COVANTA HOLDING CORP
Form 424B5
February 20, 2014
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This preliminary prospectus supplement relates to an effective registration statement but it is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-178503

Subject to Completion, dated February 20, 2014
PROSPECTUS SUPPLEMENT

(To Prospectus dated December 15, 2011)

$400,000,000

Covanta Holding Corporation

% Senior Notes due 2024

Interest payable and

We are offering $400,000,000 aggregate principal amount of our % Senior Notes due 2024 (the notes). We will pay interest on the notes on and of each year beginning on , 2014. Interest on the notes will accrue from , 2014. The notes will mature on , 2024.

We may redeem some or all of the notes at any time on or after , 2019 at the redemption prices set forth in this prospectus supplement. We may also redeem up to 35% of the notes using the proceeds of certain equity offerings completed before , 2017 at a redemption price of % of the principal amount, plus accrued and unpaid interest. In addition, at any time prior to , 2019, we may redeem the notes, in whole but not in part, at a price equal to 100% of the principal amount, plus accrued and unpaid interest, plus a make-whole premium.

If we sell certain of our assets or experience specific kinds of changes in control, we may be required to offer to purchase the notes as described under Description of notes Repurchase at the option of holders Change of control triggering event and Description of notes Repurchase at the option of holders Asset sales.

The notes will be our senior unsecured obligations, ranking equally in right of payment with all of our existing and future senior unsecured indebtedness and senior to any subordinated indebtedness we may incur in the future. The notes will be effectively subordinated to our existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness and to the existing and future indebtedness and other liabilities of our subsidiaries. We conduct all of our business through our subsidiaries. None of our subsidiaries will guarantee the notes.

We intend to use the net proceeds of this offering, together with direct borrowings under Covanta Energy s revolving credit facility as well as additional proceeds we may raise in future debt financings, which may include the issuance of additional debt securities, for general corporate purposes, including to repay at maturity our 3.25% cash convertible notes due 2014 (the 3.25% Cash Convertible Notes); however, we will have broad discretion in the application of the net proceeds we receive from this offering and we may apply the net proceeds and any such additional proceeds for a variety of corporate purposes. Pending other uses, until the 3.25% Cash Convertible Notes mature on June 1, 2014, we intend to use the net proceeds of this offering to repay amounts outstanding under Covanta Energy s revolving credit facility and hold the remaining net proceeds as cash or cash equivalents.

You should read this prospectus supplement and the accompanying prospectus carefully before you invest in our notes. Investing in our notes involves a high degree of risk. See Risk factors beginning on page S-19 and Part I, Item IA of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed on February 18, 2014, for a discussion of certain risks that you should consider in connection with an investment in the notes.

PRICE % AND ACCRUED INTEREST, IF ANY

	Public offering price(1)	Underwriting discount	Proceeds, before expenses, to Covanta(1)
Per note			
Total			

(1) Plus accrued interest, if any, from , 2014.

The notes will not be listed on any securities exchange or automated quotation system.

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

Delivery of the notes in book-entry form will be made on or about , 2014, through The Depository Trust Company.

Joint Book-Running Managers

Barclays BofA Merrill Lynch Citigroup J.P. Morgan Morgan Stanley RBS

Lead Manager

Credit Agricole CIB

Co-Managers

HSBC	**Mitsubishi UFJ Securities**	**SMBC Nikko**	**TD Securities**

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus that we may provide to you. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. If anyone provides you with different, inconsistent or unauthorized information or representations, you must not rely on it and neither we nor the underwriters take any responsibility for, or provide assurances as to the reliability of, any other information that others may give you. Further, you should not assume that the information contained in or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates of this prospectus supplement or the accompanying prospectus or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of notes and certain terms of the notes. The second part is the accompanying prospectus, which gives more general information. If the information varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement does not contain all of the information that is important to you. You should read the accompanying prospectus, the registration statement described in the accompanying prospectus (including the exhibits thereto) and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. See Incorporation by Reference in this prospectus supplement and Where you can find more information in the accompanying prospectus.

NOTICE TO INVESTORS

This prospectus supplement and the accompanying prospectus do not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the securities.

Prospective investors should not construe anything in this prospectus supplement and the accompanying prospectus as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment, or similar laws or regulations.

This prospectus supplement and the accompanying prospectus contain summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

We are a Delaware corporation. Our principal executive offices are located at 445 South Street, Morristown, NJ 07960 and our telephone number at that address is (862) 345-5000. Our website is located at *http://www.covanta.com*. Our website and the information contained on our website are not part of this prospectus supplement, and you should rely only on the information contained or incorporated by reference in this prospectus supplement when making a decision as to whether to invest in the notes.

Except as otherwise stated and unless the context otherwise requires, references in this prospectus supplement to Covanta Holding, Covanta, the Issuer, we, our, us and similar terms refer to Covanta Holding Corporation and its subsidiaries; references to Covanta Energy refer to Covan Energy Corporation, a direct wholly-owned subsidiary of Covanta Holding, and its subsidiaries. References to underwriters refer to the firms listed on the cover page of this prospectus supplement.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus supplement, including documents incorporated by reference herein, contain statements that may constitute forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended (the Securities Act), Section 21E of the Exchange Act, the Private Securities Litigation Reform Act of 1995 (the PSLRA) or in releases made by the Securities and Exchange Commission (SEC), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or general industry or broader economic performance in domestic and international markets in which we operate or compete, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words plan, believe, expect, anticipate, intend, estimate, project, may, will, would, could, should, seeks, or scheduled to, or other similar wo these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the safe harbor provisions of such laws. We caution investors that any forward-looking statements made by us are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to us include, but are not limited to, the risks and uncertainties affecting our businesses described in the Risk factors section in this prospectus supplement and in the filings with the SEC incorporated by reference herein. Important factors, risks and uncertainties that could cause actual results to differ materially from those forward-looking statements include, but are not limited to:

- seasonal or long-term fluctuations in the prices of energy, waste disposal, scrap metal and commodities;
- our ability to renew or replace expiring contracts at comparable prices and with other acceptable terms;
- adoption of new laws and regulations in the United States and abroad, including energy laws, environmental laws, labor laws and healthcare laws;
- our ability to utilize net operating loss carryforwards;
- failure to maintain historical performance levels at our facilities and our ability to retain the rights to operate facilities we do not own;
- our ability to avoid adverse publicity relating to our business;
- advances in technology;
- difficulties in the operation of our facilities, including fuel supply and energy delivery interruptions, failure to obtain regulatory approvals, equipment failures, labor disputes and work stoppages, and weather interference and catastrophic events;
- difficulties in the financing, development and construction of new projects and expansions, including increased construction costs and delays;
- limits of insurance coverage;

our ability to avoid defaults under our long-term contracts;

performance of third parties under our contracts and such third parties observance of laws and regulations;

concentration of suppliers and customers;

geographic concentration of facilities;

increased competitiveness in the energy and waste industries;

changes in foreign currency exchange rates;

limitations imposed by our existing indebtedness and our ability to perform our financial obligations and guarantees and to refinance our existing indebtedness;

exposure to counterparty credit risk and instability of financial institutions in connection with financing transactions;

the scalability of our business;

restrictions in our certificate of incorporation and debt documents regarding strategic alternatives;

failures of disclosure controls and procedures and internal controls over financial reporting;

our ability to attract and retain talented people;

general economic conditions in the United States and abroad, including the availability of credit and debt financing; and

other risks and uncertainties affecting our businesses described in Item 1A. Risk Factors of this Annual Report on Form 10-K and in other filings by Covanta with the SEC.

Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this prospectus supplement or the documents incorporated herein by reference are made only as of the date hereof and we do not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

NON-GAAP FINANCIAL MEASURES

To supplement our results prepared in accordance with United States Generally Accepted Accounting Principles (GAAP), we have included in this prospectus supplement certain non-GAAP measures, including Adjusted EBITDA, Free Cash Flow and Adjusted Debt, which are non-GAAP measures as defined by the SEC. These non-GAAP financial measures are not intended as substitutes and should not be considered in isolation from measures of financial performance prepared in accordance with GAAP. In addition, our use of non-GAAP financial measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. The presentation of Adjusted EBITDA, Free Cash Flow and Adjusted Debt are intended to enhance the usefulness of our financial information by providing measures which management internally uses to assess and evaluate the overall performance of its business and those of possible acquisition candidates, and highlight trends in the overall business.

We use Adjusted EBITDA to provide further information that is useful to an understanding of the financial covenants contained in Covanta Energy s credit facilities, and as an additional way of viewing aspects of its operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, we believe provide a more complete understanding of our business. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, as adjusted for additional items subtracted from or added to net income. For further information on these additional items, see Summary historical consolidated financial information.

Adjusted EBITDA should not be considered as an alternative to net income or cash flow provided by operating activities as indicators of our performance or liquidity or any other measures of performance or liquidity in accordance with GAAP.

We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. Free Cash Flow is defined as cash flow provided by operating activities

less maintenance capital expenditures, which are capital expenditures primarily to maintain our existing facilities. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our businesses, such as making acquisitions, investing in construction of new projects or making principal payments on debt. For further information, see Summary historical consolidated financial information.

Free Cash Flow should not be considered as an alternative to cash flow provided by operating activities as an indicator of our liquidity or any other measure of liquidity in accordance with GAAP.

We use the non-GAAP measure of Adjusted Debt to provide further information that is useful to an understanding of the financial incurrence covenants contained in our indentures. It is calculated as total debt, less restricted funds held in trust for the express purpose of repayment of debt principal. The definition of Adjusted Debt is consistent with that of Consolidated Indebtedness as defined in the indenture, which is used in the calculation of the Combined Leverage Ratio in the indenture governing the notes. Adjusted Debt should not be considered as an alternative to total debt as an indicator of our liquidity or any other measures of liquidity derived in accordance with GAAP.

For more information, see Summary historical consolidated financial information and the financial statements and related notes thereto incorporated by reference in this prospectus supplement for reconciliation of non-GAAP financial measures to GAAP financial measures.

MARKET, RANKING, INDUSTRY DATA AND FORECASTS

This prospectus supplement and the documents incorporated by reference herein include market share, ranking, industry data and forecasts that we obtained from industry publications and surveys, public filings and internal company sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Statements as to our market position and ranking are based on market data currently available to us, management s estimates and assumptions we have made regarding the size of our markets within the energy-from-waste industry. While we are not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk factors in this prospectus supplement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013. Neither we nor the underwriters can guarantee the accuracy or completeness of such information contained or incorporated by reference in this prospectus supplement.

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SUMMARY

This summary highlights selected information contained elsewhere, or incorporated by reference, in this prospectus supplement and the accompanying prospectus and may not contain all of the information that may be important to you. You should carefully read this together with the entire prospectus supplement and the accompanying prospectus, and the documents incorporated by reference, including the Risk Factors section in this prospectus supplement and in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and the historical financial statements and the notes to those financial statements.

Our company

Covanta is one of the world s largest owners and operators of infrastructure for the conversion of waste to energy (known as energy-from-waste or EfW), as well as other waste disposal and renewable energy production businesses. Energy-from-waste serves two key markets as both a sustainable waste management solution that is environmentally superior to landfilling and as a source of clean energy that reduces overall greenhouse gas (GHG) emissions. Energy-from-waste is also considered renewable under the laws of many states and under federal law. Our facilities are critical infrastructure assets that allow our customers, which are principally municipal entities, to provide an essential public service.

Our EfW facilities earn revenue from both the disposal of waste and the generation of electricity, generally under long-term contracts, as well as from the sale of metals recovered during the EfW process. We process approximately 20 million tons of solid waste annually, representing approximately 5% of the solid waste generation in the United States. We operate and/or have ownership positions in 46 energy-from-waste facilities, which are primarily located in North America, and 11 additional energy generation facilities, including other renewable energy production facilities in North America (wood biomass and hydroelectric). In total, these assets produce approximately 10 million megawatt hours (MWh) of baseload electricity annually. We also operate a waste management infrastructure, comprised in part of 18 transfer stations, that is complementary to our core EfW business.

In addition to our core EfW business, we offer a variety of sustainable service offerings in response to customer demand, which are sometimes offered through joint ventures or with third parties. We can help clients adopt a holistic Reduce, Reuse, Recycle, Recover waste management strategy from end to end. We offer tailored recycling and recovery solutions, providing alternatives to landfills to enhance our customer s reputation and reduce their risk. We offer services such as:

- Zero-landfill and greenhouse gas emissions reduction programs;
- Waste transfer and subcontracted hauling;
- Recycling programs, including secure e-waste processing and subcontracted single stream and material recycling capabilities;
- Strategic consulting for waste streams from source to final disposal; and
- Assured destruction services for confidential documents, pharmaceuticals, non-hazardous bulk liquid waste, recalled, counterfeit or off-spec materials, and consumer products.

We have one reportable segment, North America, previously referred to as Americas, which is comprised of waste and energy services operations located primarily in the United States and Canada. We hold equity interests in EfW facilities in China and Italy. We also have investments in subsidiaries engaged in insurance operations in California, primarily in property and casualty insurance, whose remaining business was transitioned into run-off in 2012, and which collectively account for less than 1% of our consolidated revenue.

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Our mission is to provide sustainable waste and energy solutions. We intend to pursue our mission through the following key strategies:

- Preserve and grow the value of our existing portfolio;
- Expand through acquisitions and/or development in selected attractive markets;
- Develop and commercialize new technology;
- Advocate for public policy favorable to EfW and other sustainable waste solutions;
- Allocate capital efficiently for long-term stockholder value; and
- Maintain a focus on sustainability.

During 2013, we generated $1,630 million of revenue, $494 million of Adjusted EBITDA and $245 million of Free Cash Flow from continuing operations. For a discussion and reconciliation of Adjusted EBITDA and Free Cash Flow to their comparable GAAP measures, see footnote (1) under Summary Historical Consolidated Financial Information.

The EfW process

Energy-from-waste facilities produce energy through the combustion of non-hazardous municipal solid waste (MSW) in specially-designed power plants. Most of our facilities are mass-burn facilities, which combust the MSW on an as-received basis without any pre-processing such as shredding, sorting, or sizing. In a typical mass-burn facility, waste collection trucks deliver waste to the facility, where it is dumped into a concrete storage pit, then loaded by an overhead crane into a feed chute leading to a furnace. The waste is combusted in a self-sustaining process at high temperatures, and heat from the combustion process converts water inside steel tubes that form the furnace walls and boilers into steam, which is either sent to a turbine generator to produce electricity (in most facilities), or sold directly to industrial or commercial users. From the boiler, the cooled gases enter an advanced air pollution control system, where scrubbers neutralize any acid-forming gases and a high-efficiency fabric baghouse captures more than 99% of particulate matter. The process reduces the waste to an inert ash while extracting ferrous and non-ferrous metals for recycling. In addition to our mass-burn facilities, we own and/or operate additional facilities that use other processes or technologies, such as refuse-derived fuel facilities which process waste prior to combustion and a gasification technology, in which waste is heated to create gases which are then combusted.

Environmental benefits of EfW

We believe that EfW offers solutions to public sector leaders around the world for addressing two key issues: sustainable management of waste and renewable energy generation. We believe that the environmental benefits of EfW, as an alternative to landfilling, are clear and compelling: by processing municipal solid waste in EfW facilities, we reduce GHG emissions (as the methane emitted by landfills is over 34 times more potent than carbon dioxide (CO2) over a 100 year period), lower the risk of groundwater contamination, and conserve land. At the same time, EfW generates clean, reliable energy from a renewable fuel source, thus reducing dependence on fossil fuels, the combustion of which is itself a major contributor of GHG emissions. The United States Environmental Protection Agency (EPA), using lifecycle tools such as its own Municipal Solid Waste Decision Support Tool, has found that, on average, approximately one ton of CO_2-equivalent is reduced relative to landfilling for every ton of waste processed. Compared with fossil based generation, each ton of waste processed eliminates the need to consume approximately one barrel of oil or one-quarter ton of coal, in order to generate the equivalent amount of electricity. As public planners address their needs for more environmentally sustainable waste management and energy generation in the years ahead, we believe that EfW will be an increasingly attractive alternative.

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Revenue sources

We currently operate EfW projects in 16 states and one Canadian province, and are constructing an EfW project in a second Canadian province. These projects are capable of providing waste services and generating electricity or steam, if properly operated and maintained, for several decades. Generally, we provide these waste services and sell the electricity and steam generated under contracts, which expire on various dates between 2014 and 2038.

Our EfW projects generate revenue from three main sources: (1) fees charged for operating projects or processing waste received, (2) the sale of electricity and/or steam, and (3) the sale of ferrous and non-ferrous metals that are recovered from the waste stream as part of the EfW process. We may also generate additional revenue from the construction or expansion of a facility when a municipal client owns the facility. Our customers for waste services or facility operations are principally municipal entities, though we also market disposal capacity at certain facilities to commercial and sustainable waste solutions customers. Our facilities sell energy primarily to utilities at contracted rates or, in situations where a contract is not in place, at prevailing market rates in regional markets (primarily the Pennsylvania-New Jersey-Maryland Interconnection (PJM), the New England Power Pool (NEPOOL) and the New York Independent System Operator (NYISO) in the Northeastern United States). We also operate, and in some cases have ownership interests in, transfer stations and landfills (primarily used for ash disposal rather than municipal solid waste) that are ancillary and complementary to our EfW projects and generate additional revenue from disposal fees or operating fees.

EfW contract structures

Most of our EfW projects were developed and structured contractually as part of competitive procurement processes conducted by municipal entities. As a result, many of these projects have common features. However, each contractual agreement is different, reflecting the specific needs and concerns of a client community, applicable regulatory requirements and/or other factors.

Our EfW projects can generally be divided into three categories, based on the applicable contract structure at a project: (1) Tip Fee projects, (2) Service Fee projects that we own, and (3) Service Fee projects that we do not own but operate on behalf of a municipal owner. At Tip Fee projects, we receive a per-ton fee for processing waste, and we typically retain all of the revenue generated from energy and recycled metal sales. We own or lease the Tip Fee facilities. At Service Fee projects, we typically charge a fixed fee for operating the facility, and the facility capacity is dedicated either primarily or exclusively to the host community client, which also retains the majority of any revenue generated from energy and recycled metal sales. As a result of these distinctions, the revenue and income generated at Tip Fee projects is heavily dependent on operating performance, as well as waste, energy and metal market conditions. Service Fee projects have much less revenue exposed to waste, energy or metal markets and variations in operating performance have a smaller impact on revenue. Notwithstanding distinctions among these general classifications in contract structures, in all cases we focus on a consistent set of performance indicators to optimize service to customers and operating results: (i) boiler availability; (ii) turbine availability; (iii) safety and environmental performance measures; (iv) tons processed; (v) steam sold; (vi) megawatt hours sold; and (vii) recycled metal tons recovered.

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The following summarizes the typical contractual and economic characteristics of the three project structures in the North America segment:

	Tip Fee	**Service Fee (Owned)**	**Service Fee (Operated)**
Number of facilities:	18	7	17
Client(s):	Host community and municipal and commercial waste customers	Host community, with limited merchant capacity in some cases	Dedicated to host community exclusively
Waste or service revenue:	Per ton tipping fee	Fixed fee, with performance incentives and inflation escalation	
Energy revenue:	Covanta retains 100%	Share with client (Covanta retains approximately 20% on average)	
Metals revenue:	Covanta retains 100%	Share with client (Covanta typically retains approximately 50%)	
Operating costs:	Covanta responsible for all operating costs	Pass through certain costs to municipal client (e.g. ash disposal)	
Project debt service:	Covanta project subsidiary responsible	Paid by client explicitly as part of service fee	Client responsible for debt service
After service contract expiration:	N/A	Covanta owns the facility; clients have certain rights set forth in contracts; facility converts to Tip Fee or remains Service Fee with new terms	Client owns the facility; extend with Covanta or tender for new contract

Competitive strengths

World Leader in energy-from-waste with consistently strong long-term operating performance

We are one of the world s largest owners and operators of energy-from-waste facilities, operating an estimated two-thirds of the energy-from-waste capacity in North America. We believe that we have more experience in developing, constructing and operating energy-from-waste facilities than any other company. We operate over 10 different types of energy-from-waste technologies, representing many of the commercially viable systems in the world. In addition, we believe that we have earned a strong reputation in our industry for maintaining successful long-term partnerships with our host communities, which are critical to our long-term success.

Our facilities have processed over 400 million tons of waste as of December 31, 2013. As a result of our experience and expertise in facility operations and maintenance, our facilities have maintained average boiler availability above 90% since 2001, which is significantly in excess of our contractually-required levels. In 2013, our average boiler availability was 92%. Consistent production allows us to provide steady and reliable service for our customers.

The depth and scope of our experience is also evident in our outstanding record of environmental performance, where our emphasis is to go beyond mere compliance with legal and permit requirements. Our U.S.-based EfW facilities routinely achieve emission levels for various measures up to 97% below the established requirements of the U.S. EPA. Our approach to environmental performance is an important element of our corporate risk management strategy, which enhances both the service we provide our customers and our prospects for growth.

Highly contracted revenue with creditworthy counterparties

We generated 82% of our waste and service revenues in the North America segment in 2013 under contracts at set rates, while 18% was generated at prevailing market prices. The charts below illustrate the contractual mix of our waste and service, energy and metals revenue for the North America segment. Over time, we will seek to renew, extend or sign new waste and service contracts in order to maintain a significant majority of our waste and service revenue (and EfW fuel supply) under multi-year contracts. We will pursue opportunities to enter into fixed contracts for energy generation as well; however, we expect that the percentage of our energy revenue sold under contract will decline as existing arrangements expire, thereby increasing our exposure to energy market prices over time.

To date, we have been successful in extending the substantial majority of our existing contracts to operate EfW facilities owned by municipal clients where market conditions and other factors make it attractive for both us and our municipal clients to do so. The extent to which additional extensions will be attractive to us and to our municipal clients who own their projects will depend upon the market and other factors.

Our customers for waste services are principally municipal entities for whom waste disposal is an essential public service. For facility capacity that we market to private waste haulers, we primarily contract with large, national and regional waste companies. For energy sales, we generally contract with regulated utilities, and where we do not sell under long-term contracts, we sell our output directly into the local electricity grid at prevailing rates and are paid by the independent system operator.

Substantial and consistent Free Cash Flow generation and strong balance sheet

Our business generates substantial Free Cash Flow. In 2013, we generated $324 million of cash flow from operating activities and $245 million of Free Cash Flow (after maintenance capital expenditures). This Free Cash Flow represented 15% of revenue and just under 50% of Adjusted EBITDA in 2013. See Summary historical consolidated financial information.

Our project debt is repaid over time based on set amortization schedules, with payments often made directly by our municipal clients as a component of our fees paid under service agreements. We repaid $56 million in project debt in 2013. As of December 31, 2013, we had $236 million of project debt principal outstanding, and based on existing bond maturity schedules, approximately 23% of that principal is scheduled to be repaid by December 31, 2014. This ongoing project debt repayment enhances the strength of our credit over time.

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Strong industry fundamentals in attractive geographic markets

Post recycled solid waste generation in the United States is over 275 million tons per year, of which the EfW industry processes approximately 11% (of which we process approximately two-thirds). EfW is an important part of the waste management infrastructure of the United States, particularly in regions with high population density but limited availability of land for landfilling. Eighty-two facilities are currently in operation in the U.S. that collectively process over 25 million tons of post-recycled solid waste. These facilities serve the waste disposal needs of over 25 million people while producing enough electricity to power the equivalent of 1.3 million homes.

Our EfW facilities in North America are also concentrated in the Northeastern U.S. where population density and constraints on landfill capacity drive some of the highest waste disposal fees of any region in the country. In addition, our facilities are typically located near or within the populations that they serve, and often enjoy a geographic advantage over competing landfills, which are increasingly located farther away from the sources of waste in less populated areas where landfill capacity is less expensive and easier to permit. As a result, landfills generally must incur greater transportation costs than our facilities, and we believe that these costs will increase to the extent that fossil fuel costs rise in the future.

The Northeast is also an attractive regional electricity market, where similar drivers (dense populations and constrained capacity) have supported prices over time. The majority of our merchant electricity sales are in the PJM, NEPOOL and NYISO markets, which are among the most liquid electricity markets in the country. In addition, our facilities are generally located near or within the load centers of the regions they serve, where market electricity prices are typically at a premium due to transmission congestion.

Critical infrastructure assets that are difficult to replicate

Waste disposal infrastructure is difficult and costly to replicate or expand. While all aspects of waste management are subject to extensive regulation, EfW is among the most highly regulated sectors of the market. EfW requires a larger initial investment than most waste disposal alternatives. There are currently approximately 82 EfW facilities in operation in the United States, and while we expect that there will be new facilities built in the future, it has been 18 years since the last new facility was constructed. The 140,000 tons per day (tpd) EfW facility we are constructing in Durham Region, Canada is the first, large-scale, commercial EfW project in North America since 1996.

Landfills represent our primary competition in the waste disposal market. In the densely populated areas of the Northeast where the majority of our facilities are located, construction of new landfill capacity is constrained due to increased regulation and the difficulty of building or expanding landfills close to urban areas. The number of landfills in the U.S. overall has decreased dramatically, from over 7,500 facilities in 1986 to fewer than 2,000 today. While less costly than EfW in terms of initial investment, we believe that the environmental disadvantages of landfilling are now widely recognized and factored into the development of energy and waste management policies, as they have been in other countries for many years. As a result, we believe that our existing EfW asset base will become increasingly valuable over time.

Favorable environmental and regulatory trends

Public policy in the United States, at both the state and national levels, has developed over the past several years in support of increased generation of renewable energy as a means of combating the potential effects of climate change, as well as increasing domestic energy security. Today in the United States, approximately 12% of electricity is generated from renewable sources, slightly over half of which is hydroelectric power.

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EfW contributes approximately 7% of the nation s non-hydroelectric renewable power. EfW is designated as renewable energy in 31 states, the District of Columbia, and Puerto Rico, as well as in several federal statutes and policies. Unlike most other renewable resources, EfW generation can serve base-load demand and is more often located near population centers where demand is greatest, minimizing the need for expensive incremental transmission infrastructure.

We believe that all forms of EfW technologies offer an environmentally superior solution to post-recycled waste management and energy challenges faced by leaders around the world and that the environmental benefits of energy-from-waste as both a sustainable waste disposal solution and source of clean, renewable energy will continue to support a favorable regulatory framework in the markets where we operate. Examples of this include the EU Landfill Directive, which directs member states to substantially reduce their reliance on landfills by the year 2020 (and thus, in many cases, rely more heavily on energy-from-waste as an alternative), and existing legislation in numerous U.S. states that support energy-from-waste as a renewable energy source. In addition, we believe that the benefits of energy-from-waste as a net reducer of GHG emissions should increasingly be recognized as regulations are developed to combat climate change, and that our other renewable energy operations will benefit from such regulations as well.

Strategy

Our mission is to provide sustainable waste and energy solutions. We seek to do this through a variety of service offerings, including our core business of owning and operating infrastructure for the conversion of waste to energy. Each of our service offerings responds to customer demand for waste management services, scaling up the waste hierarchy away from landfilling. Our primary offering is EfW but we are increasingly offering a variety of sustainable services, in response to customer demand with some of our new services being offered through joint ventures or with third parties. Each of our service offerings is focused on providing cost effective and sustainable solutions that leverage our extensive network of EfW facilities and transfer stations in North America.

We intend to pursue our mission through the following key strategies:

Preserve and grow the value of our existing portfolio. We intend to maximize the long-term value of our existing portfolio of facilities by continuously improving safety, health and environmental performance, working to provide superior customer service, continuing to operate at our historic production levels, maintaining our facilities in optimal condition, and extending waste and service contracts. We intend to achieve organic growth through expanding our customer base and service offerings, adding waste, service or energy contracts, seeking incremental revenue opportunities by investing in and enhancing the capabilities of our existing assets, and deploying new or improved technologies, systems, processes and controls targeted at increasing revenue or reducing costs.

Expand through acquisitions and/or development in selected attractive markets. We seek to grow our portfolio primarily through acquisitions and the development of new facilities or businesses where we believe that market and regulatory conditions will enable us to utilize our skills and invest our capital at attractive risk-adjusted rates of return. We are currently focusing on opportunities in the United States, Canada, Ireland, and China.

We believe that our approach to these opportunities is highly-disciplined, both with regard to our required rates of return and the manner in which potential acquired businesses or new projects will be structured and financed.

Develop and commercialize new technology. We believe that our efforts to protect and expand our business will be enhanced by the development of additional technologies in such fields as recycling, alternative waste treatment processes, gasification, combustion controls, emission controls and residue

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disposal. We have advanced our research and development efforts in some of these areas relevant to our EfW business, and have patents and patents pending for major advances in controlling nitrogen oxide (NOx) emissions.

Advocate for public policy favorable to EfW and other sustainable waste solutions. We seek to educate policymakers and regulators about the environmental and economic benefits of energy-from-waste and advocate for policies and regulations that appropriately reflect these benefits. Our business is highly regulated, and as such we believe that it is critically important for us, as an industry leader, to play an active role in the debates surrounding potential policy developments that could impact our business.

Allocate capital efficiently for long-term stockholder value. We plan to allocate capital to maximize stockholder value by: investing in our existing businesses to maintain and enhance assets; investing in strategic acquisitions or development projects, when available; and by returning surplus capital to our stockholders.

Maintain a focus on sustainability. Our corporate culture is focused on themes of sustainability in all of its forms in support of our mission. We seek to achieve continuous improvement in environmental performance, beyond mere compliance with legally required standards.

Corporate information

We were incorporated in Delaware as a holding company on April 16, 1992. We conduct all of our operations through subsidiaries, which are engaged predominantly in the businesses of waste and energy services. We hold equity interests in energy-from-waste facilities in China and Italy. We also have investments in subsidiaries engaged in insurance operations in California, primarily in property and casualty insurance, whose remaining business was transitioned into run-off in 2012 and which collectively account for less than 1% of our consolidated revenue.

The offering

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to the section entitled Description of notes in this prospectus supplement.

Issuer	Covanta Holding Corporation.
Securities offered	$400.0 million aggregate principal amount of % Senior Notes due 2024.
Maturity date	, 2024.
Interest rate	% per year.
Interest payment dates	and , commencing , 2014.
Optional redemption	The notes will be redeemable at the Issuer s option, in whole or in part, at any time on or after , 2019, at the redemption prices set forth in this prospectus supplement, together with accrued and unpaid interest, if any, to the date of redemption.
	At any time prior to , 2017, we may redeem up to 35% of the original principal amount of the notes with the proceeds of certain equity offerings at a redemption price of % of the principal amount of the notes, together with accrued and unpaid interest, if any, to the date of redemption.
	At any time prior to , 2019, we may also redeem the notes, in whole but not in part, at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, plus a make-whole premium.
Mandatory offers to purchase	The occurrence of a change of control triggering event, subject to certain conditions, may require us to offer to purchase from you all or a portion of your notes at a price equal to 101% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase. See Description of notes Repurchase at the option of the holders Change of control triggering event.
	Certain asset dispositions will be triggering events that may require us to use the proceeds from those asset dispositions to make an offer to purchase the notes at 100% of their principal amount, together with accrued and unpaid interest, if any, to the date of purchase if such proceeds are not otherwise used within 365 days to repay indebtedness (with a corresponding permanent reduction in commitment, if applicable) or to invest or commit to invest such proceeds in additional assets related to our business or capital stock of a restricted subsidiary (as defined under the heading Description of notes).

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Ranking

The notes will be the Issuer s senior unsecured obligations and:

- will rank equally in right of payment with all of the Issuer s existing and future senior unsecured indebtedness that is not guaranteed by Covanta Energy;
- will rank senior in right of payment to all of the Issuer s existing and future subordinated indebtedness;
- will be effectively subordinated to any of the Issuer s existing and future unsecured debt that is guaranteed by Covanta Energy;
- will be effectively subordinated to any of the Issuer s existing and future secured debt, to the extent of the value of the assets securing such debt; and
- will be structurally subordinated to all of the existing and future liabilities (including trade payables) of each of our subsidiaries

As of December 31, 2013, after giving effect to this offering and the use of proceeds from this offering as described under Use of proceeds (which includes the repayment at maturity of our 3.25% Cash Convertible Notes):

- Issuer would have had approximately $1,064 million of total consolidated indebtedness issued or guaranteed by Covanta Energy, which is senior in right of payment to the $1,200 million of indebtedness, including the notes, issued by the Issuer and not guaranteed by Covanta Energy;
- of our total consolidated indebtedness, Covanta Energy would have had approximately $293 million of secured indebtedness under its term loan and approximately $178 million of secured indebtedness under the revolving credit facility to which the notes would have been effectively subordinated ;
- Covanta Energy would have had commitments available to be borrowed under the revolving credit facility of $451 million (after giving effect to the $271 million of outstanding letters of credit) to which the notes would have been effectively subordinated; and
- our subsidiaries (including Covanta Energy) would have had $1,989 million of total liabilities, including project debt (excluding intercompany liabilities), all of which would have been structurally senior to the notes.

Covenants

The Issuer will issue the notes under its existing indenture with Wells Fargo Bank, National Association, as trustee, as supplemented by a supplemental indenture to be entered into on the closing date of this offering. The indenture will, among other things, limit the Issuer s ability and the ability of its restricted subsidiaries to:

incur additional indebtedness;

pay dividends or make other distributions or repurchase or redeem their capital stock;

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- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses they conduct;
- enter into agreements restricting our subsidiaries ability to pay dividends; and
- consolidate, merge or sell all or substantially all of their assets.

These covenants will be subject to a number of important exceptions and qualifications. In addition, if and for so long as the notes have an investment grade rating from both Standard & Poor s Ratings Group Inc. and Moody s Investors Service, Inc. and no default under the indenture has occurred, certain of the covenants listed above will be suspended. For more details, see Description of notes.

Absence of public market for the notes

The notes are a new issue of securities and there is currently no established trading market for the notes. We do not intend to apply for a listing of the notes on any securities exchange or automated dealer quotation system. Accordingly, there can be no assurance as to the development or liquidity of any market for the notes. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so, and any market making with respect to the notes may be discontinued without notice.

U.S. federal income tax considerations

Holders are urged to consult their own tax advisors with respect to the U.S. federal, state, local and foreign tax consequences of purchasing, owning and disposing of the notes. See Material U.S. federal income tax considerations.

Use of proceeds

We estimate that our net proceeds from this offering will be approximately $392 million, after deducting discounts and commissions and estimated offering expenses.

We intend to use the net proceeds of this offering, together with direct borrowings under Covanta Energy s revolving credit facility as well as additional proceeds we may raise in future debt financings, which may include the issuance of additional debt securities, for general corporate purposes, including to repay at maturity our 3.25% Cash Convertible

Notes; however, we will have broad discretion in the application of the net proceeds we receive from this offering and we may apply the net proceeds and any such additional proceeds for a

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variety of corporate purposes. Pending other uses, until the maturity date of the 3.25% Cash Convertible Notes on June 1, 2014, we intend to use the net proceeds of this offering to repay amounts outstanding under Covanta Energy s revolving credit facility and hold the remaining net proceeds as cash or cash equivalents.

Risk factors

In evaluating an investment in the notes, prospective investors should carefully consider, along with the other information in this prospectus supplement, the specific factors set forth under Risk factors in this prospectus supplement and in Part I, Item IA of our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 for risks involved with an investment in the notes.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth our summary consolidated financial data as of and for the periods indicated. The summary consolidated financial data for the three years ended December 31, 2011, 2012 and 2013 and the summary historical consolidated balance sheet data as of December 31, 2012 and 2013 have been derived from our audited consolidated financial statements incorporated by reference herein. The summary historical consolidated balance sheet data as of December 31, 2011 have been derived from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement. During the fourth quarter of 2013, assets related to our development activities in the United Kingdom met the criteria for classification as Discontinued Operations and as such all prior periods presented in the table below have been reclassified to conform to this presentation. When you read this summary consolidated financial data, it is important that you also read our audited financial statements and related notes thereto as well as the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013, which are incorporated by reference herein. Historical results are not necessarily indicative of future performance.

The summary financial information below contains the non-GAAP measures of Adjusted EBITDA, Free Cash Flow and Adjusted Debt. For additional information on the calculations of Adjusted EBITDA, Free Cash Flow and Adjusted Debt, see the discussion below, as well as the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013, which is incorporated by reference herein.

	Years Ended December 31,		
(dollars in millions)	**2011**	**2012**	**2013**
Income statement data:			
Operating revenues:			
Waste and service revenues	$ 1,008	$ 1,010	$ 1,008
Recycled metals revenues	74	72	73
Electricity and steam sales	400	394	431
Other operating revenues	168	167	118
Total operating revenues	1,650	1,643	1,630
Operating expenses:			
Plant operating expenses	962	962	993
Other operating expenses	140	156	94
General and administrative expenses	84	84	84
Depreciation and amortization expense	193	195	210
Net interest expense on project debt	31	27	13
Net (gains) write-offs		(57)	15
Total operating expenses	1,410	1,367	1,409
Operating income	240	276	221
Other income (expense):			
Investment income	1	1	
Interest expense	(67)	(94)	(118)
Non-cash convertible debt related expense	(25)	(25)	(28)
Loss on extinguishment of debt	(1)	(3)	(1)
Other (expense) income , net	(20)	3	4
Total other expenses	(112)	(118)	(143)

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(dollars in millions)	Years Ended December 31, 2011	2012	2013
Income from continuous operations before income tax expense and equity in net income from unconsolidated investments	128	158	78
Income tax expense	(35)	(32)	(40)
Equity in net income from unconsolidated investments	5	10	6
Income from continuing operations	98	136	44
Income (loss) from discontinued operations, net of income tax benefit of $4, $5 and $1, respectively	129	(20)	(52)
NET INCOME (LOSS)	227	116	(8)
Less: Net (income) loss from continuing operations attributable to noncontrolling interest in subsidiaries	(5)	(2)	1
Less: Net income from discontinued operations attributable to noncontrolling interest in subsidiaries	(3)		
Total net (income) loss attributable to noncontrolling interest in subsidiaries	(8)	(2)	1
NET INCOME (LOSS) ATTRIBUTABLE TO COVANTA HOLDING CORPORATION	$ 219	$ 114	$ (7)

(dollars in millions)	Years Ended December 31, 2011	2012	2013
Net income (loss) Attributable to Covanta Holding Corporation stockholders:			
Continuing operations	$ 93	$ 134	$ 45
Discontinued operations	126	(20)	(52)
Net income (loss) Attributable to Covanta Holding Corporation	$ 219	$ 114	$ (7)

(dollars in millions)	Years Ended December 31, 2011	2012	2013
Other financial data for continuing operations:			
Net cash provided by operating activities	$ 376	$ 357	$ 324
Net cash used in investing activities	(118)	(222)	(258)
Net cash used in financing activities	(418)	(132)	(111)
Acquisition of businesses, net of cash acquired	(10)	(94)	(57)
Purchases of property, plant and equipment	(118)	(126)	(188)
Adjusted EBITDA[1]	512	507	494
Free Cash Flow[2]	298	277	245

(dollars in millions)	As of December 31, 2011	2012	2013
Balance sheet data:			
Cash and cash equivalents	$ 232	$ 243	$ 198
Restricted funds held in trust	191	214	167
Property, plant and equipment, net	2,422	2,559	2,636
Total assets	4,385	4,526	4,378
Total debt, including current portion:			
Covanta Energy debt	1,299	674	639

Covanta Holding debt	2,166	2,332	2,321
Total equity	1,088	1,055	911

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	Year Ended December 31, 2013	
	Actual	As adjusted*
Credit Statistics:		
Ratio of Covanta Energy Adjusted Debt / Net cash provided by operating activities from continuing operations	1.8x	2.0x
Ratio of Covanta Holding Adjusted Debt / Net cash provided by operating activities from continuing operations	7.0x	6.8x
Ratio of Covanta Energy Adjusted Debt /Adjusted EBITDA[3]	1.2x	1.3x
Ratio of Covanta Holding Adjusted Debt /Adjusted EBITDA[3]	4.6x	4.5x

* Note: As adjusted to give effect to the offering of the notes and the use of proceeds therefrom as described under Use of proceeds (which includes the repayment at maturity of the 3.25% Cash Convertible Notes in part with direct borrowings under Covanta Energy s revolving credit facility).

(1) For all periods presented, Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, as adjusted for additional items subtracted from or added to net income. The presentation of Adjusted EBITDA is intended to enhance the usefulness of our financial information by providing a measure which management internally uses to assess and evaluate the overall performance of its business. We use Adjusted EBITDA to provide further information that is useful to an understanding of the financial covenants contained in the credit facilities of our most significant subsidiary, Covanta Energy, and as additional ways of viewing aspects of its operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our business. The calculation of Adjusted EBITDA is based on the definition in Covanta Energy s credit facilities as described below under Description of other indebtedness, which credit facilities we have guaranteed, and is substantially similar to that of Consolidated Adjusted EBITDA as defined in the indenture, but may differ in certain respects including the inclusion of operating results of unrestricted subsidiaries. Because our business is substantially comprised of that of Covanta Energy, our financial performance is substantially similar to that of Covanta Energy. For this reason, and in order to avoid use of multiple financial measures which are not all from the same entity, the calculation of Adjusted EBITDA and other financial measures presented herein are measured on a consolidated basis. Under its credit facilities, Covanta Energy is required to satisfy certain financial covenants, including certain ratios of which Adjusted EBITDA is an important component. Compliance with such financial covenants is expected to be the principal limiting factor which will affect our ability to engage in a broad range of activities in furtherance of our business, including making certain investments, acquiring businesses and incurring additional debt. Adjusted EBITDA should not be considered as an alternative to net income or cash flow provided by operating activities as indicators of our performance or liquidity or any other measures of performance or liquidity derived in accordance with GAAP. The following are reconciliations of net income

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to Adjusted EBITDA and cash flow provided by operating activities from continuing operations to Adjusted EBITDA for the three years ended December 31, 2011, 2012 and 2013:

	Years Ended December 31,		
(dollars in millions)	**2011**	**2012**	**2013**
Continuing Operations Adjusted EBITDA:			
Net income attributable to Covanta Holding Corporation	$ 93	$ 134	$ 45
Operating loss related to insurance subsidiaries(A)	3	10	2
Depreciation and amortization expense	193	195	210
Debt service:			
Net interest expense on project debt	31	27	13
Interest expense	67	94	118
Non-cash convertible debt related expense	25	25	28
Investment income	(1)	(1)	
Subtotal debt service	122	145	159
Income tax expense (adjusted for reversal of uncertain tax positions related to pre-emergence tax matters)(B)	35	32	40
Contractual liability to pre-petition creditors(B)	15		
Net (gains) write-offs(C)		(57)	15
Pension plan settlement expense (gain)(D)		11	(6)
Loss on extinguishment of debt(E)	1	3	1
Gain related to trust distribution(F)			(4)
Gain on sale of business(G)	(9)		
Net income (loss) attributable to noncontrolling interests in subsidiaries	5	2	(1)
Other adjustments:			
Debt service billing in excess of revenue recognized	22	9	9
Non-cash compensation expense	17	16	15
Other non-cash items(H)	15	7	9
Subtotal other adjustments	54	32	33
Total adjustments	419	373	449
Continuing Operations Adjusted EBITDA	**$ 512**	**$ 507**	**$ 494**
Cash flow provided by operating activities from continuing operations	$ 376	$ 357	$ 324
Cash flow used in operating activities from insurance activities	2	5	8
Debt service	122	145	159
Change in working capital	(7)	21	33
Change in restricted funds held in trust	(4)	(34)	(20)
Non-cash convertible debt related expense	(25)	(25)	(28)
Equity in net income from unconsolidated investments	5	10	6
Dividends from unconsolidated investments	(8)	(8)	(7)
Current tax provision	27	12	12
Reversal of uncertain tax positions related to pre-emergence tax matters(B)	24		
Contractual liability to pre-petition creditors(B)	(15)		
Change in restricted funds other related to contractual liability to pre- petition creditors(B)	(5)		
Other	20	24	7
Continuing Operations Adjusted EBITDA	**$ 512**	**$ 507**	**$ 494**

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(A) Represents operating losses for our insurance subsidiaries. During 2012, we transitioned our remaining insurance business to run-off and recorded additional losses of $7 million primarily relating to adverse loss development and reserve increases.

(B) For the twelve months ended December 31, 2011, the income tax provision includes a $24 million benefit due to the reversal of uncertain tax positions, following the expiration of applicable statutes of limitations related to pre-emergence tax matters in the Covanta Energy bankruptcy. Since March 2004, we had held $20 million in restricted funds intended to cover those uncertain tax positions. The expiration of those statutes of limitation triggered a contractual liability to pay restricted funds to third party claimants and resulted in other non-operating expense of $15 million with no related income tax benefit. We reclassified the remaining $5 million to cash and cash equivalents on our consolidated balance sheet as of December 31, 2011. For additional information, see *Item 8. Financial Statements and Supplementary Information Note 15. Income Taxes* to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference herein.

(C) For additional information, see *Item 8. Financial Statements and Supplementary Information Note 14. Supplementary Information Net write-offs (gains)* to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference herein.

(D) For additional information, see *Item 8. Financial Statements and Supplementary Information Note 16. Employee Benefit Plans* to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference herein.

(E) For additional information, see *Item 8. Financial Statements and Supplementary Information Note 11. Consolidated Debt* to our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference herein.

(F) In 2013, we recorded a $4 million gain related to a distribution received from an insurance subsidiary grantor trust.

(G) In 2011, we recorded a $9 million gain on the sale of two landfill gas projects.

(H) Includes certain non-cash items that are added back under the definition of Adjusted EBITDA in the agreement governing Covanta Energy s credit facilities.

(2) We use the non-GAAP financial measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. For all periods presented, Free Cash Flow is defined as cash flow provided by operating activities, excluding the cash flow provided by or used in our insurance subsidiaries, less maintenance capital expenditures, which are capital expenditures primarily to maintain our existing facilities. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in construction of new projects, make principal payments on debt, or return capital to our shareholders through dividends and/or stock repurchases. Free Cash Flow should not be considered as an alternative to cash flow provided by operating activities as an indicator of our liquidity or any other measure of liquidity in accordance with GAAP. The following is a summary reconciliation of net cash provided by operating activities to Free Cash Flow for the three years ended December 31, 2011, 2012 and 2013:

	Years Ended December 31,		
(dollars in millions)	**2011**	**2012**	**2013**
Computation of Free Cash Flow:			
Cash flow provided by operating activities from continuing operations	$ 376	$ 357	$ 324
Plus: Cash flow used in operating activities from insurance activities	2	5	8
Less: Maintenance capital expenditures[(I)]	(80)	(85)	(87)
Continuing Operations Free Cash Flow	**$ 298**	**$ 277**	**$ 245**

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(I) Purchases of property, plant and equipment are also referred to as capital expenditures. Capital expenditures that primarily maintain existing facilities are classified as maintenance capital expenditures. The following table provides the components of total purchases of property, plant and equipment:

(dollars in millions)	Years Ended December 31, 2011	2012	2013
Maintenance capital expenditures	$ (80)	$ (85)	$ (87)
Capital expenditures associated with construction	(16)		
Capital expenditures associated with technology development and organic growth initiatives	(10)	(27)	(101)
Capital expenditures other	(12)	(14)	
Total purchase of property, plant and equipment	**$ (118)**	**$ (126)**	**$ (188)**

(3) For all periods presented, Adjusted Debt is calculated as total debt, less restricted funds held in trust for the express purpose of repayment of debt principal. The definition of Adjusted Debt is consistent with that of Consolidated Indebtedness as defined in the indenture governing the notes, which is used in the calculation of Combined Leverage Ratio in the indenture governing the notes. Adjusted Debt should not be considered as an alternative to total debt as an indicator of our liquidity or any other measures of liquidity derived in accordance with GAAP. The following are reconciliations of Covanta Energy Debt to Covanta Energy Adjusted Debt and Covanta Holding Debt to Covanta Holding Adjusted Debt:

(dollars in millions)	December 31, 2013 Actual	As adjusted*
Computation of Adjusted Debt:		
Covanta Energy Debt	$ 639	$ 707
Less: Restricted funds held in trust principal related	(45)	(45)
Covanta Energy Adjusted Debt	**$ 594**	**$ 662**
Covanta Holding Debt	$ 2,321	$ 2,264
Less: Restricted funds held in trust principal related	(45)	(45)
Covanta Holding Adjusted Debt	**$ 2,276**	**$ 2,219**

* Note: As adjusted to give effect to the offering of the notes and the use of proceeds therefrom as described in the footnotes to the Capitalization table (which includes the repayment at maturity of the 3.25% Cash Convertible Notes in part with direct borrowings under Covanta Energy s revolving credit facility).

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RISK FACTORS

You should carefully consider the following factors and other information contained or incorporated by reference in this prospectus supplement, including the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2013 as well as other reports we file with the SEC that are incorporated by reference herein, before deciding to invest in the notes. Any of these risks or other risks and uncertainties not presently known to us or that we currently deem immaterial could materially adversely affect our business, financial condition, results of operations and cash flow, which could in turn materially adversely affect the price of the notes. In addition to the risk factors incorporated by reference herein, you should consider the additional risk factors below. If any of the following risks and uncertainties, or the risks and uncertainties incorporated by reference herein, develop into actual events, our business, financial condition, results of operations or cash flows could be materially adversely affected. In that case, the trading price of the notes could decline and you may lose all or part of your investment.

This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us described below and elsewhere in this prospectus supplement and the documents incorporated by reference herein. Please see Cautionary statement regarding forward-looking statements.

Risks relating to this offering

Our substantial indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under our indebtedness, including the notes.

As of December 31, 2013, after giving effect to this offering and the use of proceeds therefrom as described under Use of proceeds (which includes the repayment at maturity of our 3.25% Cash Convertible Notes), we would have had approximately $1,064 million of total consolidated indebtedness issued or guaranteed by Covanta Energy, which is senior in right of payment to the $1,200 million of indebtedness, including the notes, issued by the Issuer and not guaranteed by Covanta Energy; of our total consolidated indebtedness, Covanta Energy would have had approximately $293 million of secured indebtedness under our term loan and approximately $178 million of secured indebtedness under the revolving credit facility to which the notes would have been effectively subordinated; Covanta Energy would have had commitments available to be borrowed under the revolving credit facility of $451 million (after giving effect to $271 million of outstanding letters of credit) to which the notes would have been effectively subordinated; and our subsidiaries (including Covanta Energy) would have had $1,989 million of total liabilities, including project debt (excluding intercompany liabilities), all of which would have been structurally senior to the notes.

The level of our consolidated indebtedness could have significant consequences on our future operations, including:

- making it difficult for us to meet our payment and other obligations under our outstanding indebtedness;
- limiting our ability to obtain additional financing to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on indebtedness under Covanta Energy s credit facilities;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industries in which we operate and the general economy; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged.

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Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the notes, the 7.25% Senior Notes, the 6.375% Senior Notes, the Tax Exempt Bonds, the Variable Rate Bonds, the 3.25% Cash Convertible Notes (each as defined in Description of other indebtedness), Covanta Energy s credit facilities and our subsidiaries debt.

We cannot assure you that our cash flow from operations will be sufficient to service our indebtedness, which could have a material adverse effect on our financial condition.

Our ability to meet our obligations under our indebtedness depends on our ability to receive dividends and distributions from our subsidiaries in the future. This, in turn, is subject to many factors, some of which are beyond our control, including the following:

- the continued operation and maintenance of our facilities, consistent with historical performance levels;
- maintenance or enhancement of revenue from renewals or replacement of existing contracts 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 our existing contracts expire;
- the continued availability of the benefits of our net operating loss carryforwards; and
- general economic, financial, competitive, legislative, regulatory and other factors.

We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under Covanta Energy s credit facilities or otherwise, in an amount sufficient to enable us to meet our payment obligations under our outstanding indebtedness, including the notes, and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under our outstanding indebtedness, including the notes, which could have a material and adverse effect on our financial condition.

We may not have access to the cash flow and other assets of our subsidiaries that may be needed to make payments on our indebtedness, including the notes.

All of our business is conducted through our subsidiaries. Our ability to make payments on the notes is dependent on the earnings of, and the distribution of funds to us from, our subsidiaries. Certain of our subsidiaries and affiliates are currently subject to project and other financing arrangements that restrict their ability to make dividends or distributions to us. While the indenture governing the notes and the agreements governing certain of our other existing indebtedness will limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make intercompany payments to us, these limitations are subject to qualifications and exceptions.

We derive our cash flow principally from our domestic and international project operations and businesses. A material portion of our domestic cash flows are expected to be derived from projects where financial tests and other covenants contained in respective debt arrangements must be satisfied in order for project subsidiaries to make cash distributions to our intermediate subsidiaries. We cannot assure you that our project subsidiaries will be able to satisfy such financial tests and covenants in the future, and that we will be able to receive cash distributions from such subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the notes.

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The notes will be effectively subordinated to any of our existing and future secured indebtedness and structurally subordinated to any existing and future indebtedness and other liabilities of our subsidiaries.

The notes will be our unsecured obligations and therefore will be effectively junior to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. Further, the indenture governing the notes will allow us to incur senior secured indebtedness in the future. As a result, in the event of our bankruptcy, liquidation, dissolution, reorganization, or similar proceeding, our assets will be available to satisfy obligations of our secured indebtedness before any payment may be made on the notes. To the extent that such assets cannot satisfy in full our secured indebtedness, the holders of such indebtedness would have a claim for any shortfall that would rank equally in right of payment with the notes. In such an event, we may not have sufficient assets remaining to pay amounts on any or all of the notes.

Our subsidiaries are separate and distinct legal entities. Our subsidiaries will not guarantee the notes and have no obligation to pay any amounts due on the notes or, subject to existing or future contractual obligations between us and our subsidiaries, to provide us with funds for our payment obligations on our indebtedness or guarantees, whether by dividends, distributions, loans or other payments. Our right to receive any assets of any of our subsidiaries upon liquidation or reorganization, and, as a result, the right of the holders of the notes to participate in those assets, will be structurally subordinated to the claims of that subsidiary s creditors, including lenders under Covanta Energy s credit facilities and lenders under the project level indebtedness.

As of December 31, 2013, after giving effect to this offering and the use of proceeds therefrom as described under Use of proceeds (which includes the repayment at maturity of our 3.25% Cash Convertible Notes), we would have had approximately $1,064 million of total consolidated indebtedness issued or guaranteed by Covanta Energy, which is senior in right of payment to the $1,200 million of indebtedness, including the notes, issued by the Issuer and not guaranteed by Covanta Energy; of our total consolidated indebtedness, Covanta Energy would have had approximately $293 million of secured indebtedness under our term loan and approximately $178 million of secured indebtedness under the revolving credit facility to which the notes would have been effectively subordinated; Covanta Energy would have had commitments available to be borrowed under the revolving credit facility of $451 million (after giving effect to $271 million of outstanding letters of credit) to which the notes would have been effectively subordinated; and our subsidiaries (including Covanta Energy) would have had $1,989 million of total liabilities, including project debt (excluding intercompany liabilities), all of which would have been structurally senior to the notes.

Despite our current and anticipated indebtedness levels, we may still incur substantially more indebtedness or take other actions which would intensify the risks associated with our substantial indebtedness.

Despite our current and anticipated consolidated indebtedness levels, we may be able to incur substantial additional indebtedness in the future, in connection with acquisitions or otherwise. Under Covanta Energy s credit facilities, upon the request of Covanta Energy, and subject to the satisfaction of certain conditions, additional term loan facilities and/or additional revolving credit facility commitments and incremental funded letter of credit facilities up to the greater of $500 million and the amount that, after giving effect to the incurrence of such incremental facilities, would not result in a leverage ratio, as defined in Covanta Energy s credit agreement, exceeding 2.75:1.00 may become available to Covanta Energy. Although the terms of Covanta Energy s credit facilities, the indenture governing the 7.25% Senior Notes and the indenture governing the 6.375% Senior Notes contain, and the indenture that will govern the notes will contain, restrictions on the incurrence of additional indebtedness by us, Covanta Energy and certain of our subsidiaries, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, indebtedness incurred in compliance with these restrictions could be substantial. If new indebtedness is added to our current or anticipated indebtedness levels, the substantial risks described above would intensify. Our ability and Covanta Energy s and its project subsidiaries ability to recapitalize, incur additional debt, secure existing or future debt, and take a number of other actions that are not limited by the terms of the indenture for the notes could have the effect of diminishing our ability to make payments on the notes when due.

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Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under Covanta Energy s credit facilities as well as under our Variable Rate Bonds are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Assuming all revolving loans are fully drawn, each quarter point change in interest rates would result in a $2.3 million change in annual interest expense on our indebtedness under Covanta Energy s credit facilities and the Variable Rate Bonds. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of a change of control triggering event, subject to certain conditions, we may be required to offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest to the purchase date. Additionally, under Covanta Energy s credit facilities, a change of control (as defined therein) constitutes an event of default that permits the lenders to accelerate the maturity of borrowings under the respective agreements and terminate their commitments to lend. The source of funds for any purchase of the notes and repayment of borrowings under Covanta Energy s credit facilities would be our available cash or cash generated from our subsidiaries operations or other sources, including borrowings, sales of assets or sales of equity. We may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a change of control and repay our other indebtedness that will become due. We may require additional financing from third parties to fund any such purchases, and we may be unable to obtain financing on satisfactory terms or at all. Further, our ability to repurchase the notes may be limited by law. In order to avoid the obligations to repurchase the notes and events of default and potential breaches of the credit agreement governing Covanta Energy s credit facilities, we may have to avoid certain change of control transactions that would otherwise be beneficial to us.

The indenture under which the notes are issued will not protect holders of the notes if we are involved in certain highly leveraged transactions in the future.

Some important corporate events, such as leveraged recapitalizations, may not, under the indenture that will govern the notes, constitute a change of control that would require us to repurchase the notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the notes. See Description of notes Change of control. Our ability to recapitalize, incur additional debt or take a number of other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due.

Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of substantially all of our assets.

The definition of change of control in the indenture that will govern the notes includes a phrase relating to the sale of all or substantially all of our assets. There is no precise established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

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We may redeem the notes before maturity and you may be unable to reinvest the proceeds at the same or a higher rate of return.

We may redeem all or a portion of the notes at any time, as described under Description of notes. If a redemption occurs, you may be unable to reinvest the money you receive in the redemption at a rate that is equal to or higher than the rate of return for the notes.

Federal and state fraudulent transfer laws may permit a court to void the notes, and if that occurs, you may not receive any payments on the notes.

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes could be voided as a fraudulent transfer or conveyance if we (a) issued the notes with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for either issuing the notes and, in the case of (b) only, one of the following is also true at the time thereof:

- we were insolvent or rendered insolvent by reason of the issuance of the notes;
- the issuance of the notes left us with an unreasonably small amount of capital or assets to carry on the business;
- we intended to, or believed that we would, incur debts beyond our ability to pay as they mature; or
- we were a defendant in an action for money damages, or had a judgment for money damages docketed against us, and the judgment is unsatisfied after final judgment.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is secured or satisfied. A court would likely find that we did not receive reasonably equivalent value or fair consideration for the notes to the extent we did not obtain a reasonably equivalent benefit directly or indirectly from the issuance of the notes.

We cannot be certain as to the standards a court would use to determine whether or not we were insolvent at the relevant time or, regardless of the standard that a court uses, whether the notes would be subordinated to our other debt. In general, however, a court would deem an entity insolvent if:

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they became due.

If a court were to find that the issuance of the notes was a fraudulent transfer or conveyance, the court could void the payment obligations under the notes and could subordinate the notes to presently existing and future indebtedness of us. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the notes. Further, the avoidance of the notes could result in an event of default with respect to our and our subsidiaries other debt that could result in acceleration of that debt.

Finally, as a court of equity, the bankruptcy court may subordinate the claims in respect of the notes to other claims against us under the principle of equitable subordination if the court determines that (1) the holder of notes engaged in some type of inequitable conduct, (2) the inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holders of notes and (3) equitable subordination is not inconsistent with the provisions of the bankruptcy code.

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There is currently no public market for the notes, and an active trading market may not develop for the notes. The failure of a market to develop for the notes could adversely affect the liquidity and value of your notes.

The notes are a new issue of securities for which there is currently no active trading market. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes on any automated dealer quotation system. We have been advised by the underwriters that following the completion of this offering, certain of the underwriters intend to make a market in the notes. However, they are not obligated to do so and any market-making activities with respect to the notes may be discontinued by them at any time without notice. In addition, any market-making activity will be subject to limits imposed by law. A liquid trading market may not develop for the notes, and there can be no assurance that holders will be able to sell their notes at a particular time or that the price such holders receive when they sell their notes will be favorable. If an active, liquid market does not develop for the notes, the market price and liquidity of the notes may be harmed. If any of the notes are traded after their initial issuance, they may trade at a discount from their initial offering price.

The liquidity of the trading market, if any, and future trading prices of the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. It is possible that the market for the notes will be subject to disruptions which may have a negative effect on the holders of the notes, regardless of our operating results, financial performance or prospects.

The market price of the notes may be volatile.

The market price of the notes will depend on many factors that may vary over time and some of which are beyond our control including:

- our financial performance;
- the amount of indebtedness we have outstanding;
- market interest rates;
- the market for similar securities;
- competition;
- the size and liquidity of the market for the notes; and
- general economic conditions.

As a result of these factors, you may only be able to sell your notes at prices below those you believe to be appropriate, including prices below the price you paid for them.

An increase in interest rates could result in a decrease in the relative value of the notes.

In general, as market interest rates rise, notes bearing interest at a fixed rate generally decline in value. Consequently, if you purchase the notes and market interest rates increase, the market value of your notes may decline. We cannot predict the future level of market interest rates.

Any decline in the ratings of our corporate credit could adversely affect the value of the notes.

Any decline in the ratings of our corporate credit or any indications from the rating agencies that their ratings on our corporate credit are under surveillance or review with possible negative implications could adversely affect the value of the notes. In addition, a ratings downgrade could adversely affect our ability to access capital.

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We will have broad discretion as to the use of any proceeds of this offering.

As described under the Use of proceeds section, we will have significant flexibility in allocating any of the net proceeds of this offering. We intend to use the net proceeds of this offering, together with direct borrowings under Covanta Energy s revolving credit facility as well as additional proceeds we may raise in future debt financings, which may include the issuance of additional debt securities, for general corporate purposes, including to repay at maturity our 3.25% Cash Convertible Notes; however, we will have broad discretion in the application of the net proceeds we receive from this offering and we may apply the net proceeds and any such additional proceeds for a variety of corporate purposes. Pending other uses, until the maturity date of the 3.25% Cash Convertible Notes on June 1, 2014, we intend to use the net proceeds of this offering to repay amounts outstanding under Covanta Energy s revolving credit facility and hold the remaining net proceeds as cash or cash equivalents.

Provisions of our restated certificate of incorporation, our amended and restated bylaws, Covanta Energy s credit facilities, the 3.25% Cash Convertible Notes and the indentures governing each of our 7.25% Senior Notes, the 6.375% Senior Notes, the Tax-Exempt Bonds and the notes could discourage an acquisition of us by a third party.

Certain provisions of Covanta Energy s credit facilities and the indentures governing each of our 7.25% Senior Notes, the 6.375% Senior Notes, the Tax-Exempt Bonds, the 3.25% Cash Convertible Notes and the notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, the lenders holding commitments under Covanta Energy s credit facilities and the holders of our 7.25% Senior Notes, the 6.375% Senior Notes, Tax-Exempt Bonds, the 3.25% Cash Convertible Notes and the notes will have the right to require Covanta Holding or Covanta Energy, as the case may be, to repurchase their 7.25% Senior Notes, 6.375% Senior Notes, Tax-Exempt Bonds, 3.25% Cash Convertible Notes or notes, or repay the facility, as applicable. We may also be required to increase the conversion rate of the 3.25% Cash Convertible Notes to provide for conversion based on the acquirer s capital stock in the event of certain fundamental changes. In addition, provisions of our restated certificate of incorporation and amended and restated bylaws, each as amended, could make it more difficult for a third party to acquire control of us. For example, our restated certificate of incorporation authorizes our board of directors to issue preferred stock without requiring any stockholder approval, and preferred stock could be issued as a defensive measure in response to a takeover proposal. All these provisions could make it more difficult for a third party to acquire us or discourage a third party from acquiring us even if an acquisition might be in the best interest of our stockholders.

The notes will be initially held in book-entry form and therefore you must rely on the procedures of DTC to exercise any rights and remedies.

Unless and until definitive notes are issued in exchange for book-entry interests in the notes, owners of the book-entry interests will not be considered owners or holders of notes. Instead, a nominee of DTC will be the sole holder of the notes.

Payments of amounts owing in respect of the global notes will be made by us to the paying agent. The paying agent will, in turn, make such payments to DTC or its nominee, which will distribute such payments to participants in accordance with their respective procedures.

Unlike holders of the notes themselves, owners of book-entry interests will not have the direct right to act upon solicitations for consents or requests for waivers or other actions from holders of notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

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The lack of physical certificates could also:

- result in payment delays to you because the trustee will be sending distributions on the notes to DTC instead of directly to you;
- make it difficult or impossible for you to pledge certificates if physical certificates are required by the party demanding the pledge; and
- hinder your ability to resell notes because some investors may be unwilling to buy notes that are not in physical form.

Covanta Energy s credit facilities and the indentures governing each of the notes, the 7.25% Senior Notes, the 6.375% Senior Notes and the Tax-Exempt Bonds contain covenant restrictions that may limit our ability to operate our business.

Covanta Energy s credit facilities contain operating and financial restrictions and covenants that impose operating and financial restrictions on us and require us to meet certain financial tests. Additionally, the indentures governing our 7.25% Senior Notes, the 6.375% Senior Notes and the Tax-Exempt Bonds contain, and the indenture governing the notes will contain, operating and financial restrictions and covenants that impose operating and financial restrictions on us and require us to meet certain financial tests. Complying with these covenant restrictions may have a negative impact on our business, results of operations and financial condition by limiting our ability to engage in certain transactions or activities, including:

- incurring additional indebtedness or issuing guarantees, in excess of specified amounts;
- creating liens, in excess of specified amounts;
- making certain investments, in excess of specified amounts;
- entering into transactions with our affiliates;
- selling certain assets, in excess of specified amounts;
- making cash distributions or paying dividends to us, in excess of specified amounts;
- redeeming capital stock or making other restricted payments to us, in excess of specified amounts; and
- merging or consolidating with any person.

Our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions. As a result of these covenants, our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be restricted, and we may be prevented from engaging in transactions that might otherwise be beneficial to us. In addition, the failure to comply with these covenants in Covanta Energy s credit facilities could result in a default thereunder and a default under the notes, the 7.25% Senior Notes, the 6.375% Senior Notes and the Tax-Exempt Bonds. Upon the occurrence of such an event of default, the lenders under Covanta Energy s credit facilities could elect to declare all amounts outstanding under such agreement, together with accrued interest, to be immediately due and payable. If the lenders accelerate the payment of the indebtedness under Covanta Energy s credit facilities, we cannot assure you that the assets securing such indebtedness would be sufficient to repay in full indebtedness under the notes and our other indebtedness, which could have a material and adverse affect on our financial condition.

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated. For purposes of computing the ratio of earnings to fixed charges, earnings consists of income before income tax expense and equity in net income from unconsolidated investments plus dividends from unconsolidated investments and fixed charges less capitalized interest. Fixed charges consists of interest expense, capitalized interest and imputed interest on operating leases.

	For the Years Ended December 31,				
(dollars in millions)	**2009**	**2010**	**2011**	**2012**	**2013**
Earnings					
Income from continuing operations before income tax expense, equity in net income from unconsolidated investments	$ 114	$ 73	$ 128	$ 158	$ 78
Capitalized interest	(1)		(1)	(1)	(1)
Dividends from unconsolidated investments	1	5	8	8	7
Fixed charges	122	136	136	158	168
Total Earnings	$ 236	214	$ 271	$ 323	$ 252
Interest expense	$ 107	122	$ 123	$ 146	$ 159
Capitalized interest	1		1	1	1
Imputed interest on operating leases	14	14	12	11	8
Total Fixed Charges	$ 122	136	$ 136	$ 158	$ 168
Ratio of Earnings to Fixed Charges	1.93x	1.57x	1.99x	2.04x	1.50x

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USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $392 million, after deducting discounts and commissions and estimated offering expenses. We intend to use the net proceeds of this offering, together with direct borrowings under Covanta Energy s revolving credit facility as well as additional proceeds we may raise in future debt financings, which may include the issuance of additional debt securities, for general corporate purposes, including to repay at maturity our 3.25% Cash Convertible Notes; however, we will have broad discretion in the application of the net proceeds we receive from this offering and we may apply the net proceeds and any such additional proceeds for a variety of corporate purposes. Pending other uses, until the maturity date of the 3.25% Cash Convertible Notes on June 1, 2014, we intend to use the net proceeds of this offering to repay amounts outstanding under Covanta Energy s revolving credit facility and hold the remaining net proceeds as cash or cash equivalents.

The underwriters and their affiliates serve as lenders under Covanta Energy s credit facilities and certain of the underwriters or their affiliates may hold a portion of our 3.25% Cash Convertible Notes, and consequently they will receive a portion of the net proceeds from this offering. See Underwriting.

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CAPITALIZATION

The following table sets forth (a) our cash and cash equivalents and restricted funds held in trust and (b) our capitalization as of December 31, 2013:

on an actual basis;

as adjusted to give effect to the issuance of $400.0 million in aggregate principal amount of the notes in this offering, after deducting discounts and commissions and estimated offering expenses of $8 million, and applying these proceeds to the repayment at maturity of our 3.25% Cash Convertible Notes.

This table should be read in conjunction with Summary historical consolidated financial information and Use of proceeds, each as included in this prospectus supplement, and the section entitled Management s Discussion and Analysis of Financial Conditions and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and our consolidated financial statements and the notes thereto incorporated by reference in this prospectus supplement.

	As of December 31, 2013	
(dollars in millions)	**Actual**	**As adjusted**
Cash and cash equivalents and restricted funds held in trust:		
Cash and cash equivalents	$ 198	$ 198
Restricted funds held in trust	167	167
Total cash and cash equivalents and restricted funds held in trust	$ 365	$ 365
Capitalization:		
Debt:		
Project debt(1)	$ 236	$ 236
Revolving credit facility due 2017(2)	110	178
Term loan facility due 2019	293	293
Covanta Energy debt	$ 639	$ 707
Tax-Exempt Bonds due from 2024 to 2042	335	335
Variable Rate Tax-Exempt Bonds due 2043	22	22
Notes offered hereby(3)		400
Senior Notes due 2020	400	400
Senior Notes due 2022	400	400
Cash Convertible Notes due 2014(4)	460	
Debt discount related to Cash Convertible Notes due 2014(5)	(13)	
Cash conversion option derivative at fair value(6)	78	
Covanta Holding debt	$ 2,321	$ 2,264
Equity:		
Stockholders equity:		
Preferred stock ($0.10 par value; authorized 10 shares; none issued and outstanding)	$	$
Common stock ($0.10 par value; authorized 250 shares; issued 136 shares and outstanding 130 shares on an actual basis)(7)	14	14
Additional paid-in capital	790	790
Accumulated other comprehensive income	(2)	(2)
Accumulated earnings	106	106

Treasury stock, at par	(1)	(1)
Stockholders equity	$ 907	$ 907
Noncontrolling interests in subsidiaries	4	4
Total equity	$ 911	$ 911
Total capitalization	$ 3,232	$ 3,175

(1) Consists of book value of project debt of subsidiaries including a $1 million unamortized premium.

(2) We had availability under Covanta Energy s Revolving Credit Facility of $519 million as of December 31, 2013 after accounting for direct borrowings of $110 million and outstanding letters of credit totaling $271 million. The As Adjusted column reflects a $68 million increase in direct borrowings under the Revolving Credit Facility, which when coupled with the net proceeds of the notes, will provide sufficient funds to repay the $460 million face value of the 3.25% Cash Convertible Notes at maturity.

(3) Consists of face value of the notes offered hereby of $400 million.

(4) Consists of aggregate principal amount of the 3.25% Cash Convertible Notes of $460 million. The 3.25% Cash Convertible Notes are convertible by the holders thereof into cash only (the Cash Conversion Option), based on a conversion rate, effective as of September 26, 2013, of 64.0526 shares of our common stock per $1,000 principal amount of 3.25% Cash Convertible Notes (which represents a conversion price of approximately $15.61 per share).

(5) The debt discount represents the difference between the face value of the 3.25% Cash Convertible Notes ($336 million as of the date of issuance of the 3.25% Cash Convertible Notes) and the amount recognized in the financial statements and is accreted to the 3.25% Cash Convertible Notes over their life and recognized as non-cash convertible debt related expense. At maturity of the 3.25% Cash Convertible Notes, the debt discount will equal zero.

(6) The Cash Conversion option is an embedded derivative that is recorded at fair value quarterly in our consolidated balance sheets as a component of our long-term debt. In connection with the issuance of the 3.25% Cash Convertible Notes, we purchased cash-settled call options on our common stock (the Note Hedge) initially correlating to the same number of shares as those initially underlying the 3.25% Notes subject to generally similar customary adjustments. Upon maturity of the 3.25% Cash Convertible Notes, we will receive cash settlements from our Note Hedge counterparties equal to the amount by which the Cash Conversion Settlement Amount of our common stock, as defined in the Indenture governing the 3.25% Cash Convertible Notes, exceeds the conversion price. Upon maturity of the 3.25% Cash Convertible Notes, we expect these cash settlements to offset our exposure to potential cash payments in excess of the aggregate principal amount of the 3.25% Cash Convertible Notes.

(7) The number of issued shares in the table above as of December 31, 2013 on an actual and as adjusted basis does not include (a) approximately 4.5 million shares of our common stock issuable upon exercise of outstanding stock options and upon vesting of restricted stock awards and units and (b) up to 27.8 million shares of our common stock that may be issued under the warrant transactions entered into in connection with the issuance of the 3.25% Cash Convertible Notes.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth our selected consolidated financial data as of and for the periods indicated. The selected financial information for the years ended December 31, 2013, 2012 and 2011 and the summary historical balance sheet data as of December 31, 2013 and 2012 have been derived from our audited consolidated financial statements incorporated by reference herein. The selected financial information the years ended December 31, 2010 and 2009 and the selected historical balance sheet data as of December 31, 2011, 2010 and 2009 have been derived from our audited consolidated financial statements not included or incorporated by reference in this prospectus supplement. During the fourth quarter of 2013, assets related to our development activities in the United Kingdom met the criteria for classification as Discontinued Operations and as such all prior periods presented in the table below have been reclassified to conform to this presentation. When you read this selected consolidated financial data, it is important that you also read our audited financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2013 and incorporated by reference herein. Historical results are not necessarily indicative of future performance.

	For the Years Ended December 31, (dollars in millions)				
	2009	2010	2011	2012	2013
Statements of Operations Data					
Operating revenues	$ 1,384	$ 1,583	$ 1,650	$ 1,643	$ 1,630
Operating expenses	(1,210)	(1,412)	(1,410)	(1,367)	(1,409)
Net (write-offs) gains		(34)		57	(15)
Operating income	174	171	240	276	221
Loss on extinguishment of debt		(15)	(1)	(3)	(1)
Income from continuing operations	71	45	98	136	44
Income (loss) from discontinued operations, net of taxes	40	26	129	(20)	(52)
Net income (loss)	$ 111	$ 71	$ 227	$ 116	$ (8)
Net (income) loss from continuing operations attributable to noncontrolling interests in subsidiaries	(4)	(5)	(5)	(2)	1
Net (income) loss from discontinued operations attributable to noncontrolling interests in subsidiaries	(5)	(4)	(3)		
Net income (loss) attributable to Covanta Holding Corporation	$ 102	$ 62	$ 219	$ 114	$ (7)
Net income (loss) attributable to Covanta Holding Corporation stockholders:					
Continuing operations	$ 67	$ 40	$ 93	$ 134	$ 45
Discontinued operations	35	22	126	(20)	(52)

	As of December 31, (dollars in millions)				
	2009	2010	2011	2012	2013
Balance Sheet Data					
Cash and cash equivalents	$ 417	$ 126	$ 229	$ 243	$ 198
Restricted funds held in trust	240	233	191	214	167
Property, plant and equipment, net	2,539	2,476	2,422	2,559	2,636
Total assets	4,934	4,676	4,385	4,526	4,378
Long-term debt	1,438	1,565	1,486	2,015	2,085
Project debt	928	803	680	317	236
Total Covanta Holding Corporation stockholders equity	$ 1,383	$ 1,128	$ 1,083	$ 1,048	$ 907

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DESCRIPTION OF OTHER INDEBTEDNESS

Credit agreement

Covanta Energy s existing credit facilities are comprised of:

- a $900 million revolving credit facility due 2017, with the full amount available for the issuance of letters of credit and which includes a $50 million sub-facility for the issuance of swing-line loans (the Revolving Credit Facility) of which $381 million was utilized as of December 31, 2013; and

- a term loan facility, due 2019, in the initial amount of $300 million and of which $293 million (net of debt discount) was outstanding as of December 31, 2013 (the Term Loan Facility).

Under the existing credit facilities, we are obligated to apply a portion of excess cash flow (as defined in the existing credit agreement) calculated on an annual basis to repay borrowings under the credit facilities. The portion of excess cash flow to be used for this purpose is 25% or 0%, based on the leverage ratio during the relevant period.

Covanta Energy is the borrower under our existing credit facilities, and Covanta Energy s obligations thereunder are guaranteed by Covanta Holding and each of Covanta Energy s domestic restricted subsidiaries (excluding special purpose project company subsidiaries and subsidiaries restricted from providing guarantees by contract, regulatory limitation or otherwise). The obligations of Covanta Energy and each guarantor in respect of the existing credit facilities are secured by a perfected first priority security interest in their tangible and intangible assets, including all of the capital stock of Covanta Energy and each of its restricted subsidiaries (limited, in the case of foreign subsidiaries, to 65% of the capital stock of first tier foreign subsidiaries and other limited exceptions).

Financial covenants

The loan documentation under Covanta Energy s credit facilities contains customary affirmative and negative covenants and financial covenants as discussed in Note 11 to the notes to our audited financial statements incorporated by reference herein. We are in compliance with the covenants under these credit facilities.

The financial maintenance covenants of these credit facilities, which are measured on a trailing four quarter period basis, include the following:

- maximum Covanta Energy leverage ratio of 4.00 to 1.00 for the trailing four quarter period ended December 31, 2012 and thereafter, which measures the principal amount of Covanta Energy s consolidated debt less certain restricted funds dedicated to repayment of project debt principal and construction costs to Adjusted EBITDA. The definition of Adjusted EBITDA in the credit facilities excludes certain non-recurring and/or non-cash charges, and for purposes of calculating the leverage ratio and interest coverage ratios is adjusted on a pro forma basis for acquisitions and dispositions made during the relevant period; and

- minimum Covanta Energy interest coverage ratio of 3.00 to 1.00, which measures Covanta Energy s Adjusted EBITDA to its consolidated interest expense plus certain interest expense of ours, to the extent paid by Covanta Energy.

Long-term debt

In addition to our existing credit facilities, we have outstanding, as of December 31, 2013, the following notes issued by us:

- 6.375% Senior Notes Due 2022;

7.25% Senior Notes Due 2020;

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- 3.25% Cash Convertible Notes Due 2014;
- 4.00% 5.25% Tax-Exempt Bonds Due 2012-2042; and
- Tax-Exempt Variable Rate Bonds due 2042.

The notes are senior unsecured obligations, ranking equally in right of payment with any of the future senior unsecured indebtedness of Covanta Holding Corporation and are effectively junior to our existing and future secured indebtedness, including any guarantee of indebtedness under the credit facilities of our subsidiary, Covanta Energy. The notes are not guaranteed by any of our subsidiaries and are effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.

The indentures governing the notes may limit our ability and the ability of certain of our subsidiaries to:

- incur additional indebtedness;
- pay dividends or make other distributions or repurchase or redeem their capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- sell restricted assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses they conduct;
- enter into agreements restricting our subsidiaries ability to pay dividends; and
- consolidate, merge or sell all or substantially all of their assets.

We intend to use the net proceeds of this offering, together with direct borrowings under Covanta Energy s revolving credit facility as well as additional proceeds we may raise in future debt financings, which may include the issuance of additional debt securities, for general corporate purposes, including to repay at maturity our 3.25% Cash Convertible Notes; however, we will have broad discretion in the application of the net proceeds we receive from this offering and we may apply the net proceeds and any such additional proceeds for a variety of corporate purposes. Pending other uses, until the maturity date of the 3.25% Cash Convertible Notes on June 1, 2014, we intend to use the net proceeds of this offering to repay amounts outstanding under Covanta Energy s revolving credit facility and hold the remaining net proceeds as cash or cash equivalents.

For a detailed description of the terms and accounting treatment of the notes, see Notes 11, 13 and 14 to the notes to our audited financial statements incorporated herein by reference.

4.00% 5.25% Tax Exempt Bonds due 2012-2042

In November 2012, we issued tax-exempt corporate bonds totaling $335 million (the Tax Exempt Bonds). Proceeds from the offerings were utilized to refinance tax-exempt project debt at our Haverhill, Niagara and Southeast Massachusetts (SEMASS) facilities, as well as to fund certain capital expenditures in Massachusetts. We incurred approximately $7 million of financing costs related to this transaction, of which $3 million was expensed and $4 million will be recognized over the term of the debt.

We entered into a loan agreement with the Massachusetts Development Finance Agency under which they issued the Resource Recovery Revenue Bonds (the Massachusetts Series bonds in the table below) and loaned the proceeds to us for the purposes of (i) financing qualifying capital expenditures at certain solid waste disposal facilities in Massachusetts and (ii) redeeming the outstanding principal balance of the SEMASS and Haverhill project debt.

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We entered into a loan agreement with the Niagara Area Development Corporation under which they issued the Solid Waste Disposal Facility Refunding Revenue Bonds (the Niagara Series bonds in the table below) and loaned the proceeds to us for the purpose of redeeming the outstanding principal balance of the Niagara project debt.

The Massachusetts Series bonds and the Niagara Series bonds are obligations of Covanta Holding Corporation, are guaranteed by Covanta Energy, and are not secured by project assets. Principal and interest on the Massachusetts Series bonds and the Niagara Series bonds are payable from the loan repayments received by the Massachusetts Development Finance Agency and Niagara Area Development Corporation, respectively, from us pursuant to the respective loan agreements.

The Massachusetts Series bonds and the Niagara Series bonds bear interest at the interest rates per annum set forth in the table below, payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2013. For a detailed description of the terms of the Tax-Exempt bonds, see Note 11 to our audited financial statements incorporated herein by reference.

Series	Amount	Maturity	Coupon	Use of Proceeds
Massachusetts Series 2012A	$ 20	2027	4.875%	New proceeds for qualifying capital expenditures in Massachusetts
Massachusetts Series 2012B	67	2042	4.875%	Redeem SEMASS project debt
Massachusetts Series 2012C	83	2042	5.25%	Redeem Haverhill project debt
Niagara Series 2012A	130	2042	5.25%	Redeem Niagara project debt
Niagara Series 2012B	35	2024	4.00%	Redeem Niagara project debt
	$ 335			

Tax-exempt variable rate demand bonds due 2043

In July, 2013, we issued $22 million of tax-exempt corporate variable-rate demand bonds (the Variable Rate Bonds), which are secured by a letter of credit issued under Covanta Energy s Revolving Credit Facility and will mature on July 1, 2043. Proceeds from the offering were utilized to refinance $22 million of the tax-exempt project debt at our Delaware Valley facility which matured on July 1, 2013. Financing costs were not material.

The Variable Rate Bonds are unsecured obligations which are guaranteed by Covanta Energy, and are not secured by project assets. Except for amounts payable out of drawings under the letter of credit, principal and interest on the Variable Rate Bonds will be payable solely from, and secured solely by, a pledge of payments derived under a loan agreement between us and the Delaware County Industrial Development Agency as Issuer.

The Variable Rate Bonds bear interest either on a daily or weekly interest rate as determined by the remarketing agent on the basis of examination of comparable bonds known by the remarketing agent to have been priced or traded under then prevailing market conditions. As of December 31, 2013, the weekly interest rate was 0.08%. Interest on the Variable Rate Bonds is paid monthly on the first business day of each month beginning on August 1, 2013.

The Variable Rate Bonds are subject to redemption at our option, in whole or in part, at a redemption price of 100% of the principal amount, plus accrued interest. The Variable Rate Bonds also contain a mandatory tender for purchase feature, contingent upon a conversion of the interest rate period or failure to procure a renewal or alternate letter of credit, at a purchase price of 100% of the principal amount, plus accrued interest.

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Project debt

Americas project debt

Project debt associated with the financing of energy-from-waste facilities is arranged by municipal entities through the issuance of tax-exempt and taxable revenue bonds or other borrowings. For those facilities we own, that project debt is recorded as a liability on our consolidated financial statements. Generally, debt service for project debt related to Service Fee structures is the primary responsibility of municipal entities, whereas debt service for project debt related to Tip Fee structures is paid by our project subsidiary from project revenue expected to be sufficient to cover such expense.

Payment obligations for our project debt associated with energy-from-waste facilities are generally limited recourse to the operating subsidiary and non-recourse to us, subject to operating performance guarantees and commitments. These obligations are secured by the revenues pledged under various indentures and are collateralized principally by a mortgage lien and a security interest in each of the respective energy-from-waste facilities and related assets. As of December 31, 2013, such revenue bonds were collateralized by property, plant and equipment with a net carrying value of $811 million and restricted funds held in trust of approximately $146 million. As of December 31, 2013, certain of our intermediate subsidiaries have recourse liability for project debt of $44 million at our Southeast Connecticut facility, which is non-recourse to us.

Project debt Other

Financing for international projects in which we have an ownership or operating interest is generally raised through commercial loans from local lenders; financing arranged through international banks; and/or bonds issued to institutional investors. Such debt is generally secured by the revenues generated by the project and by project assets and is without recourse to us. In most international projects, the instruments defining the rights of debt holders generally provide that the project subsidiary may not make distributions to its parent until periodic debt service obligations are satisfied and other financial covenants are complied with.

Restricted funds held in trust

Restricted funds held in trust are primarily amounts received and held by third-party trustees relating to certain projects we own. We generally do not control these accounts and these funds may be used only for specified purposes. These funds primarily include debt service reserves for payment of principal and interest on project debt. Revenue funds are comprised of deposits of revenues received with respect to projects prior to their disbursement. Other funds are primarily amounts held in trust for operations, maintenance, environmental obligations, operating lease reserves in accordance with agreements with our clients, and amounts held for future scheduled distributions. Such funds are invested principally in money market funds, bank deposits and certificates of deposit, United States treasury bills and notes, United States government agency securities and high-quality municipal bonds.

Restricted fund balances are as follows (dollars in millions):

	As of December 31,			
	2013		2012	
	Current	Noncurrent	Current	Noncurrent
Debt service funds principal	$ 31	$ 14	$ 33	$ 39
Debt service funds interest	4		6	
Total debt service funds	$ 35	$ 14	$ 39	$ 39
Revenue funds	3		9	
Other funds	3	112	5	122
Total	$ 41	$ 126	$ 53	$ 161

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Of the $167 million in total restricted funds as of December 31, 2013, approximately $45 million was designated for future payment of project debt principal.

Other commitments and performance guarantees

Other commitments as of December 31, 2013 were as follows (dollars in millions):

	Commitments Expiring by Period		
	Total	Less Than One Year	More Than One Year
Letters of credit	$ 271	$ 23	$ 248
Surety bonds	304		304
Total other commitments net	$ 575	$ 23	$ 552

The letters of credit were issued under the Revolving Credit Facility to either secure our performance under various contractual undertakings related to our domestic and international projects, or to secure obligations under our insurance program. Each letter of credit relating to a project is required to be maintained in effect for the period specified in related project contracts, and generally may be drawn if it is not renewed prior to expiration of that period.

We believe that we will be able to fully perform under our contracts to which these existing letters of credit relate, and that it is unlikely that letters of credit would be drawn because of a default of our performance obligations. If any of these letters of credit were to be drawn by the beneficiary, the amount drawn would be immediately repayable by us to the issuing bank. If we do not immediately repay such amounts drawn under these letters of credit, unreimbursed amounts would be treated under Covanta Energy s credit facilities as either additional term loans or as revolving loans in the case of letters of credit issued under the Revolving Credit Facility.

The surety bonds listed on the table above relate primarily to performance obligations ($291 million) and support for closure obligations of various energy projects when such projects cease operating ($13 million). Were these bonds to be drawn upon, we would have a contractual obligation to indemnify the surety company.

We have either issued or are party to guarantees and related contractual support obligations undertaken pursuant to agreements to construct and operate waste and energy facilities. For some projects, such performance guarantees include obligations to repay certain financial obligations if the project revenues are insufficient to do so, or to obtain or guarantee financing for a project. With respect to our businesses, we have issued guarantees to 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. Additionally, damages payable under such guarantees for our energy-from-waste facilities could expose us to recourse liability on project debt. If we must perform under one or more of such guarantees, our liability for damages upon contract termination would be reduced by funds held in trust and proceeds from sales of the facilities securing the project debt and is presently not estimable. Depending upon the circumstances giving rise to such damages, the contractual terms of the applicable contracts, and the contract counterparty s choice of remedy at the time a claim against a guarantee is made, the amounts owed pursuant to one or more of such guarantees could be greater than our then-available sources of funds. To date, we have not incurred material liabilities under such performance guarantees. See the section entitled Risk Factors We have provided guarantees and financial support in connection with our projects included in our Annual Report on Form 10-K for the year ended December 31, 2013, and incorporated by reference herein.

We are focused on developing new projects and making acquisitions to grow our business. We are pursuing additional growth opportunities through the development and construction of new waste and energy facilities. Due to permitting and other regulatory factors, these projects generally evolve over lengthy periods and project financing is generally obtained at the time construction begins, at which time we can more accurately determine our commitment for a development project.

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DESCRIPTION OF NOTES

The Company will issue the notes under the Indenture (the *Base Indenture*), dated as of January 18, 2007, between the Company and Wells Fargo Bank, National Association, as trustee (the *Trustee*), as supplemented by a supplemental indenture thereto (the *Supplemental Indenture*, and, together with the Base Indenture, the *Indenture*), to be dated as of , 2014. The notes will be a series of debt securities under the Base Indenture the terms of which will be established by the Supplemental Indenture. The terms of the notes include those expressly set forth in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the *Trust Indenture Act*).

This description of notes is intended to be a useful overview of the material provisions of the notes and the Indenture. You should read the following information in conjunction with the statements under Description of Securities Debt Securities in the accompanying prospectus. This description of notes replaces the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus to the extent the terms of the notes described below are inconsistent with the provisions of the debt securities set forth in the accompanying prospectus.

In addition, since this description of notes is only a summary, it does not contain all of the details found in the full text of, and is qualified in its entirety by the provisions of, the notes and the Indenture. You should refer to the Indenture for a complete description of the obligations of the Company and your rights. The Company will make a copy of the Indenture available to the Holders and to prospective investors upon request.

You will find the definitions of capitalized terms used in this description under the heading Certain definitions.

For purposes of this description, references to the Company, we, our and us refer only to Covanta Holding Corporation and not to its subsidiaries. The risks relating to the status of the Company as a holding company are discussed under Risk Factors The notes will be effectively subordinated to any of our existing and future secured indebtedness and to any existing and future indebtedness and other liabilities of our subsidiaries and Risk Factors We may not have access to the cash flow and other assets of our subsidiaries that may be needed to make payments on our indebtedness, including the notes.

General

The Notes

The notes:

- will be general unsecured, senior obligations of the Company;
- will be limited to an aggregate principal amount of $400.0 million, subject to our ability to issue Additional Notes (as defined below);
- will be issued in denominations of $2,000 and integral multiples of $1,000 in excess thereof;
- will mature on , 2024;
- will rank equally in right of payment with any existing and future senior Indebtedness of the Company, without giving effect to collateral arrangements;
- will be effectively subordinated to all Secured Indebtedness of the Company (including Obligations under the Senior Credit Facility) to the extent of the value of the pledged assets;

will be senior in right of payment to any future Subordinated Obligations of the Company;

will be structurally subordinated to obligations, including Obligations under the Senior Credit Facility, of any of our Subsidiaries, none of which will Guarantee the notes; and

will be represented by one or more registered notes in global form, but in certain circumstances may be represented by notes in definitive form.

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Interest

Interest on the notes will:

- accrue at the rate of % per annum;
- accrue from the date of original issuance or, if interest has already been paid, from the most recent interest payment date;
- be payable in cash semi-annually in arrears on and , commencing on , 2014;
- be payable to the Holders of record at the close of business on the and immediately preceding the related interest payment dates; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Amount unlimited; Notes issued as a series

The Indenture is unlimited in aggregate principal amount, although the issuance of notes in this offering will be limited to $400.0 million. If we are in compliance with the covenants contained in the Indenture and our other debt agreements, we may issue an unlimited principal amount of additional notes having identical terms and conditions as the notes other than the issue date, the issue price and the first interest payment date (the *Additional Notes*). Any Additional Notes will be part of the same issue as the notes that we are currently offering and will vote on all matters with the notes.

Payments on the notes; paying agent and registrar

We will pay, or cause to be paid, the principal of, premium, if any, and interest on the notes at the office or agency designated by the Company, except that we may, at our option, pay interest on the notes by check mailed to Holders at their registered address set forth in the Registrar s books. We have initially designated the corporate trust office of the Trustee to act as our Paying Agent and Registrar. We may, however, change the Paying Agent or Registrar without prior notice to the Holders, and the Company or any of its Restricted Subsidiaries may act as Paying Agent or Registrar.

We will pay principal of, premium, if any, and interest on, notes in global form registered in the name of or held by The Depository Trust Company (*DTC*) or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered Holder of such global Note.

Transfer and exchange

A Holder may transfer or exchange notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Company, the Trustee or the Registrar for any registration of transfer or exchange of notes, but the Company may require a Holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption. Also, the Company is not required to transfer or exchange any Note for a period of 15 days before the day of the mailing of a notice of redemption of notes to be redeemed.

The registered Holder of a Note will be treated as its owner for all purposes.

Ranking

The notes will be general unsecured obligations of the Company and will rank equal in right of payment with all existing and future senior unsecured Indebtedness of the Company and will be effectively subordinated to all of our Secured Indebtedness (to the extent of the value of the assets securing such Indebtedness) and liabilities of our Subsidiaries, none of which will Guarantee the notes. The notes will rank senior in right of payment to any future Indebtedness that is expressly subordinated in right of payment to the notes.

In the event of bankruptcy, liquidation, reorganization or other winding up of the Company or upon a default in payment with respect to, or the acceleration of, any senior Secured Indebtedness, the assets of the Company that secure such senior Secured Indebtedness will be available to pay obligations on the notes only after all Indebtedness under such senior Secured Indebtedness and certain hedging obligations and cash management obligations has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all the notes then outstanding.

Assuming that we had applied the net proceeds we receive from the offering in the manner described under Use of proceeds, as of December 31, 2013:

- Issuer would have had approximately $1,064 million of total consolidated indebtedness issued or guaranteed by Covanta Energy, which is senior in right of payment to the $1,200 million of indebtedness, including the notes, issued by the Issuer and not guaranteed by Covanta Energy;

- of our total consolidated indebtedness, Covanta Energy would have had approximately $293 million of secured indebtedness under its term loan and approximately $178 million of secured indebtedness under the revolving credit facility to which the notes would have been effectively subordinated;

- Covanta Energy would have had commitments available to be borrowed under the revolving credit facility of $451 million (after giving effect to the $271 million of outstanding letters of credit) to which the notes would have been effectively subordinated; and

- our subsidiaries (including Covanta Energy) would have had $1,989 million of total liabilities, including project debt (excluding intercompany liabilities), all of which would have been structurally senior to the notes.

Although the Indenture will limit the amount of Indebtedness that the Company and its Restricted Subsidiaries may Incur, such Indebtedness may be substantial and a significant portion of such Indebtedness may be Secured Indebtedness or structurally senior to the notes. The risks relating to the Company s incurrence of additional indebtedness are discussed under Risk factors Despite our current and anticipated indebtedness levels, we may still incur substantially more indebtedness or take other actions which would intensify the risks associated with our substantial indebtedness.

Optional redemption

Except as described below, the notes are not redeemable until , 2019. On and after , 2019, the Company may redeem the notes, in whole or in part, upon not less than 30 nor more than 60 days notice, at the following redemption prices (expressed as a percentage of principal amount of the notes to be redeemed) set forth below, plus accrued and unpaid interest on the notes, if any, to the applicable date of redemption, (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date following on or prior to such redemption date), if redeemed during the twelve-month period beginning on of the years indicated below:

Year	Percentage
2019	%
2020	%
2021	%
2022 and thereafter	100.00%

Prior to , 2017, the Company may on any one or more occasions redeem up to 35% of the original aggregate principal amount of the notes (calculated after giving effect to any issuance of Additional Notes) in an

amount not to exceed the Net Cash Proceeds of one or more Equity Offerings at a redemption price equal to % of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date following on or prior to such redemption date); provided that

(1) at least 65% of the original aggregate principal amount of the notes (calculated after giving effect to any issuance of Additional Notes) remains outstanding after each such redemption; and

(2) such redemption occurs within 90 days after the closing of such Equity Offering.

In addition, at any time prior to , 2019, the Company may redeem the notes, in whole but not in part, upon not less than 30 nor more than 60 days prior notice mailed to each Holder or otherwise in accordance with the procedures of the depositary at a redemption price equal to 100% of the aggregate principal amount of the notes plus the Applicable Premium, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date falling on or prior to such redemption date).

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business, on such record date, and no additional interest will be payable to Holders whose notes will be subject to redemption by the Company.

In the case of any partial redemption, selection of the notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the notes are listed or, if the notes are not listed, then on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion will deem to be fair and appropriate or in accordance with DTC procedures, although no Note of $2,000 in original principal amount or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note.

Any redemption or notice may, at the Company s discretion, be subject to one or more conditions precedent, including completion of an Equity Offering or other corporate transaction.

Mandatory redemption; open market purchases

The Company is not required to make any mandatory redemption or sinking fund payments with respect to the notes. However, under certain circumstances, the Company may be required to offer to purchase the notes as described under the caption Repurchase at the option of holders.

The Company may acquire notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

Repurchase at the option of holders

Change of control triggering event

Within 30 days following any Change of Control Triggering Event, unless the Company has exercised its right to redeem all of the notes as described above under Optional redemption, the Company will be required to offer to purchase (a *Change of Control Offer*) all of the notes at a purchase price in cash equal to 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the date of purchase (a

Change of Control Payment) by mailing a Change of Control Offer Notice to each Holder, with a copy to the Trustee.

A Change of Control Triggering Event will occur when (i) a Change of Control has occurred and (ii) the notes are downgraded by either S&P or Moody s on any date during the period commencing 60 days prior to the consummation of such Change of Control and ending 60 days following consummation of such Change of Control.

A Change of Control will occur when:

(1) any person or group of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act but excluding any employee benefit plan of the Company and its Subsidiaries and any person acting in its capacity as trustee, agent or other fiduciary or administrator of such plan), becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that such person or group shall be deemed to have beneficial ownership of all shares that any such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company or any of its direct or indirect parent entities (or their successors by merger, consolidation or purchase of all or substantially all of their assets); or

(2) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors; or

(3) the sale, assignment, conveyance, transfer, lease or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act); or

(4) the adoption by the stockholders of the Company of a plan or proposal for the liquidation or dissolution of the Company.

Prior to repurchasing any notes pursuant to an a Change of Control Offer, the Company will be required as a condition to making the repurchase payment to either:

(1) obtain consent from the requisite holders of each issue of Indebtedness that may be violated by the repurchase to make the repurchase payment and waive any event of default caused by the Change of Control; or

(2) repay all such Indebtedness that may be violated by making the repurchase payment, or offer to repay that Indebtedness and pay all holders of such Indebtedness that accept that offer, and obtain waivers of any event of default arising under such Indebtedness.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the Indenture requirements applicable to such a Change of Control Offer made by the Company, and purchases all notes validly tendered and not withdrawn in that Change of Control Offer.

The Company will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to a Change of Control Offer.

A Change of Control is triggered by a disposition of all or substantially all of the property and assets of the Company and its Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase all or substantially all in this context, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be uncertainty as to whether a particular transaction would constitute a disposition of all or substantially all of the property or assets of the Company under the Indenture. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Company to make an offer to repurchase the notes as described above.

The Indenture will not contain any other provisions that require the Company to repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction. Moreover, the Change of Control provisions described above may deter mergers, tender offers and other takeover attempts involving the Company by increasing the capital required to complete such transactions.

In addition, under a Delaware Chancery Court interpretation of a change of control repurchase requirement with a continuing director provision, a board of directors may approve a slate of stockholder-nominated directors for purposes of the change of control repurchase event feature of the notes without endorsing them at the stockholder meeting or while simultaneously recommending and endorsing its own slate instead. The foregoing interpretation would permit the Company s board of directors to approve a slate of directors that included a majority of dissident directors nominated pursuant to a proxy contest, and the ultimate election of such dissident slate would not constitute a change of control repurchase event that would trigger the requirement that the Company repurchase the notes as described above.

Asset sales

The Company will not, and will not permit any of its Restricted Subsidiaries to make any Asset Disposition unless:

(1) the Company or Restricted Subsidiary receives consideration at least equal to the Fair Market Value (determined as of the date of entering into the contractual agreement for such Asset Disposition) of the shares and assets subject to such Asset Disposition;

(2) except in the case of a Permitted Asset Swap, at least 75% of the consideration from the Asset Disposition received by the Company or Restricted Subsidiary is in the form of cash or Cash Equivalents; and

(3) all Net Available Cash from the Asset Disposition is applied by the Company or Restricted Subsidiary within 365 days from the later of the date the Asset Disposition is completed or the Net Available Cash is received, as follows:

   (a) to permanently reduce obligations and related commitments under (x) the Senior Credit Facility or (y) Secured Indebtedness of the Company (other than any Disqualified Stock or Subordinated Obligations) or Secured Indebtedness of a Restricted Subsidiary (other than any Disqualified Stock), in each case, other than Indebtedness owed to the Company or an Affiliate of the Company;

   (b) to permanently reduce obligations under other Indebtedness of the Company (other than any Disqualified Stock or Subordinated Obligations) or Indebtedness of a Restricted Subsidiary (other than any Disqualified Stock), in each case other than Indebtedness owed to the Company or an Affiliate of the Company; *provided* that, except in the case of a reduction in obligations of Indebtedness of a Restricted Subsidiary, the Company shall reduce Obligations under the notes

      (i) by redeeming notes as provided in Optional redemption,

      (ii) through open market purchases at prices that are at or above 100% of their principal amount or

      (iii) by making an offer to all Holders to purchase their notes at 100% of their principal amount, plus accrued but unpaid interest to the date of purchase in accordance with the procedures for an Asset Disposition Offer; or

(c) to invest in Additional Assets.

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Any Net Available Cash from Asset Dispositions that is not applied or invested as provided in the preceding paragraph will be deemed to constitute Excess Proceeds.

For the purposes of clause (2) above and for no other purpose, the following will be deemed to be cash:

(1) any liabilities (as shown on the Company s or Restricted Subsidiary s most recent balance sheet) of the Company or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the notes) that are assumed by the transferee of any such assets and from which the Company and all Restricted Subsidiaries have been validly released by all creditors in writing;

(2) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from the transferee that are converted by the Company or such Restricted Subsidiary into cash (to the extent of the cash received) within 180 days following the closing of such Asset Disposition; and

(3) any Designated Noncash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Disposition having an aggregate Fair Market Value, taken together with all other Designated Noncash Consideration received pursuant to this clause (3) that is at that time outstanding, not to exceed the greater of (x) $100.0 million and (y) 2.5% of Total Tangible Assets at the time of the receipt of such Designated Noncash Consideration, with the Fair Market Value of each item of Designated Noncash Consideration being measured at the time received without giving effect to subsequent changes in value.

In the case of clause (c), a binding commitment to invest in Additional Assets shall be treated as a permitted application of the Net Available Cash from the date of such commitment so long as the Company or such other Restricted Subsidiary enters into the commitment with the good faith expectation that the Net Available Cash will be applied to satisfy the commitment within 270 days of such commitment (an *Acceptable Commitment*). In the event any Acceptable Commitment is later cancelled or terminated for any reason before the Net Available Cash is applied in connection with the Acceptable Commitment, the Company or Restricted Subsidiary enters into another Acceptable Commitment (a *Second Commitment*) within 90 days of such cancellation or termination and with the good faith expectation that the Net Available Cash will be applied within 180 days of such Second Commitment. If a Second Commitment is later cancelled or terminated for any reason before the Net Available Cash is applied, then the Net Available Cash will constitute Excess Proceeds.

Pending the final application of any Net Available Cash in accordance with clause (a), (b) or (c) above, the Company and its Restricted Subsidiaries may temporarily reduce Indebtedness (including under a revolving Senior Credit Facility) or invest the Net Available Cash in any manner not prohibited by the Indenture.

If the aggregate amount of Excess Proceeds exceeds $25.0 million on the 366th day after an Asset Disposition, the Company will be required to offer (an *Asset Disposition Offer*) to all Holders and, to the extent required by the terms of outstanding Pari Passu Indebtedness, to all holders of such Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of notes and any such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date), in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable.

To the extent that the aggregate amount of notes and Pari Passu Indebtedness validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for any purpose not prohibited by the Indenture.

If the aggregate principal amount of notes surrendered by Holders thereof and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, tendered notes and Pari Passu Indebtedness shall be repaid on a *pro rata* basis and selection of the notes to be repurchased shall be made by the Trustee on a *pro rata* basis, by lot or by such other method as the Trustee in its sole discretion will deem to be fair and appropriate or in accordance with DTC procedures.

Upon completion of the Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest will be paid to the Person in whose name a Note is registered at the close of business on such record date.

The Company will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to an Asset Disposition Offer.

Certain covenants

Covenant suspension

The Company and its Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the headings below (collectively, the Suspended Covenants) if, and for so long as, (a) the notes have an Investment Grade Rating from both of the Rating Agencies; and (b) no Default or Event of Default has occurred and is continuing under the Indenture:

Repurchase at the option of holders Asset sales ;

Limitation on indebtedness ;

Limitation on restricted payments ;

Limitation on restrictions on distributions from restricted subsidiaries ;

Limitation on affiliate transactions ; and

Clause (4) of the first paragraph of Merger and consolidation .

If at any time the credit rating for the notes is downgraded from an Investment Grade Rating by any Rating Agency or if a Default or Event of Default occurs and is continuing, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the *Reinstatement Date*) and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the notes subsequently attain an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default is in existence (in which event the Suspended Covenants shall no longer be in effect for such time that the notes maintain an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default is in existence).

The period of time between the date of suspension of the covenants and the Reinstatement Date is referred to as the *Suspension Period* . No Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture or the notes with respect to the Suspended Covenants based on, and none of the Company or any of its Subsidiaries shall bear any liability for, any actions taken or events occurring during the Suspension Period, regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during the Suspension Period.

On the Reinstatement Date, the amount of Excess Proceeds from Asset Dispositions shall be reset at zero. In addition, all Indebtedness Incurred during the Suspension Period will be classified to have been Incurred pursuant to the first paragraph of Limitation on indebtedness or one of the clauses set forth in the second paragraph of Limitation on indebtedness (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reinstatement Date and after giving effect to Indebtedness Incurred prior to the Suspension Period and outstanding on the Reinstatement Date). To the extent such Indebtedness would not be so permitted to be Incurred pursuant to the first or second paragraph of Limitation on indebtedness, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified under clause (3) of the second

paragraph of Limitation on indebtedness. Calculations made after the Reinstatement Date of the amount available to be made as Restricted Payments under Limitation on restricted payments will be made as though the covenants described under Limitation on restricted payments had been in effect since the Prior Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of Limitation on restricted payments.

During any period when the Suspended Covenants are suspended, neither the Board of Directors of the Company nor Senior Management may designate any of the Company s Subsidiaries as Unrestricted Subsidiaries or Excluded Project Subsidiaries pursuant to the Indenture.

Limitation on indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Company and its Restricted Subsidiaries may Incur Indebtedness if on the date thereof and after giving effect thereto on a *pro forma* basis: