insurance products sold by NAICC are subject to intense competition from many competitors, many of whom have substantially greater resources than NAICC. The California non-standard personal automobile marketplace consists of over 100 carriers.

In order to decrease rates, insurers in California must obtain prior permission for rate reductions from the California Department of Insurance. In lieu of requesting rate decreases, competitors may soften underwriting standards as an alternative means of attracting new business. Such tactics, should they occur, would introduce new levels of risk for NAICC and could limit NAICC s ability to write new policies or renew existing profitable policies. We cannot assure you that NAICC will be able to successfully compete in these markets and generate sufficient premium volume at attractive prices to be profitable. This risk is enhanced by the reduction in lines of business NAICC writes as a result of its decision to reduce underwriting operations.

If NAICC s loss experience exceeds its estimates, additional capital may be required.

Unpaid losses and loss adjustment expenses are based on estimates of reported losses, historical company experience of losses reported for reinsurance assumed and historical company experience for unreported claims. Such liability is, by necessity, based on estimates that may change in the near term. NAICC cannot assure you that the ultimate liabilities will not exceed, or even materially exceed, the amounts estimated. If the ultimate liability materially exceeds estimates, then additional capital may be required to be contributed to some of our insurance subsidiaries. NAICC and the other insurance subsidiaries received additional capital contributions from us in 2003 and 2002, and NAICC cannot provide any assurance that it and its subsidiaries will be able to obtain additional capital on commercially reasonable terms or at all.

In addition, due to the fact that NAICC and its other insurance subsidiaries are in the process of running off several significant lines of business, the risk of adverse development and the subsequent requirement to obtain additional capital is heightened.

Failure to satisfy capital adequacy and risk-based capital requirements would require NAICC to obtain additional capital.

NAICC is subject to regulatory risk-based capital requirements. Depending on its risk-based capital, NAICC could be subject to various levels of increasing regulatory intervention ranging from company action to mandatory control by insurance regulatory authorities. NAICC s capital and surplus is also one factor used to determine its ability to distribute or loan funds to us. If NAICC has insufficient capital and surplus, as determined under the risk-based capital test, it will need to obtain additional capital to establish additional reserves. NAICC cannot provide any assurance that it will be able to obtain such additional capital on commercially reasonable terms or at all.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial statements for the nine-month period ended September 30, 2005 and the year ended December 31, 2004, are based on our historical financial statements and the historical financial statements of Covanta, Ref-Fuel and Ref-Fuel Holdings. The unaudited pro forma condensed statements of combined operations are presented as if the acquisitions of Covanta and Ref-Fuel both occurred on January 1, 2004 adjusted for events that are (1) directly attributable to the transactions, (2) expected to have continuing impact, and (3) factually supportable.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with:

The accompanying notes to the unaudited pro forma condensed consolidated financial statements;

Our separate historical financial statements (1) as of and for the year ended December 31, 2004 attached to this prospectus as Appendix A, and (2) as of and for the nine months ended September 30, 2005 attached to this prospectus as Appendix B;

Ref-Fuel s separate historical financial statements (1) as of and for the year ended December 31, 2004 attached to this prospectus as Appendix C, and (2) as of and for the nine months ended September 30, 2005 attached to this prospectus as Appendix D; and

Covanta s separate historical financial statements as of and for the year ended December 31, 2004 attached to this prospectus as Appendix E.

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Covanta Holding Corporation
Pro Forma Nine Months Ended September 30, 2005
Unaudited Pro Forma Consolidated Statement of Operations

	Covanta Holding Jan. 1 Sep. 30, 2005	Ref-Fuel Jan. 1 June 24, 2005	Pro Forma Adjustments	ADJ	Pro Forma Combined
	(In thousands of dollars)				
OPERATING REVENUES					
Waste and service revenues	$ 436,624	$ 148,792	$		$ 585,416
Energy and steam sales	225,541	79,660			305,201
Other operating revenues	13,236				13,236
Total operating revenues	675,401	228,452			903,853
OPERATING EXPENSES					
Plant operating expenses	393,343	103,617	3,136	J	500,096
Depreciation and amortization expense	78,027	57,032	(5,380)	J	129,679
Net interest expense on project debt	36,700	13,964	1,474	J	52,138
Other operating expenses	7,736	519			8,255
General and administrative expenses	46,313	52,133	(41,675)	M	56,047
			(724)	J	
Restructuring charges	2,655		(2,655)	M	
Acquisition-related charges	2,963		(2,963)	M	
Total operating expenses	567,737	227,265	(48,787)		746,215
Operating income	107,664	1,187	48,787		157,638
Investment income	3,530	1,225			4,755
Interest expense	(59,053)	(26,368)			(90,859)
			28,944	H	
			(37,362)	I	
			2,980	J	
Gain on derivative instrument, unexercised ACL warrants	14,796				14,796
Total other expenses	(40,727)	(25,143)	(5,438)		(71,308)
Income before income taxes, minority interests and equity in net income from unconsolidated investments	66,937	(23,956)	43,349		86,330
Income tax benefit (expense)	(24,008)	6,033	(20,874)	K	(38,849)
Minority interest expense	(9,311)	(56)			(9,367)
	20,003				20,003

Equity in net income from unconsolidated investments								
NET INCOME (LOSS)	$	53,621	$	(17,979)	$	22,475	$	58,117

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Covanta Holding Corporation
Pro Forma Year Ended December 31, 2004
Unaudited Pro Forma Consolidated Statement of Operations

	Jan. 1 to Dec. 31, 2004 Covanta Holding	Jan. 1 to Mar. 10, 2004 Covanta Energy	Jan. 1 to Mar. 10, 2004 Deconsolidation of Covanta Energy Entities(A)	Jan. 1 to Dec. 31, 2004 Ref-Fuel	Jan. 1 to Apr. 30, 2004 Ref-Fuel Ownership Changes(G)	Pro Forma Adjustments	ADJ	Pro Forma Combined
	(In thousands of dollars)							
OPERATING REVENUES								
Waste and service revenues	$ 372,748	$ 89,867	$ (5,282)	$ 194,950	$ 89,496	$ (7,219)	L	$ 778,729
						44,169	L	
Energy and steam sales	181,074	53,307	(535)	93,188	41,566	59,770	L	398,797
						(29,573)	L	
Other operating revenues	22,374	58		10,506	6,475	(16,981)	L	22,432
Total operating revenues	576,196	143,232	(5,817)	298,644	137,537	50,166		1,199,598
OPERATING EXPENSES								
Plant operating expenses	348,867	100,774	(3,632)	116,089	73,322	15,840	L	657,619
						6,359	J	
Depreciation and amortization expense	53,131	13,426	(786)	45,154	22,842	(12,640)	B	173,315
						8,598	C	
						3,375	D	
						59,770	L	
						(7,219)	L	
						(12,336)	J	
Net interest expense on project debt	32,586	13,407	(1,045)			(2,400)	L	76,960
						30,779	L	
						(3,419)	E	
						7,052	J	
	16,560	(2,234)	116	1,462	220			

Other operating expenses