FORM T-3/A

Initial application for qualification of trust indentures [amend]

Filing Date: **2004-01-26**
SEC Accession No. 0000903423-04-000066

FILER

COVANTA ENERGY CORP

CIK:**73902**| IRS No.: **135549268** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **T-3/A** | Act: **39** | File No.: **022-28706** | Film No.: **04544090**
SIC: **4991** Cogeneration services & small power producers

Mailing Address
40 LANE ROAD
FAIRFIELD NJ 07004

Business Address
40 LANE ROAD
FAIRFIELD NJ 07004
2128686100

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

FORM T-3/A
(Amendment No. 3)

FOR APPLICATIONS FOR QUALIFICATION OF INDENTURES
UNDER THE TRUST INDENTURE ACT OF 1939

Covanta Energy Corporation

(Name of applicant)

40 Lane Road, Fairfield, NJ 07004

(Address of principal executive offices)

Securities to be Issued Under the Indentures to be Qualified

Title of Class	Amount
8.25% Senior Secured Notes due 2011	Up to a maximum aggregate principal amount of $230,000,000
7.5% Subordinated Unsecured Notes due 2012	Up to a maximum aggregate principal amount to be determined

Approximate date of proposed public offering:

As promptly as possible after the Effective Date of this Application for Qualification.

Jeffrey R. Horowitz
Covanta Energy Corporation
40 Lane Road
Fairfield, New Jersey 07007-2615
(Name and Address of Agent for Service)

With a copy to:

Filip Moerman, Esq.
Cleary Gottlieb Steen & Hamilton
One Liberty Plaza

New York, NY 10006

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

GENERAL

1. General Information.

(a) Covanta Energy Corporation ("Covanta" or the "Company") is a corporation.

(b) Covanta is organized under the laws of the state of Delaware.

2. Securities Act exemption applicable.

Covanta intends to offer, under the terms and subject to the conditions set forth in the Second Disclosure Statement with Respect to Reorganizing Debtors' Second Joint Plan of Reorganization and Liquidating Debtors' Second Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code (as amended, the "Disclosure Statement") and an accompanying Debtors' Second Joint Reorganization Plan under Chapter 11 of the Bankruptcy Code (as amended, the "Reorganization Plan") and Debtors' Second Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code of Covanta and certain of its subsidiaries (collectively, the "Debtors"), copies of which are included as exhibits T3E-1 and T3E-2 to this application, the 8.25% Senior Secured Notes due 2011 (the "Secured Notes") and the 7.5% Subordinate Unsecured Notes due 2012 (the "Subordinated Notes" and together with the Secured Notes, the "Notes"). The Secured Notes will be issued pursuant an indenture to be qualified under this Form T-3 (the "Secured Notes Indenture"), a copy of which is attached as exhibit T3C-1 to this application. The Subordinated Notes will be issued pursuant to an indenture also to be qualified under this Form T-3 (the "Subordinated Notes Indenture") a copy of which will be filed by amendment.

The Notes are being offered by Covanta in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), afforded by section 1145 of title 11 of the United States Code, as amended (the "Bankruptcy Code"). Generally, section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a bankruptcy reorganization plan from registration under the Securities Act and under equivalent state securities and "blue sky" laws if the following requirements

are satisfied: (i) the securities are issued by the debtor (or its successor or an affiliate participating in a joint plan with the debtor) under a reorganization plan; (ii) the recipients of the securities hold a claim against the debtor, an interest in the debtor or a claim or a claim for an administrative expense against the debtor; and (iii) the securities are issued entirely in exchange for the recipient's claim against or interest in the debtor or are issued "principally" in such exchange and "partly" for cash or property.

Covanta believes that the offer and exchange of the Notes under the Reorganization Plan will satisfy such requirements of section 1145(a)(1) of the Bankruptcy Code and, therefore, such offer and exchange is exempt from the registration requirements referred to above. Pursuant to the Reorganization Plan, the Secured Notes will be issued to holders of Allowed Class 3 Claims and Allowed Class 6 Claims (both as defined in the Reorganization Plan) in satisfaction of their claims against the Debtors. A more complete description of the Secured Notes is provided in the Secured Notes Indenture, which is attached to this application as exhibit T3C-1.

Also pursuant to the Reorganization Plan, the Subordinated Notes will be issued to holders of Allowed Class 4 Claims and Allowed Class 6 Claims (both as defined in the Reorganization Plan) in satisfaction of Allowed Class 4 Claims against the Debtors and in partial satisfaction of Allowed Class 6 Claims against the Debtors. A more complete description of the Subordinated Notes will be provided in the Subordinated Notes Indenture, a copy of which will be filed by amendment.

AFFILIATIONS

3. Affiliates.

Set forth below is a list of all current direct and indirect subsidiaries of Covanta. Unless stated otherwise, each subsidiary is wholly owned by Covanta or another subsidiary.

Affiliate	Jurisdiction of Incorporation or Qualification
8309 Tujunga Avenue Corp.	California
Alpine Food Products, Inc.	Washington
Ambiente 2000 S.r.l (12)	Italy
Americana Entertainment N.V.	Aruba
AMOR 14 Corporation	Delaware
Bal-Sam India Holdings Limited	Mauritius
BDC Liquidating Corporation	Delaware
Bouldin Development Corp.	California
Burney Mountain Power	California
Cladox International S.A.	Uruguay
Compania General de Sondeor, S.A.	Spain
Covanta Acquisition, Inc.	Delaware
Covanta Alexandria/Arlington, Inc.	Virginia

Covanta Babylon, Inc.	New York
Covanta Bangladesh Operating Limited	Bangladesh
Covanta Bangladesh Technical Services Aps	Denmark
Covanta Bessemer, Inc.	Florida
Covanta Bristol, Inc.	Virginia
Covanta Cayman (Sahacogen) Ltd.	Cayman Islands
Covanta Cayman (Rojana) Ltd.	Cayman Islands
Covanta Chinese Investments Limited	Mauritius
Covanta Concerts Holdings, Inc. (f/k/a The Metropolitan Entertainment Co., Inc.)(1)	New Jersey
Covanta Cunningham Environmental Support, Inc.	New York
Covanta Energy Americas, Inc.	Delaware
Covanta Energy Asia Pacific Limited	Hong Kong
Covanta Energy China (Alpha) Ltd.	Mauritius
Covanta Energy China (Beta) Ltd.	Mauritius
Covanta Energy China (Delta) Ltd.	Mauritius
Covanta Energy China (Gamma) Ltd.	Mauritius
Covanta Energy Construction, Inc.	Delaware
Covanta Energy Europe Ltd.	United Kingdom
Covanta Energy Group, Inc.	Delaware
Covanta Energy India Investments Ltd.	Mauritius
Covanta Energy India (Balaji) Limited	Mauritius
Covanta Energy India CBM Limited	Mauritius
Covanta Energy India (Samalpatti) Limited	Mauritius
Covanta Energy India Private Limited	India
Covanta Energy International, Inc.	Delaware
Covanta Energy Philippines Holdings, Inc.	Philippines
Covanta Energy Resource Corporation	Delaware
Covanta Energy Sao Jeronimo, Inc.	Delaware
Covanta Energy Services, Inc.	Delaware
Covanta Energy Services of New Jersey, Inc.	New Jersey
Covanta Energy (Thailand) Limited	Thailand
Covanta Energy West, Inc.	Delaware
Covanta Engineering Services, Inc.	New Jersey
Covanta Equity of Alexandria/Arlington, Inc.	Virginia
Covanta Equity of Stanislaus, Inc.	California
Covanta Fairfax, Inc.	Virginia
Covanta Financial Services, Inc.	Delaware
Covanta Five Ltd.	Mauritius
Covanta Four Ltd.	Mauritius
Covanta Geothermal Operations Holdings, Inc.	Delaware
Covanta Geothermal Operations, Inc.	Delaware
Covanta Haverhill Associates	Massachusetts
Covanta Haverhill, Inc.	Massachusetts
Covanta Haverhill Properties, Inc.	Massachusetts
Covanta Hennepin Energy Resource Co., Limited Partnership	Delaware
Covanta Heber Field Energy, Inc.	Delaware
Covanta Honolulu Resource Recovery Venture	Hawaii
Covanta Huntington Limited Partnership	Delaware
Covanta Hillsborough, Inc.	Florida
Covanta Huntington Resource Recovery One Corp.	Delaware

Covanta Huntington Resource Recovery Seven Corp.	Delaware
Covanta Huntington, Inc.	New York
Covanta Huntsville, Inc.	Alabama
Covanta Hydro Energy, Inc.	Delaware
Covanta Hydro Operations West, Inc.	Delaware
Covanta Hydro Operations, Inc.	Tennessee
Covanta Imperial Power Services, Inc.	California
Covanta Indianapolis, Inc.	Indiana
Covanta Kent, Inc.	Michigan
Covanta Key Largo, Inc.	Florida
Covanta Lake, Inc.	Florida
Covanta Lancaster, Inc.	Pennsylvania
Covanta Lee, Inc.	Florida
Covanta Long Island, Inc.	New York
Covanta Marion Land Corporation	Oregon
Covanta Marion, Inc.	Oregon
Covanta Mid-Conn., Inc.	Connecticut
Covanta Montgomery, Inc.	Maryland
Covanta New Martinsville Hydroelectric Corporation	Delaware
Covanta New Martinsville Hydro-Operations Corporation	West Virginia
Covanta Northwest Puerto Rico, Inc.	Puerto Rico
Covanta Oahu Waste Energy Recovery, Inc.	California
Covanta Oil & Gas, Inc.	Delaware
Covanta Omega Lease, Inc.	Delaware
Covanta One Limited	Mauritius
Covanta Onondaga Five Corp.	Delaware
Covanta Onondaga Four Corp.	Delaware
Covanta Onondaga Limited Partnership	Delaware
Covanta Onondaga Operations, Inc.	Delaware
Covanta Onondaga Three Corp.	Delaware
Covanta Onondaga Two Corp.	Delaware
Covanta Onondaga, Inc.	New York
Covanta Operations of Union, LLC	New Jersey
Covanta OPW Associates, Inc.	Connecticut
Covanta OPWH, Inc.	Delaware
Covanta Pasco, Inc.	Florida
Covanta Philippines Operating, Inc.	Cayman Islands
Covanta Plant Services of New Jersey, Inc.	New Jersey
Covanta Power Development of Bolivia, Inc.	Delaware
Covanta Power Development, Inc.	Delaware
Covanta Power Equity Corporation	Delaware
Covanta Power International Holdings, Inc.	Delaware
Covanta Power Plant Operations	California
Covanta Power Pacific, Inc.	California
Covanta Projects of Hawaii, Inc.	Hawaii
Covanta Projects of Wallingford, L.P.	Delaware
Covanta Projects, Inc.	Delaware
Covanta RRS Holdings Inc.	Delaware
Covanta Samalpatti Operating Pvt. Ltd.	India
Covanta SBR Associates	Massachusetts
Covanta Secure Services USA, Inc.	Delaware

Covanta Secure Services, Inc.	Delaware
Covanta SIGC Energy, Inc.	Delaware
Covanta SIGC Energy II, Inc.	California
Covanta SIGC Geothermal Operations, Inc.	California
Covanta Stanislaus, Inc.	California
Covanta Systems, Inc.	Delaware
Covanta Tampa Bay, Inc.	Florida
Covanta Tampa Construction, Inc.	Delaware
Covanta Three Limited	Mauritius
Covanta Tulsa, Inc.	Oklahoma
Covanta Two Limited	Mauritius
Covanta Union, Inc.	New Jersey
Covanta Wallingford Associates, Inc.	Connecticut
Covanta Warren Energy Resource Co., Limited Partnership	Delaware
Covanta Waste Solutions, Inc.	Delaware
Covanta Waste to Energy of Italy, Inc.	Delaware
Covanta Waste to Energy, Inc.	Delaware
Covanta Waste to Energy Asia Investments	Mauritius
Covanta Water Holdings, Inc.	Delaware
Covanta Water Systems, Inc.	Delaware
Covanta Water Treatment Services, Inc.	Delaware
Doggie Diner, Inc.	Delaware
DSS Environmental, Inc.	New York
Edison Bataan Cogeneration Corporation	Philippines
El Gorguel Energia S.L.	Spain
Enereurope Holdings III B.V.	Netherlands
ERC Energy II, Inc.	Delaware
ERC Energy, Inc.	Delaware
Estadio Olimpico de Sevilla, S.A.(3)	Spain
Financiere Ogden	France
GBL Power Limited (13)	India
Generating Resource Recovery Partners, L.P. (2)	California
Goa Holdings Limited	Mauritius
Great Eastern Energy Corporation Limited (14)	Thailand
Greenway Insurance Company of Vermont	Vermont
Gulf Coast Catering Company, Inc.	Louisiana
Gulf Cogeneration Co. Limited	Thailand
Gulf Power Generation (15)	Thailand
Haugzhou Linan Ogden-Jinjiang Cogeneration Co., Limited (15)	Mauritius
Haverhill Power, Inc.	Massachusetts
Heber Field Energy II, Inc.	Delaware
Heber Loan Partners	California
Hidro Operaciones Don Pedro S.A.	Costa Rica
Hungarian-American Geothermal Limited Liability Company (4)	Hungary
Island Power Corporation (5)	Philippines
J.R. Jack's Construction Corporation	Nevada
Koma Kulshan Associates (2)	California
Lenzar Electro-Optics, Inc.	Delaware
LINASA Cogeneracion y Asociados, S.L. (2)	Spain

LMI, Inc.	Massachusetts
Logistic Operations, Inc.	Lousiana
Madurai Power Pvt. Limited (16)	India
Magellan Cogeneration, Inc.	Philippines
Mammoth Geothermal Company	California
Mammoth Power Associates, L.P.	California
Mammoth Power Company	California
Mecaril, S.A.	Uruguay
Menezul, S.A.	Uruguay
Michigan Waste Energy, Inc.	Delaware
Modigold, S.A.	Uruguay
Mt. Lassen Power	California
NEPC Consortium Power Limited (17)	Bangladesh
Offshore Food Service, Inc.	Louisiana
OFS Equity of Alexandria/Arlington, Inc.	Virginia
OFS Equity of Babylon, Inc.	New York
OFS Equity of Delaware, Inc.	Delaware
OFS Equity of Huntington, Inc.	New York
OFS Equity of Indianapolis, Inc.	Indiana
OFS Equity of Stanislaus, Inc.	California
Ogden Aeropuertos RD S.A. (6)	Uruguay
Ogden Alimentos Comercio e Servicos Ltda. (6)	Brazil
Ogden Allied Abatement and Decontamination Service, Inc.	New York
Ogden Allied Maintenance Corporation	New York
Ogden Allied Payroll Services, Inc.	New York
Ogden Allied Services GmbH	Germany
Ogden Attractions, Inc.	Delaware
Ogden Aviation Distributing, Inc.	New York
Ogden Aviation Fueling Company of Virginia, Inc.	Delaware
Ogden Aviation Security Services of Indiana	Indiana
Ogden Aviation Service Company of Colorado	Colorado
Ogden Aviation Service Company of Pennsylvania, Inc.	Pennsylvania
Ogden Aviation Services International Corporation	New York
Ogden Aviation Terminal Services, Inc.	Massachusetts
Ogden Aviation, Inc.	Delaware
Ogden Balaji O&M Services Private Limited (7)	India
Ogden Cargo Spain, Inc.	Delaware
Ogden Central and South America, Inc.	Delaware
Ogden Cisco, Inc.	Delaware
Ogden Communications, Inc.	Delaware
Ogden Constructors, Inc. (f/k/a Ogden Engineering and Construction, Inc., f/k/a Ogden Remediation Services Co., Inc.)	Florida
Ogden do Brasil Participacoes S/C Ltda. (6)	Brazil
Ogden Energy of Bongaigaon Private Limited	India
Ogden Energy Gulf Limited	Mauritius
Ogden Energy India (Bakreshwar) Limited	Mauritius
Ogden Entertainment Services de Mexico, S.A. de C.V.	Mexico
Ogden Entertainment Services Spain, S.A.	Spain
Ogden Environmental and Energy Services Co., Inc.	Delaware
Ogden Facility Holdings, Inc.	Delaware

Ogden Facility Management Corporation of Anaheim	California
Ogden Facility Management Corporation of West Virginia	West Virginia
Ogden Film and Theatre, Inc.	Delaware
Ogden Firehole Entertainment Corporation	Delaware
Ogden Food Service Corporation of Milwaukee, Inc.	Wisconsin
Ogden Gaming of Ontario Limited	Canada
Ogden HCI Services (8)	To be provided by amendment
Ogden Holdings, S.A.	Argentina
Ogden International Europe, Inc.	Delaware
Ogden Leisure, Inc.	Delaware
Ogden Logistic Service	Delaware
Ogden Management Services, Inc.	Delaware
Ogden Martin Systems of Nova Scotia Limited	Canada
Ogden MEI, LLC	Delaware
Ogden New York Services, Inc.	New York
Ogden Palladium Services, Inc.	Canada
Ogden Pipeline Service Corporation	Delaware
Ogden Power Aqua y Energia Torre Pacheco, S.A. (9)	Spain
Ogden Power Development - Cayman, Inc.	Cayman Islands
Ogden PS&M Entertainment Limited (6)	Brazil
Ogden Services Corporation	Delaware
Ogden Spain, S.A.	Spain
Ogden Support Services, Inc.	Delaware
Ogden Taiwan Investments Limited	Mauritius
Ogden Technology Services Corporation	Delaware
Ogden Transition Corporation	Delaware
Olmec Insurance Limited	Bermuda
OPDB Limited	Cayman Islands
Operaciones LICA S.L.	Spain
OPI Carmona Limited	Cayman Islands
OPI Carmona One Limited	Cayman Islands
OPI Quezon, Inc.	Delaware
PA Aviation Fuel Holdings, Inc.	Delaware
Pacific Energy Resources, Inc.	California
Pacific Geothermal Company	California
Pacific Hydropower Company	California
Pacific Oroville Power, Inc.	California
Pacific Recovery Corporation	California
Pacific Wood Fuels Company	California
Pacific Wood Services Company	California
Pacific Ultrapower Chinese Station (2)	California
Paltir, S.A. (6)	Uruguay
Parque Isla Magica, S.A. (10)	Spain
Penstock Power Company	California
Philadelphia Fuel Facilities Corporation	Pennsylvania
Power Operations and Maintenance Ltd (6)	Bermuda
Prima S.r.l. (18)	Italy
Quezon Equity Funding Limited (19)	Cayman Islands
Quezon Power, Inc. (11)	Cayman Islands
Quezon Power (Philippines) Limited (20)	Philippines

Rent LLC (21)	New York
Samalpatti Power Company Private Limited (15)	India
SJ Investors Participacoes Ltda. (22)	Brazil
Spectra Enterprises Association, L.P.	To be provided by amendment
Taixing Ogden (Madian) Cogeneration Co., Limited (15)	Mauritius
Taixing Ogden-Yanjiang Cogeneration Co., Limited (15)	Mauritius
Three Mountain Power, LLC	Delaware
Three Mountain Operations, Inc.	Delaware
Zibo Ogden-Bohui Cogeneration Co. Limited (15)	Mauritius

---

(1) 85% owned
(2) 50% owned
(3) 15.9% owned
(4) 37.5% owned
(5) 40% owned
(6) To be provided by amendment
(7) 99.98% owned
(8) 60% owned
(9) 83.3% owned
(10) 26.12% owned
(11) 27.5% owned
(12) 40% owned
(13) 49% owned
(14) 29% owned
(15) 60% owned
(16) 74.8% owned
(17) 45.1% owned
(18) 13% owned
(19) 27.4% owned
(20) 21% owned as limited partner, 77% as general partner
(21) .01% owned
(22) 90% owned

Set forth below is a list of all direct and indirect subsidiaries to exist upon consummation of the Reorganization Plan:

Affiliate	Jurisdiction of Incorporation or Qualification
8309 Tujunga Avenue Corp.	California
Ambiente 2000 S.r.l (7)	Italy
AMOR 14 Corporation	Delaware
Bal-Sam India Holdings Limited	Mauritius
Burney Mountain Power	California
Covanta Acquisition, Inc.	Delaware
Covanta Alexandria/Arlington, Inc.	Virginia
Covanta Babylon, Inc.	New York

Covanta Bangladesh Operating Limited	Bangladesh
Covanta Bangladesh Technical Services Aps	Denmark
Covanta Bessemer, Inc.	Florida
Covanta Bristol, Inc.	Virginia
Covanta Cayman (Sahacogen) Ltd.	Cayman Islands
Covanta Cayman (Rojana) Ltd.	Cayman Islands
Covanta Chinese Investments Limited	Mauritius
Covanta Cunningham Environmental Support, Inc.	New York
Covanta Energy Americas, Inc.	Delaware
Covanta Energy Asia Pacific Limited	Hong Kong
Covanta Energy China (Alpha) Ltd.	Mauritius
Covanta Energy China (Beta) Ltd.	Mauritius
Covanta Energy China (Delta) Ltd.	Mauritius
Covanta Energy China (Gamma) Ltd.	Mauritius
Covanta Energy Construction, Inc.	Delaware
Covanta Energy Europe Ltd.	United Kingdom
Covanta Energy Group, Inc.	Delaware
Covanta Energy India Investments Ltd.	Mauritius
Covanta Energy India (Balaji) Limited	Mauritius
Covanta Energy India CBM Limited	Mauritius
Covanta Energy India (Samalpatti) Limited	Mauritius
Covanta Energy India Private Limited	India
Covanta Energy International, Inc.	Delaware
Covanta Energy Philippines Holdings, Inc.	Philippines
Covanta Energy Resource Corporation	Delaware
Covanta Energy Services, Inc.	Delaware
Covanta Energy Services of New Jersey, Inc.	New Jersey
Covanta Energy (Thailand) Limited	Thailand
Covanta Energy West, Inc.	Delaware
Covanta Engineering Services, Inc.	New Jersey
Covanta Equity of Alexandria/Arlington, Inc.	Virginia
Covanta Equity of Stanislaus, Inc.	California
Covanta Fairfax, Inc.	Virginia
Covanta Five Ltd.	Mauritius
Covanta Four Ltd.	Mauritius
Covanta Geothermal Operations Holdings, Inc.	Delaware
Covanta Geothermal Operations, Inc.	Delaware
Covanta Haverhill Associates	Massachusetts
Covanta Haverhill, Inc.	Massachusetts
Covanta Haverhill Properties, Inc.	Massachusetts
Covanta Hennepin Energy Resource Co., L.P.	Delaware
Covanta Heber Field Energy, Inc.	Delaware
Covanta Honolulu Resource Recovery Venture	Hawaii
Covanta Huntington Limited Partnership	Delaware
Covanta Hillsborough, Inc.	Florida
Covanta Huntington Resource Recovery One Corporation	Delaware
Covanta Huntington Resource Recovery Seven Corporation	Delaware
Covanta Huntsville, Inc.	Alabama
Covanta Hydro Energy, Inc.	Delaware
Covanta Hydro Operations West, Inc.	Delaware
Covanta Hydro Operations, Inc.	Tennessee

Covanta Imperial Power Services, Inc.	California
Covanta Indianapolis, Inc.	Indiana
Covanta Kent, Inc.	Michigan
Covanta Lake, Inc.	Florida
Covanta Lancaster, Inc.	Pennsylvania
Covanta Lee, Inc.	Florida
Covanta Long Island, Inc.	New York
Covanta Marion Land Corporation	Oregon
Covanta Marion, Inc.	Oregon
Covanta Mid-Conn., Inc.	Connecticut
Covanta Montgomery, Inc.	Maryland
Covanta New Martinsville Hydroelectric Corporation	Delaware
Covanta New Martinsville Hydro-Operations Corporation	West Virginia
Covanta Oahu Waste Energy Recovery, Inc.	California
Covanta Omega Lease, Inc.	Delaware
Covanta One Limited	Mauritius
Covanta Onondaga Five Corporation	Delaware
Covanta Onondaga Four Corporation	Delaware
Covanta Onondaga Limited Partnership	Delaware
Covanta Onondaga Operations, Inc.	Delaware
Covanta Onondaga Three Corporation	Delaware
Covanta Onondaga Two Corporation	Delaware
Covanta Onondaga, Inc.	New York
Covanta Operations of Union, LLC	New Jersey
Covanta OPW Associates, Inc.	Connecticut
Covanta OPWH, Inc.	Delaware
Covanta Pasco, Inc.	Florida
Covanta Philippines Operating, Inc.	Cayman Islands
Covanta Plant Services of New Jersey, Inc.	New Jersey
Covanta Power Development of Bolivia, Inc.	Delaware
Covanta Power Development, Inc.	Delaware
Covanta Power Equity Corporation	Delaware
Covanta Power International Holdings, Inc.	Delaware
Covanta Power Plant Operations	California
Covanta Power Pacific, Inc.	California
Covanta Projects of Hawaii, Inc.	Hawaii
Covanta Projects of Wallingford, L.P.	Delaware
Covanta Projects, Inc.	Delaware
Covanta RRS Holdings Inc.	Delaware
Covanta Samalputti Operating Pvt. Ltd.	India
Covanta SBR Associates	Massachusetts
Covanta Secure Services, Inc.	Delaware
Covanta SIGC Energy, Inc.	Delaware
Covanta SIGC Energy II, Inc.	California
Covanta SIGC Geothermal Operations, Inc.	California
Covanta Stanislaus, Inc.	California
Covanta Systems, Inc.	Delaware
Covanta Tampa Bay, Inc.	Florida
Covanta Tampa Construction, Inc.	Delaware
Covanta Three Limited	Mauritius
Covanta Two Limited	Mauritius

Covanta Union, Inc.	New Jersey
Covanta Wallingford Associates, Inc.	Connecticut
Covanta Warren Energy Resource Co., L.P.	Delaware
Covanta Waste to Energy of Italy, Inc.	Delaware
Covanta Waste to Energy, Inc.	Delaware
Covanta Waste to Energy Asia Investments	Mauritius
Covanta Water Holdings, Inc.	Delaware
Covanta Water Systems, Inc.	Delaware
Covanta Water Treatment Services, Inc.	Delaware
DSS Environmental, Inc.	New York
Edison Bataan Cogeneration Corporation	Philippines
El Gorguel Energia S.L.	Spain
Enereurope Holdings III B.V.	Netherlands
ERC Energy II, Inc.	Delaware
ERC Energy, Inc.	Delaware
GBL Power Limited (8)	India
Generating Resource Recovery Partners, L.P. (1)	California
Goa Holdings Limited	Mauritius
Great Eastern Energy Corporation Limited (9)	Thailand
Greenway Insurance Company of Vermont	Vermont
Gulf Cogeneration Co. Limited	Thailand
Gulf Power Generation (10)	Thailand
Haugzhou Linan Ogden-Jinjiang Cogeneration Co., Limited (10)	Mauritius
Haverhill Power, Inc.	Massachusetts
Heber Field Energy II, Inc.	Delaware
Heber Loan Partners	California
Hidro Operaciones Don Pedro S.A.	Costa Rica
Hungarian-American Geothermal Limited Liability Company (2)	Hungary
Island Power Corporation (3)	Philippines
Koma Kulshan Associates (1)	California
LINASA Cogeneracion y Asociados, S.L. (1)	Spain
LMI, Inc.	Massachusetts
Madurai Power Pvt. Limited (11)	India
Magellan Cogeneration, Inc.	Philippines
Mammoth Geothermal Company	California
Mammoth Pacific, L.P. (1)	California
Mammoth Power Associates, L.P.	California
Michigan Waste Energy, Inc.	Delaware
Mt. Lassen Power	California
NEPC Consortium Power Limited (12)	Bangladesh
Ogden Balaji O&M Services Private Limited (5)	India
Ogden Energy of Bongaigaon Private Limited	India
Ogden Energy Gulf Limited	Mauritius
Ogden Energy India (Bakreshwar) Limited	Mauritius
Ogden Martin Systems of Nova Scotia Limited	Canada
Ogden Power Development - Cayman, Inc.	Cayman Islands
Ogden Taiwan Investments Limited	Mauritius
Olmec Insurance Limited	Bermuda
OPDB Limited	Cayman Islands

Operaciones LICA S.L.	Spain
OPI Carmona Limited	Cayman Islands
OPI Carmona One Limited	Cayman Islands
OPI Quezon, Inc.	Delaware
Pacific Energy Resources, Inc.	California
Pacific Geothermal Company	California
Pacific Hydropower Company	California
Pacific Oroville Power, Inc.	California
Pacific Recovery Corporation	California
Pacific Wood Fuels Company	California
Pacific Wood Services Company	California
Pacific Ultrapower Chinese Station (1)	California
Penstock Power Company	California
Power Operations and Maintenance Ltd (4)	Bermuda
Prima S.r.l. (13)	Italy
Quezon Equity Funding Limited (14)	Cayman Islands
Quezon Power, Inc. (6)	Cayman Islands
Quezon Power (Philippines) Limited (15)	Philippines
Samalpatti Power Company Private Limited (10)	India
Taixing Ogden (Madian) Cogeneration Co., Limited (10)	Mauritius
Taixing Ogden-Yanjiang Cogeneration Co., Limited (10)	Mauritius
Three Mountain Power, LLC	Delaware
Three Mountain Operations, Inc.	Delaware
Zibo Ogden-Bohui Cogeneration Co. Limited (10)	Mauritius

---

(1) 50% owned
(2) 37.5% owned
(3) 40% owned
(4) To be provided by amendment
(5) 99.98% owned
(6) 27.5% owned
(7) 40% owned
(8) 49% owned
(9) 29% owned
(10) 60% owned
(11) 74.8% owned
(12) 45.1% owned
(13) 13% owned
(14) 27.4% owned
(15) 21% owned as limited partner, 77% as general partner

MANAGEMENT AND CONTROL

4. Directors and executive officers.

The following table sets forth the names of and all offices held by all current executive officers and directors (as defined in Sections 303(5) and 303(6), respectively, of the Trust Indenture Act of 1939 (the "TIA") of the Company. The mailing address for each executive officer and director listed below is c/o Covanta Energy Corporation, 40 Lane Road, Fairfield, NJ 07004 unless otherwise

noted.

Name	Office(s)
Anthony J. Orlando	President and Chief Executive Officer
Bruce W. Stone	Senior Vice President, Business Development and Construction
Jeffrey R. Horowitz	Senior Vice President, General Counsel and Secretary
John M. Klett	Senior Vice President, Domestic Operations
Paul B. Clements (1)	Senior Vice President, International Business Management and Operations
B. Kent Burton (1)	Senior Vice President, Policy and International Government Relations
Stephen M. Gansler	Senior Vice President, Human Resources
Louis M. Walters	Vice President and Treasurer
Timothy J. Simpson	Vice President, Associate General Counsel and Assistant Secretary
Seth Myones	Vice President, Business Management, Covanta Waste to Energy, Inc.
George L. Farr	Chairman of Board of Directors
Anthony J. Bolland	Director
Norman G. Einspruch	Director
Jeffrey F. Friedman	Director
Veronica M. Hagen	Director
Scott Mackin	Director
Craig G. Matthews	Director
Homer A. Neal	Director
Robert E. Smith	Director
Joseph A. Tato	Director
Helmut F.O. Volcker	Director
Robert Womack	Director

---

(1) Address is c/o Covanta Energy Corporation, 4029 Ridge Top Road, Suite 200, Fairfax, VA 22030-2828

5. Principal owners of voting securities.

As of the date of this application, the Company believes that no person owns 10% or more of the Company's voting securities.

UNDERWRITERS

6. Underwriters.

Not applicable.

CAPITAL SECURITIES

7. Capitalization.

(a) The following table sets forth certain information with respect to each authorized class of securities of the Company as of the date of this application.

Col. A Title of Class	Col. B Amount Authorized	Col. C Amount Outstanding
1. Common Stock, par value $.50 per share	80,000,000 shares	49,824,251 shares
2. $1.875 Cumulative Convertible Preferred Stock (Series A)	4,000,000 shares	33,049 shares
3. 9.25% Debentures due 2022	$100,000,000	$100,000,000
4. 6% Convertible Debentures due June 1, 2002	$85,000,000	$85,000,000
5. 5.75% Convertible Debentures due October 20, 2002	$75,000,000	$63,650,000

(b) The following is a brief outline of the voting rights of each class of voting securities. The holders of common stock possess full voting power with respect to the election of directors and all other purposes, except as limited by the Delaware General Corporation Law and except as described below. Each holder of common stock is entitled to one vote for each full share of common stock then issued and outstanding and held in such record holder's name. Holders of common stock vote together with the holders of Series A preferred stock and would vote together with the holders of any other series of preferred stock that may be issued and entitled to vote in such manner, and not as a separate class. The Company's Certificate of Incorporation does not provide for either preemptive rights or cumulative voting with respect to common stock or preferred stock.

The holders of Series A preferred stock are entitled to one-half vote for each share of Series A preferred stock and except as described below, vote together as a class with the holders of common stock. However, if at any time dividends with respect to the Series A preferred stock have not been paid in an amount equal to or exceeding the dividends payable in respect of six quarterly periods, then the holders of Series A preferred stock, voting as a separate class with each share of Series A preferred stock having one vote, are entitled to elect two additional directors to the Board of Directors at the next annual meeting of stockholders in lieu of voting together with the holders of common stock in the election of directors, with such right continuing until all dividends in default have been paid. In addition, the separate consent or approval of at least

two-thirds of the number of shares of any series of preferred stock then outstanding is required before the Company can undertake certain transactions, as specified in the Company's Certificate of Incorporation, that may have the effect of adversely affecting the rights of such series.

INDENTURE SECURITIES

8. Analysis of indenture provisions.

Secured Notes Indenture

The following is a general description of certain provisions of the Secured Notes Indenture. This description is qualified in its entirety by reference to the form of Secured Notes Indenture filed as Exhibit T3C-1 hereto. Capitalized terms used in this Item 8 and not defined elsewhere in this application have the meanings given to such terms in the Secured Notes Indenture.

(a) Events of Default; Withholding of Notice

Each of the following is an "Event of Default" under the Secured Notes Indenture:

(1) the Company defaults for 30 consecutive days in the payment when due of interest on the Secured Notes;

(2) the Company defaults in payment when due of the principal or Accreted Value of, or premium, if any, on the Secured Notes;

(3) failure by the Company or any of its Restricted Subsidiaries to comply with its obligations to make any Change of Control Payment pursuant to Section 4.15 of the Secured Notes Indenture or to comply with the provisions of Section 5.01 of the Secured Notes Indenture;

(4) failure by the Company or any of its Restricted Subsidiaries for 30 days after written notice from the Trustee or Holders of at least 25% in aggregate principal amount of the outstanding Secured Notes to comply with the provisions of any of Sections 4.07, 4.09 or 4.10 of the Secured Notes Indenture;

(5) failure by the Company or any of its Restricted Subsidiaries for 60 days after written notice from the Trustee or Holders of at least 25% in aggregate principal amount of the outstanding Secured Notes to comply with any of the other agreements in the Secured Notes Indenture or the Security Documents;

(6) default under any mortgage, indenture, agreement or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or any of its Restricted Subsidiaries whether such Indebtedness now exists, or is created after the Issue Date, if that default:

(A) is caused by a failure to pay principal of or liquidation preference of such Indebtedness at the final stated maturity thereof (giving effect to any applicable grace periods and any extensions thereof); or

(B) results in the acceleration of such Indebtedness prior to its express maturity; or

(C) results in a requirement that the Company or any of its Restricted Subsidiaries collateralize any letter of credit thereunder and the Company or such Restricted Subsidiary fails to provide the required collateral on the terms and within the times set forth therein (giving effect to any applicable grace periods and any extensions thereof);

and, in each case, if the principal amount of such Indebtedness or the amount of such collateralization requirement aggregates $20.0 million or more;

(7) any final judgment or judgments for the payment of money in an aggregate amount in excess of $10.0 million (or its foreign currency equivalent at the time) in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies shall have been rendered against the Company or any Restricted Subsidiary of the Company that is a Significant Subsidiary and shall not have been waived, satisfied, bonded or discharged for any period of 60 consecutive days during which a stay of enforcement is not in effect;

(8) the Company or any Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of or taking possession by a custodian, receiver, liquidator, trustee, assignee or sequestrator of it or for all or substantially all of its property; or

(D) makes a general assignment for the benefit of its creditors; or

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Restricted

Subsidiary of the Company (other than a Bankrupt Subsidiary) that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken as a whole, would constitute a Significant Subsidiary in an involuntary case; or

(B) appoints a custodian, receiver, liquidator, trustee, assignee or sequestrator of the Company or any Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) that is a Significant Subsidiary or for all or substantially all of the property of the Company or any Restricted Subsidiary of the Company that is a Significant Subsidiary or, in either case, any group of Restricted Subsidiaries of the Company that, taken as a whole, would constitute a Significant Subsidiary; or

(C) orders the liquidation of the Company or any Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken as a whole, would constitute a Significant Subsidiary; and the order or decree remains unstayed and in effect for 60 consecutive days; or

(D) (a) any Subsidiary Guarantee or any Security Document or any security interest granted thereby is held in any judicial proceeding to be unenforceable or invalid, or ceases for any reason to be in full force and effect and such default continues for ten days after written notice, or (b) the Company or any Guarantor, or any Person acting on behalf of the Company or any Guarantor, denies or disaffirms its obligations under any Subsidiary Guarantee or Security Document.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee will mail to Holders of Secured Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium or interest on any Secured Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notices is in the interests of the Holders of the Secured Notes.

(b) Execution and Authentication of the Secured Notes

An Officer must sign the Secured Notes for the Company and an Officer or director of each Guarantor must sign such Guarantor's Guarantee, in each case, by manual or facsimile signature. If an Officer or director whose signature is on a Secured Note or Guarantee no longer holds that office at the time a Secured Note or Guarantee is authenticated, the Secured Note or Guarantee will nevertheless be valid.

A Secured Note will not be valid until authenticated by the manual or facsimile signature of the Trustee. The signature will be conclusive evidence that the Secured Note has been authenticated under the Secured Notes Indenture.

On the date of the Secured Notes Indenture, the Trustee will, upon receipt of a

written order of the Company signed by two Officers, authenticate the Secured Notes for $230.0 million in aggregate principal amount at Stated Maturity. The Trustee may appoint an authenticating agent acceptable to the Company to authenticate the Secured Notes. An authenticating agent may authenticate the Secured Notes whenever the Trustee may do so.

(c) Release of Collateral Subject to the Lien of the Secured Notes Indenture

(a) Notwithstanding anything to the contrary in this Section of the Secured Notes Indenture, as long as the Company is in compliance with the provisions of Section 10.03(a) of the Secured Notes Indenture, the Company or any Guarantor may, pursuant to and in accordance with the Secured Notes Indenture and the Security Documents, without requesting the release or consent of the Trustee or the Collateral Agent or any Holder and without delivering an Officer's Certificate:

(A) sell or dispose of in the ordinary course of business, free from the Lien and security interest created by the Security Documents, any machinery, equipment, furniture, apparatus, tools, implements, materials, supplies or other similar property ("Subject Property") which, in the Company's reasonable opinion, may have become obsolete or unfit for use in the conduct of its business or the operation of the Collateral upon replacing the same with, or substituting for the same, new Subject Property constituting Collateral not necessarily of the same character but being of at least equal value and utility as the Subject Property so disposed of, as long as such new Subject Property becomes subject to the Lien and security interest created by the Security Documents;

(B) abandon, sell, assign, transfer, license or otherwise dispose of in the ordinary course of business any personal property the use of which is no longer necessary or desirable in the proper conduct of the business or maintenance of the earnings of the Company and its Subsidiaries, taken as a whole, and is not material to the conduct of the business of the Company and its Subsidiaries, taken as a whole;

(C) grant in the ordinary course of business rights-of-way and easements over or in respect of any of the Company's or any Guarantor's real property; provided that such grant will not, in the reasonable opinion of the Board of Directors, impair the usefulness of such property in the conduct of the Company's and its Subsidiaries' business, taken as a whole, and will not be materially prejudicial to the interests of the Holders;

(D) sell, transfer or otherwise dispose of inventory in the ordinary course of business;

(E) sell, collect, liquidate, factor or otherwise dispose of accounts receivable in the ordinary course of business; and

(F) make cash payments (including for the scheduled repayment of

Indebtedness) from cash that is at any time part of the Collateral in the ordinary course of business that are not otherwise prohibited by the Secured Notes Indenture and the Security Documents.

(b) Except as may be otherwise provided in the Security Documents or in Section 10.03 of the Secured Notes Indenture, no Collateral may be released from the Lien and security interest created by the Security Documents pursuant to the provisions of the Security Documents unless the Officer's Certificate required by Section 10.03 has been delivered to the Collateral Agent.

(c) At any time when a Default or Event of Default has occurred and is continuing and the maturity of the Notes has been accelerated (whether by declaration or otherwise) and the Trustee has delivered a notice of acceleration to the Collateral Agent, no release of Collateral pursuant to the provisions of the Security Documents will be effective as against the Holders, except as otherwise provided in the Security Documents.

(d) The release of any Collateral from the terms of the Secured Notes Indenture and the Security Documents shall not be deemed to impair the security under the Secured Notes Indenture in contravention of the provisions hereof if and to the extent the Collateral is released pursuant to the terms of the Security Documents and the Secured Notes Indenture. To the extent applicable, the Company will cause TIA Section 313(b), relating to reports, and TIA Section 314(d), relating to the release of property or securities from the Lien and security interest of the Security Documents and relating to the substitution therefor of any property or securities to be subjected to the Lien and security interest of the Security Documents, to be complied with. Any certificate or opinion required by TIA Section 314(d) may be made by an Officer of the Company except in cases where TIA Section 314(d) requires that such certificate or opinion be made by an independent Person, which Person will be an independent engineer, appraiser or other expert selected or approved by the Trustee and the Collateral Agent in the exercise of reasonable care, and in accordance with TIA; provided that the fair value of Collateral released from the Lien and security interest of the Security Documents pursuant to the last paragraph of Section 10.03(a) shall not be considered in determining whether the aggregate fair value of Collateral released from the Lien and security interest of the Security Documents in any calendar year exceeds the 10% threshold specified in TIA Section 314(d)(1). The Company's and each Guarantor's right to rely on the immediately preceding proviso at any time is conditioned upon the Company having furnished to the Trustee all certificates described in Section 10.03(f) that were required to be furnished to the Trustee at or prior to such time.

(e) The Company may from time to time file with the Commission a request for an exemption (an "Exemption") from the requirements of TIA Section 314(d) for purposes of the releases of Collateral described in the last paragraph of Section 10.03(a). The Company shall provide the Trustee with a copy of any such Exemption and promptly inform the Trustee of any rescission or termination of, or amendment to, such Exemption.

(f) In the case of transactions permitted by the last paragraph of Section 10.03(a) of the Secured Notes Indenture, the Company shall deliver to the

Trustee, within 15 days after the end of each of the six month periods ended on [_____] and [_____] of each year, a certificate signed on behalf of the Company by an Officer of the Company to the effect that all transactions effected pursuant to the last paragraph of Section 10.03(a) of the Secured Notes Indenture during the immediately preceding six month period were made by the Company and the Guarantors in the ordinary course of business and that all proceeds therefrom were used by the Company and the Guarantors in connection with their respective businesses or to make payments on the Notes or as otherwise permitted under the Secured Notes Indenture and the Security Documents.

(d) Satisfaction and Discharge

The Secured Notes Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(A) all Secured Notes that have been authenticated (except lost, stolen or destroyed Secured Notes that have been replaced or paid and Secured Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company) have been delivered to the Trustee for cancellation; or

(B) all Secured Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Secured Notes not delivered to the Trustee for cancellation for principal, premium (if any) and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company or any Guarantor has paid or caused to be paid all sums payable under the Secured Notes Indenture;

(4) the Company has delivered irrevocable instructions to the Trustee under the Secured Notes Indenture to apply the deposited money toward the payment of the Secured Notes at maturity or the redemption date, as the case may be; and

(5) the Company has delivered an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Notwithstanding the satisfaction and discharge of the Secured Notes Indenture; if money has been deposited with the Trustee pursuant to subclause (b) of clause (1) of Section 12.01(a), the provisions of Section 12.02 and Section 8.06 of the Secured Notes Indenture will survive. In addition, nothing in Section 12.01 of the Secured Notes Indenture will be deemed to discharge those provisions of Section 7.07, that, by their terms, survive the satisfaction and discharge of the Secured Notes Indenture.

(e) Evidence to be Furnished by the Company to the Trustee as to Compliance with Conditions and Covenants in the Indenture

The Company and each Guarantor (to the extent that such Guarantor is so required under the TIA) shall deliver to the Trustee, within 105 days after the end of each fiscal year, an Officer's Certificate of the Company and such Guarantor, respectively, stating that, in the course of performing his or her duties as officers of the Company or such Guarantor, as applicable, a review of the activities of the Company or such Guarantor and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company or such Guarantor has kept, observed, performed and fulfilled each and every covenant contained in the Secured Notes Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of the Secured Notes Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company or such Guarantor is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal or Accreted Value of, or interest or premium, if any, on, the Secured Notes are prohibited or if such event has occurred, a description of the event and what action the Company or such Guarantor is taking or proposes to take with respect thereto.

So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03(a)(1) of the Secured Notes Indenture shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that caused them to believe that, with respect to financial and accounting matters, the Company has violated any provisions of Article 4 or Article 5 or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation. [Subject to Auditor Review].

So long as any of the Secured Notes are outstanding, the Company shall

deliver to the Trustee, within 5 Business Days after the date on which any Officer of the Company becomes aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Subordinated Notes Indenture

The following is a general description of certain provisions of the Subordinated Notes Indenture. This description is qualified in its entirety by reference to the form of Indenture filed as to be filed by amendment hereto. Capitalized terms used in this Item 8 and not defined elsewhere in this application have the meanings given to such terms in the Indenture.

(a) Events of Default; Withholding of Notice

Each of the following is an "Event of Default" under the Subordinated Notes Indenture:

(A) default in the payment when due of the principal of any Secured Notes, including the failure to make a required payment to purchase Secured Notes tendered pursuant to an optional redemption, except if the Company is prohibited from making such payment pursuant to Section 10.3 of the Secured Notes Indenture and for five Business Days after the relevant prohibition is terminated;

(B) default for 30 days or more in the payment when due of interest on any Secured Notes, except if the Company is prohibited from making such payment pursuant to Section 10.3 of the Secured Notes Indenture and for five Business Days after the relevant prohibition is terminated;

(C) the failure to perform or comply with any other covenant or agreement contained in the Secured Notes Indenture or in the Secured Notes for 60 days or more after written notice to the Company from the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Secured Notes;

(D) a Bankruptcy Event of Default; and

(E) default by the Company under any Indebtedness which results in the acceleration of such Indebtedness prior to its Stated Maturity and the principal or accreted amount of Indebtedness at the relevant time aggregates $20 million or more.

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

The Company shall deliver to the Trustee upon becoming aware of any Default or Event of Default written notice in the form of an Officers' Certificate of any Default or Event of Default, their status and what action the Company proposes

to take in respect thereof.

If a Default or Event of Default occurs and is continuing and if a Trust Officer has actual knowledge thereof, the Trustee shall mail to each Holder notice of the Default or Event of Default within 90 days after the occurrence thereof. Except in the case of a Default or Event of Default in payment of principal of or interest on any Subordinated Note, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of the Holders.

(b) Execution and Authentication of the Subordinated Notes under the Indenture and Application of Proceeds

(a) Two Officers shall sign the Subordinated Notes for the Company by manual or facsimile signature. If an Officer whose signature is on a Subordinated Note no longer holds that office at the time the Trustee authenticates the Subordinated Note, the Subordinated Note shall be valid nevertheless.

(b) A Subordinated Note shall not be valid until an authorized signatory of the Trustee manually authenticates the Subordinated Note. The signature of the Trustee on a Subordinated Note shall be conclusive evidence that such Subordinated Note has been duly and validly authenticated and issued under the Subordinated Notes Indenture.

(c) At any time and from time to time after the execution and delivery of the Subordinated Notes, the Trustee shall authenticate and make available for delivery Subordinated Notes upon a written order of the Company signed by two Officers or by an Officer and either an Assistant Treasurer or an Assistant Secretary of the Company (the "Company Order"). A Company Order shall specify the amount of the Subordinated Notes to be authenticated and the date on which the original issue of Subordinated Notes is to be authenticated. The aggregate principal amount that may be authenticated and delivered under the Subordinated Notes Indenture is limited to [$? million], except for Subordinated Notes authenticated and delivered in exchange for or in lieu of Subordinated Notes pursuant to Sections 2.7, 2.8, 2.9 and 4.7 of the Subordinated Notes Indenture.

(d) The Trustee may appoint an agent (the "Authenticating Agent") reasonably acceptable to the Company to authenticate the Subordinated Notes. Unless limited by the terms of such appointment, any such Authenticating Agent may authenticate Subordinated Notes whenever the Trustee may do so. Each reference in the Subordinated Notes Indenture to authentication by the Trustee includes authentication by the Authenticating Agent.

(c) Release of Note Collateral Subject to the Lien of the Subordinated Indenture

Not applicable.

(d) Satisfaction and Discharge of the Subordinated Indenture

The Subordinated Notes Indenture will be discharged and will cease to be of

further effect (except as to surviving rights or registration of transfer or exchange of the Subordinated Notes, as expressly provided for in the Indenture) as to all Outstanding Notes when:

(a) either:

(i) all the Subordinated Notes theretofore executed, authenticated and delivered (except lost, stolen or destroyed Subordinated Notes which have been replaced or paid and Subordinated Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation, or

(ii) all Subordinated Notes not theretofore delivered to the Trustee for cancellation have become due and payable, and the Company has irrevocably deposited or caused to be deposited with the Trustee to be held in trust U.S. Legal Tender or U.S. Government Obligations sufficient to pay, without consideration of any reinvestment of interest, and discharge the entire indebtedness on the Subordinated Notes not theretofore delivered to the Trustee for cancellation, for principal of and interest on the Subordinated Notes to the date of deposit, together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment;

(b) the Company has paid all other sums payable under the Subordinated Notes Indenture and the Subordinated Notes by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions under the Subordinated Notes Indenture relating to the satisfaction and discharge of the Subordinated Notes Indenture have been complied with.

(e) Evidence to be Furnished by the Company to the Trustee as to Compliance with Conditions and Covenants in the Indenture

The Company shall deliver to the Trustee within 120 days after the end of each Fiscal Year of the Company an Officers' Certificate that complies with TIA ss. 314(a)(4) stating that in the course of the performance by the signers of their duties as Officers of the Company they would normally have knowledge of any Default or Event of Default and whether or not the signers know of any Default or Event of Default that occurred during such period. If they do, the certificate shall describe the Default or Event of Default, its status and what action the Company is taking or proposes to take with respect thereto. The Company also shall comply with any other applicable requirements of TIA ss. 314(a)(4).

9. Other obligors.

None.

CONTENTS OF APPLICATION FOR QUALIFICATION

This application for qualification comprises:

(a) Pages numbered 1 to 23, consecutively.

(b) The statement of eligibility and qualification of each trustee under the indenture to be qualified: To be supplied by amendment.

(c) The following exhibits in addition to those filed as a part of the statement of eligibility and qualification of each trustee.

Exhibit T3A-1. The Company's Restated Certificate of Incorporation as amended, filed as Exhibit 3(a) to the Company's Form 10-K for the fiscal year ended December 31, 1988 and incorporated herein by reference.

Exhibit T3A-2. Certificate of Ownership and Merger, Merging Ogden-Covanta, Inc. into Ogden Corporation, dated March 7, 2001, filed as Exhibit 3.1(b) to the Company's Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference.

Exhibit T3B. The Company's By-Laws as amended, filed as Exhibit 3.2 to the Company's Form 10-Q for the quarterly period ended March 31, 1998 and incorporated herein by reference.

Exhibit T3C-1. Form of Indenture for 8.25% Senior Secured Notes due 2011 between Covanta and the Trustee.

Exhibit T3C-2. Form of Indenture for 7.5% Unsecured Subordinated Notes due 2012 between Covanta and the Trustee: To be supplied by amendment.

Exhibit T3D. Not applicable.

Exhibit T3E-1. Debtors' Second Joint Reorganization Plan under Chapter 11 of the Bankruptcy Code.

Exhibit T3E-2. Debtors' Second Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code.

Exhibit T3E-3. Second Disclosure Statement with Respect to Reorganizing Debtors' Second Joint Plan of Reorganization and Liquidating Debtors' Second Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code.

Exhibit T3F-1. Cross reference sheet showing the location in the Secured Notes Indenture of the provisions inserted therein pursuant to Section 310 through 318(a), inclusive, of the Trust Indenture Act of 1939.

Exhibit T3F-2. Cross reference sheet showing the location in the Subordinated Notes Indenture of the provisions inserted therein pursuant to Section 310 through 318(a), inclusive, of the Trust Indenture Act of 1939.: To be supplied by amendment.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the applicant, Covanta Energy Corporation, a corporation organized and existing under the laws of Delaware, has duly caused this application to be signed on its behalf by the undersigned, thereunto duly authorized, and its seal to be hereunto affixed and attested, all in the city of Fairfield, and State of New Jersey, on the 26th day of January 2004.

(SEAL)

By

/s/ Jeffrey Horowitz

Jeffrey R. Horowitz
Senior Vice President and
General Counsel

Attest: /s/ Maria Stephenson

Maria Stephenson
Executive Assistant

THE 8.25% SENIOR SECURED NOTES DUE 2011 WILL BE INITIALLY ISSUED IN GLOBAL FORM AND HELD BY DTC. PLAN PARTICIPANTS ENTITLED TO RECEIVE NOTES WILL BE REQUIRED TO HOLD THEIR INTERESTS DIRECTLY OR INDIRECTLY THROUGH DTC PARTICIPANTS EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS INDENTURE.

COVANTA ENERGY CORPORATION

and each of the Guarantors named herein

8.25% SENIOR SECURED NOTES DUE 2011

INDENTURE

Dated as of [_____], 2004

[_____]

as Trustee

CROSS-REFERENCE TABLE*

Trust Indenture Act Section		Indenture Section
310	(a)(1)	7.10
	(a)(2)	7.10
	(a)(3)	N.A.
	(a)(4)	N.A.
	(a)(5)	7.08, 7.10
	(b)	7.08, 7.10, 13.02
	(c)	N.A.
311	(a)	7.11
	(b)	7.11
	(c)	N.A.
312	(a)	2.05
	(b)	13.03
	(c)	13.03
313	(a)	7.06
	(b)(1)	N.A.
	(b)(2)	7.06
	(c)	7.06
	(d)	7.06
314	(a)	4.03, 4.04
	(b)	10.02
	(c)(1)	7.02, 13.04
	(c)(2)	7.02, 13.05

	(c)(3)	N.A.
	(d)	10.03, 10.04, 10.05
	(e)	13.05
	(f)	N.A.
315	(a)	7.01(b)
	(b)	7.05
	(c)	7.01
	(d)	6.05, 7.01(c)
	(e)	6.11
316	(a) (last sentence)	2.9
	(a)(1)(A)	6.05
	(a)(1)(B)	6.04
	(a)(2)	N.A.
	(b)	6.07
	(c)	9.04
317	(a)(1)	6.08
	(a)(2)	6.09
	(b)	2.04
318	(a)	13.01
	(b)	N.A.
	(c)	13.01

N.A. means not applicable

*This Cross Reference Table is not part of the Indenture.

TABLE OF CONTENTS

INDENTURE dated as of _____, 2004 among Covanta Energy Corporation, a Delaware corporation (the "Company"), the Guarantors (as defined) and [_____], as trustee (the "Trustee").

The Company, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined) of the 8.25% Senior Secured Notes due 2011 (the "Notes"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 Definitions.

"Accreted Value" means, with respect to each $1,000 principal amount at Stated Maturity of Notes, (i) as of the Issue Date, the Initial Principal Amount; (ii) as of the Stated Maturity of the principal of the Notes, $1,000.00 and (iii) as of any other date of determination, the Initial Principal Amount plus an accretion on such Initial Principal Amount equal to an amount that causes the yield to maturity on such Note (taking into account the amount and timing of all payments of stated interest at the Stated Maturity of such payments, other than additional interest payable pursuant to Section 4.21, if any) to equal [10.480002%] per annum, calculated on a semi-annual bond equivalent basis using a 360-day year comprised of twelve 30-day months and rounded to the nearest $0.01.

"Acquired Debt" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired or owned by such specified Person.

"Adjusted EBITDA" means, for any period, for the Company and its Consolidated Subsidiaries (i) without duplication, the aggregate amount derived by combining the amounts for such period of (a) "Operating income (loss)", plus (b) Net Depreciation and Amortization Expense, plus (c) "Amortization of premium and discount, net", plus (d) "Unbilled receivables", to the extent associated with accretion accounting for Limited Recourse Debt relating to Projects of the Company and its Subsidiaries, minus (e) "Equity in income from unconsolidated investments", minus (ii) without duplication, the aggregate amount derived by combining the amounts (each expressed as a positive number) for such period of (a) "Payment of debt", to the extent consisting of principal payments on Limited Recourse Debt relating to Projects of the Company and its Subsidiaries, plus (b) "Minority interests", plus (c) the change in Accreted Value of the Notes, as each such line item referred to in clauses (i)(a), (i)(e) and (ii)(b) is reflected in the Company's consolidated statement of income prepared in conformity with GAAP and as each such line item referred to in clauses (i)(c), (i)(d) and (ii) (a) is reflected in the Company's consolidated statement of cash flows prepared in conformity with GAAP, in each case reported in a manner consistent with the Company's reporting of such amount in its last quarterly or annual report (as the case may be) on Form 10-Q or Form 10-K, respectively, filed with the Commission prior to the Issue Date, whether such line items are so titled or otherwise titled; provided, however, that, with respect to any such

period ending during 2008, each of the line items referred to above shall be calculated as if the terms of the service agreement of the Company and its Subsidiaries relating to the Alexandria Project in effect for fiscal year 2007 continued in effect during 2008, without giving effect to any negative impact on Adjusted EBITDA from the terms of any extension in 2008 of such service agreement.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Registrar, co-registrar, Paying Agent or additional paying agent.

"Applicable Procedures" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Clearstream that apply to such transfer or exchange.

"Approved DHC Investor" means any Person that acquires shares of common stock of DHC pursuant to a transaction determined by at least a majority of the members of the board of directors of DHC (who are not representatives, nominees or Affiliates of such Person) to be in the best interests of DHC and its stockholders.

"Asset Sale" means:

(1) the sale, lease, conveyance or other disposition of any assets, property or rights (other than the sale of Equity Interests of the Company by the Company); provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole will be governed by Section 4.15 or Section 5.01 and not by Section 4.10; and

(2) the issuance of Equity Interests by any Restricted Subsidiary of the Company or the sale of Equity Interests in any Restricted Subsidiary of the Company.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets, property or rights or the issuance of Equity Interests having a fair market value, or yielding Net Proceeds, of less than $10.0 million;

(2) any transfer of assets, property or rights by the Company to a Restricted Subsidiary of the Company or by a Restricted Subsidiary of the Company to the Company or another Restricted Subsidiary of the Company;

(3) an issuance of Equity Interests by a Restricted Subsidiary of the Company to the Company or a Restricted Subsidiary of the Company;

(4) the sale, lease, sublease or assignment of equipment, inventory, accounts receivable or other assets, property or rights in the ordinary course of business;

(5) the disposition of equipment no longer used or useful in the business of the Company or any of its Restricted Subsidiaries;

(6) a Sale/Leaseback Transaction with respect to any assets within 90 days of the acquisition of such assets which complies with the terms of this Indenture;

(7) the sale or other disposition of Cash Equivalents;

(8) the grant of any license of patents or trademarks or registrations therefor and other similar intellectual property in the ordinary course of business;

(9) the granting of any Permitted Lien (or the foreclosure thereon);

(10) the surrender or waiver of contract rights or the settlement, release or surrender of a contract, tort or other litigation claim in the ordinary course of business;

(11) any sale of Indebtedness or other securities of an Unrestricted Subsidiary of the Company;

(12) a Restricted Payment permitted to be made under Section 4.07 or a Permitted Investment; or

(13) any issuance of employee stock options or stock awards pursuant to benefit plans in existence on the Issue Date.

"Attributable Debt" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in such transaction, determined in accordance with GAAP) of the total obligations of the lessee for net rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended or may be, at the option of the lessor, extended).

"Bank Indebtedness" means any and all amounts payable under or in respect of the Credit Agreements and any Permitted Refinancing Indebtedness with respect thereto, as amended from time to time, including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Company or any Guarantor whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"Bankruptcy Court" means the United States Bankruptcy Court for the Southern District of New York and any other court properly exercising jurisdiction over any relevant case under Chapter 11 of the Bankruptcy Law.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Bankrupt Subsidiary" means any of Covanta Warren Energy Resource Co. LP, a Delaware limited partnership, Covanta Lake, Inc., a Florida corporation, Covanta Babylon, Inc., a New York corporation, Covanta Construction, Inc., a Delaware corporation or Covanta Tampa Bay, Inc., a Florida corporation, in each case so long as such Person remains subject to the Chapter 11 Cases before the Bankruptcy Court.

"Beneficial Owner" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Own" and "Beneficially Owned" have a corresponding meaning.

"Board of Directors" means the Board of Directors of the Company.

"Business Day" means any day other than a Legal Holiday.

"Capital Lease Obligation" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means:

(1) United States dollars;

(2) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality of the United States government having maturities of not more than one year from the date of acquisition;

(3) time deposits, demand deposits, certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding one year and overnight bank deposits, in each case, with any bank lender party to the First Lien Letter of Credit Facility or an Affiliate thereof or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thomson Bank Watch Rating of "B" or better;

(4) securities issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Moody's or S&P;

(5) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(6) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and in each case maturing within one year after the date of acquisition; and

(7) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (6) of this definition.

"Change of Control" means the occurrence of any of the following:

(1) any "person" (as such term is used in Section 13(d)(3) of the Exchange Act), other than one or more Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company, whether as a result of the issuance of securities of the Company, any merger, consolidation, liquidation or dissolution of the Company, any direct or indirect transfer of securities or otherwise; provided that the creation of a holding company to own all of the Capital Stock of the Company will not be deemed to constitute a Change of Control under this clause (1) if, immediately after consummation of such transaction, the holders of the Capital Stock of such holding company are the same holders of the Capital Stock of the Company immediately before such transaction and the percentage holding of such holders is unaffected by the creation of such holding company;

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

(3) the adoption of a plan relating to the liquidation or dissolution of the Company, other than to effect a Change of Domicile; or

(4) the sale, lease or transfer, other than by way of merger or consolidation, in one or a series of related transactions, of all or substantially all the assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" or "group" as that term is used in Section 13(d)(3) of the Exchange Act (other than to the Company, any Guarantor or one or more Permitted Holders or other than to effect a Change of Domicile).

"Change of Domicile" means a transaction or series of related transactions, including without limitation (1) a merger, amalgamation, combination or consolidation of the Company with or into another Person, (2) the acquisition of all the Capital Stock of the Company or (3) the sale, transfer, conveyance or other disposition of all or substantially all the assets of the Company and its Subsidiaries taken as a whole to another Person, the sole purpose of which is to reincorporate the Company in another jurisdiction or organize a successor entity to the Company in another jurisdiction.

"Chapter 11 Cases" means those bankruptcy cases jointly administered under the caption "In re Ogden New York Services, Inc., et al.," Case Nos. 02-40826 (CB), et al.

"Clearstream" means Clearstream Banking, S.A.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means all property and assets of the Company or any Guarantor with respect to which from time to time a Lien is granted as security for the Notes pursuant to the applicable Security Documents.

"Collateral Agent" means Bank of America, N.A. in its capacity as the "Collateral Agent" as appointed pursuant to the Security Documents and any successor thereto in such capacity.

"Commission" means the Securities and Exchange Commission.

"Company" means Covanta Energy Corporation, a Delaware corporation, and any and all successors thereto.

"Consolidated Cash Interest Expense" means, for any period, (i) Consolidated Interest Expense for such period minus (ii) to the extent included in Consolidated Interest Expense for such period, the change in Accreted Value of the Notes, interest paid in kind and not in cash during such period and any other amounts not paid or payable in cash.

"Consolidated Coverage Ratio" means, with respect to the Company and its Consolidated Subsidiaries, as of any date of determination, the ratio of:

(1) the aggregate amount of Adjusted EBITDA for the period of the most recent four consecutive fiscal quarters (commencing on or after the Issue Date) for which internal financial statements are available prior to the date of such determination to

(2) Consolidated Cash Interest Expense for such four fiscal quarters; provided, however, that:

(A) if the Company or any of its Restricted Subsidiaries has incurred any Indebtedness since the beginning of such period that remains outstanding on such date of determination or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an incurrence of Indebtedness, Adjusted EBITDA and Consolidated Cash Interest Expense for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been incurred on the first day of such period (in each case other than Indebtedness incurred under any revolving credit facility, in which case interest expense shall be computed based upon the average daily balance of such Indebtedness during the applicable period) and the discharge of any other Indebtedness repaid, repurchased, defeased (whether legally or as to covenants only) or otherwise discharged with the proceeds of such new Indebtedness as if

such discharge had occurred on the first day of such period;

(B) if the Company or any of its Restricted Subsidiaries has repaid, repurchased, defeased or otherwise discharged, including permanent reductions in letter of credit commitments, any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased (whether legally or as to covenants only) or otherwise discharged, including permanent reductions in letter of credit commitments (in each case, if such Indebtedness has been permanently repaid and has not been replaced, other than Indebtedness incurred under any revolving credit facility unless such Indebtedness is permanently reduced, in which case interest expense shall be computed based upon the average daily balance of such Indebtedness during the applicable period) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, Adjusted EBITDA and Consolidated Cash Interest Expense for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Company or such Restricted Subsidiary has not earned any interest income actually earned during such period in respect of cash or Cash Equivalents used to repay, repurchase, defease or otherwise discharge such Indebtedness;

(C) if since the beginning of such period, the Company or any of its Restricted Subsidiaries has made any Asset Sale, Adjusted EBITDA for such period shall be reduced by an amount equal to Adjusted EBITDA (if positive) directly attributable to the assets that are the subject of such Asset Sale for such period or increased by an amount equal to Adjusted EBITDA (if negative) directly attributable thereto for such period, and Consolidated Cash Interest Expense for such period shall be reduced by an amount equal to the Consolidated Cash Interest Expense directly attributable to any Indebtedness of the Company or any Restricted Subsidiary of the Company repaid, repurchased, defeased or otherwise discharged with respect to the Company and its continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Cash Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Company and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);

(D) if since the beginning of such period, the Company or any of its Restricted Subsidiaries (by merger or otherwise) has made an Investment in any Restricted Subsidiary (or any Person that becomes a Restricted Subsidiary) or an acquisition of assets, including any such Investment or acquisition of assets occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Adjusted EBITDA and Consolidated Cash Interest Expense for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition occurred on the first day of such period; and

(E) if since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary of the Company or was merged with or into the Company or any of its Restricted Subsidiaries since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (C) or (D) above if made by the Company or any of its Restricted Subsidiaries during such period, Adjusted EBITDA and Consolidated Cash Interest Expense for such period shall be calculated after giving pro forma effect thereto as if such Asset Sale, Investment or acquisition of assets occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Cash Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Company. Any such pro forma calculations shall reflect any pro forma expense and cost reductions attributable to such acquisitions, to the extent such expense and cost reduction would be consistent with Regulation S-X, promulgated under the Securities Act, as such regulation is in effect from time to time, and permitted by the Commission to be reflected in pro forma financial statements included in a registration statement filed with the Commission.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest expense on such Indebtedness shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the date of determination in excess of twelve months).

"Consolidated Interest Expense" means, for any period, (i) the total interest expense, net of interest income, of the Company and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, minus (ii) interest expense incurred by the Company or its Consolidated Subsidiaries in such period in connection with Indebtedness constituting Non-Recourse Debt or Limited Recourse Debt, determined on a consolidated basis in accordance with GAAP, plus (iii) to the extent incurred by the Company or its Consolidated Subsidiaries in such period but not included in such interest expense, without duplication, determined in each case on a consolidated basis in accordance with GAAP, except to the extent related to Non-Recourse Debt and Limited Recourse Debt:

(1) interest expense attributable to Capital Lease Obligations and the imputed interest with respect to Attributable Debt;

(2) amortization of debt discount;

(3) amortization of debt issuance costs (other than any such costs associated with the Indebtedness incurred by the Company or its Subsidiaries in accordance with the Plan of Reorganization);

(4) amortization of capitalized interest;

(5) noncash interest expense;

(6) commissions, discounts and other fees and charges attributable to letters of credit and bankers' acceptance financings;

(7) interest or dividends accrued and unpaid on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by the Company or any Consolidated Subsidiary;

(8) net payments, if any, pursuant to Hedging Obligations (including amortization of fees);

(9) dividends in respect of all Disqualified Stock of the Company and all Preferred Stock of any of its Consolidated Subsidiaries, to the extent held by Persons other than the Company or another Consolidated Subsidiary; and

(10).....cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Company) in connection with Indebtedness incurred by such plan or trust.

"Consolidated Net Income" means, for any period, the net income or loss of the Company and its Consolidated Subsidiaries for such period determined in accordance with GAAP; provided, however, that:

(1) net income of any Person (other than the Company) which is not a Restricted Subsidiary, shall be excluded from such Consolidated Net Income, except that:

(A) subject to the limitations contained in clause (4) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary of the Company as a dividend or other distribution (subject, in the case of a dividend or other distribution made to a Restricted Subsidiary of the Company, to the limitations contained in clause (2) below); and

(B) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income;

(2) net income (or loss) of any Restricted Subsidiary of the Company, other than a Guarantor, to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or is, directly or indirectly, restricted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its stockholders or other holders of its equity, which restrictions have not been legally and effectively waived, shall be excluded from such Consolidated Net Income except that:

(A) subject to the limitations contained in clause (4) below, the Company's equity in the net income of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary of the Company as a dividend or other distribution (subject, in the case of a dividend or other distribution made to another Restricted Subsidiary of the Company, to the limitation contained in this clause); and

(B) the Company's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining such Consolidated Net Income;

(3) any gain (or loss) realized upon the sale or other disposition of any asset of the Company or any of its Restricted Subsidiaries (including pursuant to any Sale/Leaseback Transaction) that is not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realized upon the sale or other disposition of any Capital Stock of any Subsidiary of the Company shall be excluded from such Consolidated Net Income (without regard to abandonments or reserves relating thereto);

(4) amounts specified in clause (ii)(a) of the definition of Adjusted EBITDA (determined in accordance with such definition) shall be excluded from such Consolidated Net Income;

(5) any extraordinary gain or loss shall be excluded from such Consolidated Net Income;

(6) the cumulative effect of a change in accounting principles shall be excluded from such Consolidated Net Income;

(7) gains or losses due solely to fluctuations in currency values and the related tax effects determined in accordance with GAAP shall be excluded from such Consolidated Net Income;

(8) any non-cash deferred tax expense shall be excluded from such Consolidated Net Income;

(9) Fresh Start Charges and reorganization charges taken in connection with the Plan of Reorganization shall be excluded from such Consolidated Net Income;

(10) amortization of debt issuance costs in respect of Indebtedness incurred by the Company or its Subsidiaries in accordance with the Plan of Reorganization shall be excluded from such Consolidated Net Income;

(11) any charges resulting from the application of Statement of Financial Accounting Standards No. 142 or 145 shall be excluded from such Consolidated Net Income; and

(12) the results of operations of CPIH and its Subsidiaries shall be excluded in determining such Consolidated Net Income.

"Consolidated Subsidiaries" means the Restricted Subsidiaries of the Company; provided, however, that the interest of the Company or any of its Restricted Subsidiaries in an Unrestricted Subsidiary will be accounted for as an Investment.

"Continuing Directors" means, as of any date of determination, those members of the Board of Directors who: (a) were members of the Board of Directors on the Issue Date; or (b) were nominated for election or elected to the Board of Directors with the affirmative vote of, or whose election or appointment was otherwise approved or ratified (whether before or after nomination or election) by, at least a majority of the Continuing Directors who were members of the Board of Directors at the time of the nomination, election or approval, as applicable.

"Corporate Trust Office of the Trustee" will be at the address of the Trustee specified in Section 13.02 or such other address as to which the Trustee may give notice to the Company.

"CPIH" means Covanta Power International Holdings, Inc., a Delaware corporation, and any and all successors thereto.

"CPIH Reimbursement Agreement" means the Management Services & Reimbursement Agreement entered into by CPIH, the Company and certain of their respective Subsidiaries on the Issue Date, as such agreement may be amended, supplemented or otherwise modified from time to time.

"CPIH Subsidiaries" means, on and after the Issue Date, CPIH and its Subsidiaries.

"Credit Agents" means, at any time, the Persons serving at such time as the sole lender or as the "Agent," "Administrative Agent" or in some other similar capacity under each of the Credit Agreements, respectively (each of them being referred to individually herein as a "Credit Agent").

"Credit Agreements" means the First Lien Letter of Credit Facility and the Second Lien Letter of Credit Facility (each being referred to individually herein as a "Credit Agreement") and any other revolving credit or letter of credit facility entered into by the Company or any of its Restricted Subsidiaries.

"Credit Agreement Obligations" means (i) all Bank Indebtedness and (ii) all other obligations (not constituting Indebtedness) of the Company or any Guarantor under the Credit Agreements.

"Custodian" means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 2.06, substantially in the form of Exhibit A hereto except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Depositary" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 as the Depositary with respect to the Notes, and any and all successors thereto

appointed as depositary hereunder and having become such pursuant to the applicable provision of this Indenture.

"DHC" means Danielson Holding Corporation, a Delaware corporation, and any and all successors thererto.

"Discharge of Credit Agreement Obligations" means payment in full in cash of the principal of and interest and premium, if any, on all Bank Indebtedness, payment in full in cash of any other Credit Agreement Obligations that are due and payable or otherwise accrued and owing at or prior to the time such principal, interest and premium, if any, are paid and the termination of all letter of credit commitments and other commitments thereunder.

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of such Capital Stock), or upon the happening of any event, matures, excluding any maturity as the result of the redemption thereof at the option of the issuer thereof, or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of such Capital Stock, in whole or in part, on or prior to the date on which the Notes mature, except to the extent that such Capital Stock is solely redeemable with, or solely exchangeable for, any Capital Stock that is not Disqualified Stock; provided that only the portion of the Capital Stock or other security which so matures, is mandatorily redeemable or is so redeemable at the option of the holder prior to such date shall be deemed to be Disqualified Stock; provided further that if such Capital Stock or other security is issued to and held by any employee pursuant to any plan program or arrangement or any plan for the benefit of employees of the Company or its Subsidiaries or by any such plan to such employees, such Capital Stock or other security shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company or any of its Subsidiaries in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of such Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an Asset Sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Section 4.07.

"Domestic Subsidiary" means any Restricted Subsidiary of the Company that was formed under the laws of the United States or any state of the United States or the District of Columbia.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Euroclear" means Euroclear Bank S.A./N.V., as operator of the Euroclear system.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Excluded Subsidiary" means any Domestic Subsidiary which is not a "Borrower", and is not required to be a "Borrower", under either Credit Agreement, as such term is defined in the Credit Agreements.

"Existing Indebtedness" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Agreements) in existence on the Issue Date or otherwise issued in accordance with the Plan of Reorganization.

"Existing IPP International Project Guaranties" means, collectively, (i) the existing guaranty by Covanta Energy Group, Inc. of the obligations of the CPIH Subsidiaries under certain agreements relating to the Haripur Project, the Samalpatti Project and the Trezzo Project, (ii) the existing guaranty by Covanta Projects, Inc. of the obligations of the CPIH Subsidiaries under certain agreements relating to the Quezon Project and (iii) the existing guaranty by the Company of the obligations of the CPIH Subsidiaries under certain agreements relating to the Balaji/Madurai Project and the LICA Project, as each such guaranty may be amended, restated, supplemented or otherwise modified on terms

not materially less favorable to the Company and its Restricted Subsidiaries.

"Expansion" means, with respect to any waste-to-energy Project in existence on the Issue Date, additions or improvements to the existing facilities of such Project that involve the addition of a boiler or an increase in turbine generating capacity.

"Expense Reimbursement Agreement" means [ ] and any amendments, modifications or extensions thereof on terms not materially less favorable to the Company and its Restricted Subsidiaries, taken as a whole, than the terms of such agreement as in effect on the Issue Date.

"First Lien Letter of Credit Facility" means the Credit Agreement, dated as of [_____], 2004, by and among the Company, the guarantors party thereto, Deutsche Bank AG, New York Branch, as documentation agent, Bank of America, N.A., as administrative agent, and the lenders party thereto, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended (including any amendment and restatement thereof), modified, renewed, increased, supplemented, refunded, replaced or refinanced in whole or in part from time to time, including any agreement extending the maturity of, consolidating or otherwise restructuring (including adding subsidiaries of the Company as additional guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group.

"Fresh Start Charges" means, for any period, the aggregate non-cash charges of the Company and its Restricted Subsidiaries arising from the application of fresh start accounting principles, determined on a consolidated basis in accordance with GAAP.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, as in effect from time to time.

"Global Notes" means one or more global Notes registered in the name of the Depositary or its nominee issued in accordance with Article 2, substantially in the form of Exhibit A hereto, and bearing the Global Note Legend and including the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Global Note Legend" means the legend set forth in Section 2.06(f), which is required to be placed on all Global Notes issued under this Indenture.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and any obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or

(2) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term "Guarantee" shall not include (i) endorsements of negotiable instruments for collection or deposit in the ordinary course of business or (ii) Performance Guarantees. The term "guarantee" used as a verb has a corresponding meaning.

"Guarantors" means each of:

(1) the Company's Domestic Subsidiaries on the Issue Date other than Excluded Subsidiaries; and

(2) any other Subsidiary of the Company that executes a Subsidiary Guarantee in accordance with the provisions of this Indenture;

and their respective successors and assigns.

"Haverhill Deferred PPA Income" means, for any period, all non-cash income resulting from payments made in 1998 by the counterparty to the power purchase agreement relating to the Haverhill Project in order to "buydown" its obligations under such agreement, to the extent such non-cash income is included in consolidated revenue or consolidated earnings of the Company and its Subsidiaries during such period.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or interest rates; and

(3) forward agreements or arrangements designed to hedge against fluctuation in electricity rates pertaining to electricity produced by a Project, so long as the contractual arrangements relating to such Project contemplate that the Company or its Subsidiaries shall deliver such electricity to third parties.

"Holder" means a Person in whose name a Note is registered.

"Indebtedness" means, with respect to any Person on any date of determination (without duplication) the following items if and to the extent that any of them (other than items specified under clauses (3), (8) and (9) below) would appear as a liability or, in the case of clause (6) only, Preferred Stock on the balance sheet of such Person, prepared in accordance with GAAP:

(1) the principal amount of and premium, if any, in respect of indebtedness of such Person for borrowed money;

(2) the principal amount of and premium, if any, in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances, or other similar instruments (including reimbursement obligations with respect thereto, but excluding obligations in respect of letters of credit issued in respect of Trade Payables);

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services (except Trade Payables), which purchase price is due more than twelve months after the date of placing such property in service or taking delivery and title thereto or the completion of such services;

(5) all Capital Lease Obligations and all Attributable Debt of such Person;

(6) the amount of all obligations of such Person with respect to the redemption, repayment or repurchase of any Disqualified Stock or, with respect to any Subsidiary of such Person, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided, however, that the amount of Indebtedness of such

Person shall be the lesser of:

(A) the fair market value of such asset at such date of determination and

(B) the amount of such Indebtedness of such other Persons;

(8) Hedging Obligations of such Person;

(9) all obligations of such Person in respect of Insurance Premium Financing Arrangements; and

(10) all obligations of the type referred to in clauses (1) through (9) of other Persons and all dividends or distributions of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Guarantee.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above and the maximum liability, upon the occurrence of the contingency giving rise to the obligation, of any contingent obligations described above, at such date; provided, however, that the amount outstanding at any time of any Indebtedness issued with original issue discount will be deemed to be the face amount of such Indebtedness less the remaining unaccreted portion of the original issue discount of such Indebtedness at such time, as determined in accordance with GAAP.

"Indenture" means this indenture, as amended or supplemented from time to time.

"Indirect Participant" means a Person who holds a beneficial interest in a Global Note through a Participant.

"Initial Principal Amount" means, with respect to each $1,000 principal amount at Stated Maturity of Notes, $891.30.

"Insurance Premium Financers" means Persons who are not Affiliates of the Company who advance insurance premiums for the Company and its Subsidiaries pursuant to Insurance Premium Financing Arrangements.

"Insurance Premium Financing Arrangements" means, with respect to any Person, agreements with Insurance Premium Financers pursuant to which such Insurance Premium Financers advance insurance premiums for or on behalf of such Person. Insurance Premium Financing Arrangements (i) shall not provide, for the benefit of such Insurance Premium Financers, any security interest in any property of the Company or any of its Subsidiaries other than gross unearned premiums for the insurance policies that are the subject of such arrangements, (ii) shall not purport to prohibit any of the Liens created in favor of Trustee for the benefit of Holders pursuant to the Security Documents, and (iii) shall not contain any provision or contemplate any transaction prohibited by the Indenture.

"Intercreditor Agreement" means that certain intercreditor agreement, dated as of [_____], 2004, by and among the Company, the Company's subsidiaries listed on the signature pages thereto, the financial institutions listed on the signature pages thereto, Bank of America, N.A., as administration agent, Deutsche Bank AG, New York branch, as documentation agent, DHC and the Trustee, as amended (including any amendment and restatement thereof), supplemented or otherwise modified from time to time.

"Interest Accrual Period" means the period from (and including) the date of issuance of the Notes to but excluding the first Interest Payment Date after issuance, and each successive six-month period from and including each Interest Payment Date to but excluding the following Interest Payment Date.

"Interest Payment Date" means [_____] and [_____] of each year, commencing on [_____], 2004, or if any such day is not a Business Day, the next succeeding Business Day.

"Investments" means, with respect to any Person, all direct or indirect

investments by such Person in other Persons (including Affiliates) in the form of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Company's Investments in such Restricted Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of Section 4.07. Any deemed investment in any Person not involving a transfer of cash or other assets to such Person and resulting solely from the application of pushdown accounting rules will not constitute an Investment.

"Investor Parties" means (i) D.E. Shaw Laminar Portfolios, L.L.C., (ii) SZ Investments, LLC, and (iii) Third Avenue Value Fund, Inc.

"Issue Date" means the first date on which the Notes are issued.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in the City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue on such payment for the intervening period.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"Limited Recourse Debt" means, with respect to any Subsidiary of the Company, Indebtedness of such Subsidiary with respect to which the recourse of the holder or obligee of such Indebtedness is limited to (i) assets associated with a Project (which in any event shall not include assets held by the Company or any Subsidiary other than a Subsidiary whose sole business is the ownership and/or operation of such Project and substantially all of whose assets are associated with such Project) in respect of which such Indebtedness was incurred or (ii) the Equity Interests in such Subsidiary, but in the case of clause (ii) only if such Subsidiary's sole business is the ownership and/or operation of such Project and substantially all of such Subsidiary's assets are associated with such Project. Indebtedness of a Subsidiary of the Company shall not fail to be Limited Recourse Debt solely by virtue of the fact that the holders of such Limited Recourse Debt have recourse to the Company or another Subsidiary of the Company pursuant to a Performance Guaranty, so long as such Performance Guaranty is not prohibited by Section 4.20.

"Management Investors" means the officers and employees of the Company or a Subsidiary of the Company who acquire Voting Stock of DHC or the Company on or after the Issue Date.

"Moody's" means Moody's Investors Service, Inc. or any successor to the rating agency business of Moody's Investors Service, Inc.

"Mortgage" means a mortgage, deed of trust, assignment of leases and rents, leasehold mortgage or other security document granting a Lien on any parcel of real property to secure the Obligations under the Notes.

"Net Depreciation and Amortization Expense" means, for any period, (i) the sum of the amounts (each expressed as a positive number) for such period of "Depreciation" and "Amortization", as each such line item is reflected in the Company's consolidated statement of cash flows prepared in conformity with GAAP and reported in a manner consistent with the Company's reporting of such amount in its last quarterly or annual report (as the case may be) on Form 10-Q or Form

10-K, respectively, filed with the Commission prior to the Issue Date, whether such line items are so titled or otherwise titled, plus other non-cash charges, minus (ii) Haverhill Deferred PPA Income.

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (i) the costs directly related to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commissions and consent fees, (ii) taxes paid or payable as a result of such Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, (iii) amounts required to be applied to the repayment or cash collateralization of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale, and (iv) any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"Non-Recourse Debt" means Indebtedness:

(1) as to which neither the Company, any Guarantor, nor any Restricted Subsidiary (i) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (ii) is directly liable as a guarantor or otherwise, or (iii) constitutes the lender; and

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of the Company, any Guarantor, or any Restricted Subsidiary to declare a default on such other Indebtedness or cause the payment of such other Indebtedness to be accelerated or payable prior to its stated maturity;

provided that Performance Guarantees permitted under this Indenture will not cause any such Indebtedness not to be Non-Recourse Debt.

"Notes" has the meaning assigned to it in the preamble to this Indenture.

"Obligations" means all principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable (including post-petition interest whether or not allowable as a claim in any proceeding) under the documentation governing any Indebtedness.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer, any Senior Vice President, or any Vice President of such Person.

"Officer's Certificate" means a certificate signed on behalf of the Company by an Officer of the Company that meets the requirements of Section 13.05.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee and, that meets the requirements of Section 13.05. Such counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

"Participant" means, with respect to the Depositary, Euroclear or Clearstream, a Person who has an account with the Depositary, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

"Performance Guaranty" means any agreement entered into by the Company or any Restricted Subsidiary of the Company under which the Company or such Restricted Subsidiary (i) guarantees the performance of a Subsidiary of the Company under a lease or sublease or under a service, management or operating agreement relating to a Project or (ii) guarantees the performance of CPIH or any of its Subsidiaries under a lease or sublease or under a service, management or operating agreement in existence on the Issue Date, as amended or modified on terms not materially less advantageous to the Company or such Restricted

Subsidiary.

"Permitted Business" means any business of the type engaged in by the Company or any of its Restricted Subsidiaries as of the Issue Date or any business reasonably related, ancillary or complementary thereto.

"Permitted Holders" means (i) DHC and the Management Investors and (ii) any Related Party of a Person referred to in the immediately preceding clause (i).

"Permitted Investment" means an Investment by the Company or any Restricted Subsidiary of the Company:

(1) in the Company, a Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) or a Person that will, upon the making of such Investment, become a Restricted Subsidiary of the Company;

(2) consisting of intercompany loans to Bankrupt Subsidiaries, so long as (a) the proceeds of such loans are applied to working capital, maintenance, operation, payroll and other liquidity requirements in the ordinary course of business of such Bankrupt Subsidiaries, and (b) the aggregate amount of such intercompany loans outstanding to all Bankrupt Subsidiaries at any time does not exceed $3.0 million;

(3) in another Person if as a result of such Investment such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Company or a Restricted Subsidiary of the Company;

(4) in Cash Equivalents;

(5) in receivables owing to the Company or any Restricted Subsidiary of the Company if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided that such trade terms may include such concessionary trade terms as the Company or any such Restricted Subsidiary deems reasonable under the circumstances;

(6) in payroll, travel and similar advances to employees to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(7) in loans or advances to employees made in the ordinary course of business and not exceeding $2.0 million in the aggregate outstanding at any one time, of which not more than $1.0 million shall be for purposes other than employee relocation expenses;

(8) received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary or in satisfaction of judgments;

(9) in any Person to the extent such Investment represents the non-cash portion of the consideration received for an Asset Sale that was made pursuant to and in compliance with Section 4.10 or a transaction not constituting an Asset Sale by reason of the $10.0 million threshold contained in the definition thereof;

(10) that constitutes a Hedging Obligation or commodity hedging arrangement entered into for bona fide hedging purposes of the Company in the ordinary course of business and otherwise in accordance with this Indenture;

(11) in securities of any trade creditor, supplier or customer received in settlement of obligations or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, supplier or customer;

(12) acquired as a result of a foreclosure with respect to any secured Investment or other transfer of title with respect to any

secured Investment in default;

(13) consisting of purchases and acquisitions of inventory, supplies, materials, equipment or contract rights or licenses or leases of intellectual property, in any case, in the ordinary course of business;

(14) consisting of intercompany Indebtedness not prohibited under Section 4.09;

(15) consisting of a Guarantee not prohibited under Section 4.09;

(16) the consideration for which consists solely of shares of Capital Stock (other than Disqualified Stock) of the Company;

(17) required to be made by the Company and its Restricted Subsidiaries under Performance Guarantees in effect on the Issue Date or entered into in compliance with the terms of Section 4.20;

(18) deemed to have been made as a result of the acquisition of a Person that at the time of such acquisition held instruments constituting Investments that were not made or acquired in contemplation of such acquisition;

(19) in prepaid expenses and leases, and in utility and workers' compensation performance and other similar deposits made in ordinary course of business;

(20) in CPIH and its Subsidiaries and in Unrestricted Subsidiaries of the Company to fund administrative services including, but not limited to, payroll, cash management, administration, billing, procurement, and equity investments the Company is required to make in CPIH and its Subsidiaries in a net amount not to exceed $20.0 million in the aggregate outstanding at any one time;

(21) under the CPIH Reimbursement Agreement;

(22) advances by the Company or a Restricted Subsidiary of the Company to fund expansion, replacements or improvements in respect of a publicly-owned Project, which advances are reimbursable by the owner of the Project;

(23) made pursuant to the Plan of Reorganization; and

(24) other Investments having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value) not exceeding $70.0 million in the aggregate outstanding at any one time.

"Permitted Liens" means:

(1) Liens securing the Credit Agreement Obligations;

(2) Liens securing the Notes and the Guarantees;

(3) Liens in favor of the Company or any Guarantor;

(4) Liens on property or assets of a Person existing at the time such Person is acquired by, merged with or into or consolidated with the Company or any Restricted Subsidiary; provided that such Liens were not put in place in contemplation of such acquisition, merger or consolidation and do not extend to any assets other than those of the Person acquired by, merged into or consolidated with the Company or the Restricted Subsidiary;

(5) Liens on property or assets existing at the time of acquisition of the property or assets by the Company or any Restricted Subsidiary of the Company; provided that such Liens were not put in place in contemplation of such acquisition;

(6) Liens existing on the Issue Date or otherwise granted in

respect to Existing Indebtedness in accordance to the Plan of Reorganization;

(7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent, that are not yet subject to penalties or interest for non-payment or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;

(8) Liens securing Permitted Refinancing Indebtedness where the Liens securing Indebtedness being refinanced were permitted under this Indenture;

(9) easements, rights-of-way, zoning and similar restrictions and other similar encumbrances or title defects incurred or imposed, as applicable, in the ordinary course of business;

(10) Liens securing Indebtedness permitted by clause (5) of Section 4.09(b) covering only the assets acquired with such Indebtedness;

(11) Liens with respect to Permitted Indebtedness incurred pursuant to clause (8) or (10) of Section 4.09(b).

(12) Liens securing Hedging Obligations permitted under this Indenture;

(13) Liens arising from the filing of Uniform Commercial Code financing statements in connection with operating leases;

(14) attachment or judgment Liens not giving rise to an Event of Default;

(15) Liens encumbering property or assets of the Company or any Restricted Subsidiary of the Company consisting of carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlords', suppliers' and other similar Liens, and other Liens arising by operation of law and incurred in the ordinary course of business for sums that are not overdue or that are being contested in good faith by appropriate proceedings and (if so contested) for which appropriate reserves with respect thereto have been established and maintained on the books of the Company or such Restricted Subsidiary in accordance with GAAP;

(16) Liens incurred, or pledges or deposits made in the ordinary course of business and consistent with industry practice in connection with, workers' compensation, unemployment insurance, or other forms of governmental insurance or benefits, including any Liens securing letters of credit issued in the ordinary course of business in connection with the foregoing;

(17) Liens in the nature of rights of set-off of banks and other Persons;

(18) Liens in favor of customs and revenue authorities and other similar authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(19) leases or subleases granted to third Person not materially interfering with the business of the Company and its Restricted Subsidiaries taken as a whole;

(20) any interest or title of a lessor or lessee or sublessor or sublessee under any operating lease;

(21) Liens under licensing agreements for use of intellectual property entered into in the ordinary course of business;

(22) Liens incurred or deposits made in connection with the

purchase of inventory; provided that any such purchase of inventory is incidental to the conduct of the business of the Company or a Restricted Subsidiary of the Company in accordance with its then current business practices, such Liens are in the nature of a vendor's lien or a reservation of title and the obligations secured by such Liens are Trade Payables incurred in the ordinary course of business of the Company or such Restricted Subsidiary;

(23) minor imperfections of, or encumbrances on, title that do not materially impair the value of property for its intended use;

(24) Liens incurred or deposits made to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(25) Liens securing reimbursement obligations with respect to letters of credit incurred in accordance with this Indenture that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(26) Liens on assets of any Subsidiary of the Company or on the Equity Interests of such Subsidiary, in each case to the extent such Liens secure Limited Recourse Debt or Non-Recourse Debt of such Subsidiary permitted by Section 4.09;

(27) Liens on cash collateral of the Company securing insurance deductibles or self-insurance retentions required by third party insurers in connection with insurance arrangements entered into in the ordinary course of business by the Company and its Subsidiaries with such insurers;

(28) Liens pursuant to Insurance Premium Financing Arrangements permitted under this Indenture, so long as such Liens attach only to the gross unearned premiums for the insurance policies which are the subject of such arrangements; and

(29) Liens not otherwise permitted by clauses (1) through (28) above securing Indebtedness in an aggregate amount at the time of incurrence, together with all other Indebtedness secured by then outstanding Liens previously incurred or assumed pursuant to this clause (29), not in excess of $10.0 million.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Restricted Subsidiaries incurred or issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund (A) other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); provided that:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased (whether legally or as to covenants only) or refunded (plus all accrued interest on such Indebtedness and the amount of all fees, expenses and premiums incurred in connection therewith); provided, however, that, notwithstanding the foregoing, Permitted Refinancing Indebtedness with respect to Permitted Debt described in clauses (3) and (4) of Section 4.09(b) may be incurred in an amount not in excess of 110% of the principal amount of the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on such Indebtedness and the amount of all fees, expenses and premiums incurred in connection therewith);

(2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(3) if the Indebtedness being extended, refinanced, renewed,

replaced, defeased or refunded is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(4) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary of the Company which is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

or (B) Limited Recourse Debt or Non-Recourse Debt of municipally-sponsored privately-owned Projects so long as the terms of such Permitted Refinancing Indebtedness, taken as a whole, are not materially more restrictive to the Company and its Subsidiaries.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Plan of Reorganization" means the Debtors' Joint Plan of Reorganization under Chapter 11 of the Bankruptcy Code, filed with the United States Bankruptcy Court for the Southern District of New York on [_____], 2003, as amended pursuant to the confirmation order thereof dated [_____], 2003.

"Preferred Stock" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Project" means any waste-to-energy facility, electrical generation plant, cogeneration plant, water treatment facility or other facility for the generation of electricity or engaged in another line of business in which the Company and its Subsidiaries are permitted to be engaged hereunder for which a Subsidiary or Subsidiaries of the Company was, is or will be (as the case may be) an owner, operator, manager or builder, and shall also mean any two or more of such plants or facilities in which an interest has been acquired in a single transaction, so long as such interest constitutes an existing Investment on the Issue Date permitted hereunder; provided however, that a Project shall cease to be a Project at such time that the Company or any of its Subsidiaries ceases to have any existing or future rights or obligations (whether direct or indirect, contingent or matured) associated therewith.

"Related Party" means (a) with respect to DHC, (i) any direct or indirect wholly-owned Subsidiary of DHC, any Approved DHC Investor and any officer, director or employee of DHC or any wholly-owned Subsidiary of DHC, (ii) any spouse or lineal descendant (including by adoption and stepchildren) of the officers, directors and employees referred to in clause (a)(i) of this definition or (iii) any trust, corporation or partnership 100%-in-interest of the beneficiaries, stockholders or partners of which consists of one or more of the persons described in clauses (a)(i) or (a)(ii) of this definition; or (b) with respect to any Management Investor (i) any spouse or lineal descendant (including by adoption and stepchildren) of such officer or employee or (ii) any trust, corporation or partnership 100%-in-interest of the beneficiaries, stockholders or partners of which consists of such officer or employee, any of the persons described in clause (b)(i) of this definition or any combination thereof.

"Responsible Officer," when used with respect to the Trustee, means any officer within the Corporate Trust Office of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or any successor to the rating agency business thereof.

"Sale/Leaseback Transaction" means an arrangement relating to property now owned or hereafter acquired by the Company or a Restricted Subsidiary of the Company whereby the Company or such Restricted Subsidiary transfers such property to another Person and the Company or such Restricted Subsidiary leases it from such Person, other than leases between the Company and a Guarantor or between Guarantors.

"Second Lien Letter of Credit Facility" means (i) the Credit Agreement, dated as of [_____], 200[_], by and among the Company, each of its Subsidiaries listed on the signature pages thereof, the financial institution listed on the signature pages thereof and Bank One, N.A., as administrative agent, including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and in each case as amended (including any amendment and restatement thereof), modified, renewed, increased, supplemented, refunded, replaced or refinanced in whole or in part from time to time, including any agreement extending the maturity of, consolidating or otherwise restructuring (including adding subsidiaries of the Company as additional guarantors thereunder) all or any portion of the Indebtedness under such agreement or any successor or replacement agreement and whether by the same or any other agent, lender or group.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Agreement" means the Security Agreement, dated as of the date of this Indenture, by and among the Company, the Grantors (as defined therein) and the Collateral Agent, as amended, modified or supplemented from time to time in accordance with the terms of this Indenture.

"Security Documents" means the Security Agreement, the Intercreditor Agreement and the Mortgages, dated as of the date of this Indenture, and any other document or instrument pursuant to which a Lien is granted by the Company or any Guarantor to secure any Obligations under the Notes and this Indenture or under which rights or remedies with respect to such Lien are governed, as such agreements may be amended, modified or supplemented from time to time.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

"Stated Maturity" means, with respect to any installment of interest or principal on any Indebtedness, the fixed date on which the payment of interest or principal is scheduled to be paid in the documentation governing such Indebtedness, but does not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the fixed date scheduled for the payment thereof.

"Subsidiary" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are that Person or one or more Subsidiaries of such Person (or any combination thereof);

provided, however, that, except to the extent expressly indicated, the term "Subsidiary," when used with respect to the Company or its Restricted

Subsidiaries, shall not include CPIH or any of its Subsidiaries.

"Subsidiary Guarantee" means, the Guarantee by each Guarantor of the Company's Obligations under this Indenture and the Notes, executed pursuant to the terms of this Indenture.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. ss.ss. 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA.

"Tax Sharing Agreement" means the Tax Sharing Agreement among DHC, the Company and CPIH and any amendments, modifications or extensions thereof on terms not materially less favorable to the Company and its Restricted Subsidiaries, taken as a whole, than the terms of such agreement as in effect on the Issue Date.

"Trade Payables" means, with respect to any Person, any accounts payable or any indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person arising in the ordinary course of business in connection with the acquisition of goods or services.

"Trustee" means the party named as such in the preamble to this Indenture until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Unrestricted Subsidiary" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are not materially less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (i) to subscribe for additional Equity Interests or (ii) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced by filing with the Trustee a certified copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements to be an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09, the Company will be in default of such covenant. The Board of Directors may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period; and (2) no Default or Event of Default would be in existence following such designation.

"Unsecured Notes" means the 7.5% Subordinated Unsecured Notes due 2011 issued by the Company pursuant to an indenture dated [_____], 2004.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors or comparable governing body of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(1) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by

(2) the then outstanding principal amount of such Indebtedness.

Section 1.02 Other Definitions.

Term	Defined in Section
"Affiliate Transaction"	4.11
"Asset Sale Offer"	3.09
"Authentication Order"	2.02
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Covenant Defeasance"	8.03
"DTC"	2.03
"Event of Default"	6.01
"Excess Proceeds"	4.10
"Exemption"	10.03
"incur"	4.09
"Legal Defeasance"	8.02
"Offer Amount"	3.09
"Offer Period"	3.09
"Paying Agent"	2.03
"Permitted Debt"	4.09
"Purchase Date"	3.09
"Registrar"	2.03
"Relevant Liabilities"	10.07
"Restricted Payments"	4.07
"Subject Property"	10.03

Section 1.03 Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes;

"indenture security Holder" means a Holder of a Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the Notes and the Subsidiary Guarantees means the Company and the Guarantors, respectively, and any successor obligor upon the Notes and the Subsidiary Guarantees, respectively.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them.

Section 1.04 Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) "will" shall be interpreted to express a command;

(6) provisions apply to successive events and transactions;

(7) references to sections of or rules under the Securities Act will be deemed to include substitute, replacement of successor sections or rules adopted by the Commission from time to time; and

(8) references to "Sections" or "Articles" are to the portions of this Indenture so designated.

ARTICLE 2.
THE NOTES

Section 2.01 Form and Dating.

(a) General. The Notes shall be known and designated as the "8.25% Senior Secured Notes Due 2011" of the Company. The Notes and the Trustee's certificate of authentication will be substantially in the form of Exhibit A hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note will be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples thereof and shall be initially issued only in global form.

The terms and provisions contained in the Notes will constitute, and are hereby expressly made, a part of this Indenture, and the Company, the Guarantors and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) Global Notes. Notes issued in global form will be substantially in the form of Exhibit A attached hereto (including the Global Note Legend thereon and the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Notes issued in definitive form will be substantially in the form of Exhibit A attached hereto (but without the Global Note Legend thereon and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee or the Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06.

(c) Book-Entry Provisions. Participants and Indirect Participants shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary or by the Trustee as the custodian for the Depositary or under such Global Note, and the Depositary shall be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Participants or Indirect Participants, the Applicable Procedures or the operation of customary practices of the Depositary governing

the exercise of the rights of a holder of a beneficial interest in any Global Note.

Section 2.02 Execution and Authentication.

An Officer must sign the Notes for the Company and an Officer or director of each Guarantor must sign such Guarantor's Guarantee, in each case, by manual or facsimile signature.

If an Officer or director whose signature is on a Note or Guarantee no longer holds that office at the time a Note or Guarantee is authenticated, the Note or Guarantee will nevertheless be valid.

A Note will not be valid until authenticated by the manual or facsimile signature of the Trustee. The signature will be conclusive evidence that the Note has been authenticated under this Indenture.

On the date of the Indenture, the Trustee will, upon receipt of a written order of the Company signed by two Officers (an "Authentication Order"), authenticate the Notes for $230.0 million in aggregate principal amount at Stated Maturity.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate the Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Company.

Section 2.03 Registrar and Paying Agent.

The Company will maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar will keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company will notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Notes.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Custodian with respect to the Global Notes.

Section 2.04 Paying Agent to Hold Money in Trust.

The Company will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of or premium, if any, or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) will have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it will segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee will serve as Paying Agent for the Notes.

Section 2.05 Holder Lists.

The Trustee will preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA ss. 312(a). If the Trustee is

not the Registrar, the Company will furnish to the Trustee at least seven Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Company shall otherwise comply with TIA ss. 312(a).

Section 2.06 Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred as a whole except by the Depositary to a nominee of the Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. Global Notes will be exchanged by the Company for Definitive Notes only if:

(1) the Company delivers to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Company within 120 days after the date of such notice from the Depositary; or

(2) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee;

Upon the occurrence of either of the preceding events in (1) or (2) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.10. Every Note authenticated and delivered in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to this Section 2.06 or Section 2.07 or 2.10, shall be authenticated and delivered in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a); however, beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f).

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes will be effected through the Depositary, in accordance with the provisions of this Indenture and the Applicable Procedures. Transfers of beneficial interests in the Global Notes also will require compliance with either subparagraph (1) or (2) below, as applicable:

(1) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(1).

(2) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests that are not subject to Section 2.06(b)(1), the transferor of such beneficial interest must deliver to the Registrar either:

(A) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in another Global Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase; or

(B) both:

(i) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged; and

(ii) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer or exchange referred to in (1) above.

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes. Subject to Section 2.06(a), if any holder of a beneficial interest in a Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(2), the Trustee will cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g), and the Company will execute and the Trustee will authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Any Definitive Note issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(1) will be registered in such name or names and in such authorized denomination or denominations as the holder of such beneficial interest requests through instructions to the Registrar from or through the Depositary and the Participant or Indirect Participant. The Trustee will deliver such Definitive Notes to the Persons in whose names such Notes are so registered.

(d) Transfer and Exchange of Definitive Notes for Beneficial Interests. A Holder of a Definitive Note may exchange such Note for a beneficial interest in a Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Global Note at any time. Upon receipt of a request for such an exchange or transfer, the Trustee will cancel the applicable Definitive Note and increase or cause to be increased the aggregate principal amount of one of the Global Notes.

(e) Transfer and Exchange of Definitive Notes for Definitive Notes. Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar will register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by its attorney, duly authorized in writing.

(f) Global Note Legend. Each Global Note will bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (1) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (2) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (3) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE FORM, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

(g) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or canceled in whole and not in part, each such Global Note will be returned to or retained and canceled by the Trustee in accordance with Section 2.11. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note will be reduced accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note will be increased accordingly and an endorsement will be made on such Global Note by the Trustee or by the Depositary at the direction of the Trustee to reflect such increase.

(h) General Provisions Relating to Transfers and Exchanges.

(1) To permit registrations of transfers and exchanges, the Company will execute and the Trustee will authenticate Global Notes and Definitive Notes upon receipt of an Authentication Order in accordance with Section 2.02 or at the Registrar's request.

(2) No service charge will be made to a Holder of a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require Holder to pay a sum sufficient to pay all transfer tax or similar governmental charges payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 3.09, 3.10, 4.10, 4.15 and 9.05). The Registrar will not be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(3) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes will be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(4) The Company will not be required:

(A) to issue, to register the transfer of or to exchange any Notes (i) during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 and ending at the close of business on the day of selection, or (ii) during a period beginning at the opening of business 15 days before any Interest Payment Date and ending at the closing of business on such Interest Payment Date;

(B) to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or

(C) to register the transfer of or to exchange a Note between a record date and the next succeeding Interest Payment Date.

(5) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(6) The Trustee will authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02.

Section 2.07 Replacement Notes.

If any mutilated Note is surrendered to the Trustee or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company will issue and the Trustee, upon receipt of an Authentication Order, will authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company may charge for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and will be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08 Outstanding Notes.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.09, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note; however, Notes held by the Company or a Subsidiary of the Company shall not be deemed to be outstanding for purposes of Section 3.07(a).

If a Note is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount or Accreted Value of any Note is considered paid under Section 4.01, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes will be deemed to be no longer outstanding and will cease to accrue interest.

Section 2.09 Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, or by any Affiliate of the Company, will be considered as though not outstanding, except that for the purposes of determining whether the Trustee will be protected in relying on any such direction, waiver or consent, only Notes that the Trustee knows are so owned will be so disregarded.

Section 2.10 Temporary Notes.

Until certificates representing Notes are ready for delivery, the Company may prepare and the Trustee, upon receipt of an Authentication Order, will authenticate temporary Notes. Temporary Notes will be substantially in the form of certificated Notes but may have variations that the Company considers appropriate for temporary Notes and as may be reasonably acceptable to the Trustee. Without unreasonable delay, the Company will prepare and the Trustee will authenticate definitive Notes in exchange for temporary Notes. Holders of temporary Notes will be entitled to all of the benefits of this Indenture.

Section 2.11 Cancellation.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent will forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else will cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and will destroy or return to the Company canceled Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all canceled Notes will be delivered to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12 Defaulted Interest.

If the Company defaults in a payment of interest on the Notes, it will pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01. The Company will notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company will fix or cause to be fixed each such special record date and payment date; provided that no such special record date may be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) will mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

ARTICLE 3.
REDEMPTION AND PREPAYMENT

Section 3.01 Notices to Trustee.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07, it must furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officer's Certificate setting forth:

(1) the clause of this Indenture pursuant to which the redemption shall occur;

(2) the redemption date;

(3) the principal amount of Notes to be redeemed; and

(4) the redemption price.

Section 3.02 Selection of Notes to Be Redeemed or Purchased.

(a) If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, the Trustee will select Notes for redemption or purchase as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(2) if the Notes are not listed on any national securities exchange, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate.

(b) In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased will be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase.

(c) The Trustee will promptly notify the Company in writing of the Notes selected for redemption or purchase and, in the case of any Note selected for partial redemption or purchase, the principal amount thereof to be redeemed or purchased. Notes and portions of Notes selected will be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed or purchased, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed or purchased. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption or purchase also apply to portions of Notes called for redemption or purchase.

Section 3.03 Notice of Redemption.

(a) Subject to the provisions of Sections 3.09 and 3.10, at least 30 days but not more than 60 days before a redemption date, the Company will mail

or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 12.

(b) The notice will identify the Notes to be redeemed and will state:

(1) the redemption date;

(2) the redemption price;

(3) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note;

(4) the name and address of the Paying Agent;

(5) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(6) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(7) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(8) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

(c) At the Company's request, the Trustee will give the notice of redemption in the Company's name and at its expense; provided, however, that the Company has delivered to the Trustee, at least 45 days prior to the redemption date, an Officer's Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04 Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.03, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price. A notice of redemption may not be conditional. If the Company complies with the provisions of this paragraph, on and after the redemption or purchase date, interest will cease to accrue on the Notes or the portions of Notes called for redemption or purchase.

Section 3.05 Deposit of Redemption or Purchase Price.

(a) One Business Day prior to the redemption or purchase date, the Company will deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption or purchase price of and accrued interest on all Notes to be redeemed or purchased on that date. The Trustee or the Paying Agent will promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption or purchase price of, and accrued interest on, all Notes to be redeemed or purchased.

(b) If a Note is redeemed or purchased on or after an interest record date but on or prior to the related Interest Payment Date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption or purchase is not so paid upon surrender for redemption or purchase because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption or purchase date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01.

Section 3.06 Notes Redeemed or Purchased in Part.

Upon surrender of a Note that is redeemed or purchased in part, the Company will issue and, upon receipt of an Authentication Order, the Trustee will authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed or unpurchased portion of the Note surrendered.

Section 3.07 Optional Redemption.

(a) At any time after the Issue Date and on or before [_____], 2006, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the Accreted Value on the redemption date, plus accrued and unpaid interest to the redemption date.

(b) At any time on or after [_____], 2006, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of Accreted Value) set forth below, plus accrued and unpaid interest to the redemption date, if redeemed during the twelve-month period beginning on [_____] of the years indicated below:

Year	Percentage
2006	104.625%
2007	103.469%
2008	102.313%
2009	101.156%
2010 and thereafter	100.000%

(c) Any redemption pursuant to this Section 3.07 shall be made in accordance with the provisions of Section 3.01 through 3.06. Any notice to the Holders of Notes of a redemption pursuant to this Section 3.07 shall include the appropriate calculation of the redemption price, but need not include the redemption price itself. The actual redemption price, calculated as described above, shall be set forth in an Officers' Certificate delivered to the Trustee no later than two Business Days prior to the redemption date.

Section 3.08 Mandatory Redemption.

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Section 3.09 Offer to Purchase by Application of Excess Proceeds.

(a) In the event that, pursuant to Section 4.10, the Company is required to commence an offer to all Holders to purchase Notes (an "Asset Sale Offer"), it will follow the procedures specified below.

(b) Subject to the Intercreditor Agreement, the Asset Sale Offer shall be made to all Holders and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets. The Asset Sale Offer will remain open for a period of at least 20 Business Days following its commencement and not more than 30 Business Days, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than three Business Days after the termination of the Offer Period (the "Purchase Date"), the Company will apply all Excess Proceeds (the "Offer Amount") to the purchase or redemption of Notes and such other pari passu Indebtedness containing provisions similar to this Section 3.09 (on a pro rata basis, if applicable) or, if less than the Offer Amount has been tendered, all Notes and other Indebtedness tendered in response to the Asset Sale Offer. Payment for any Notes so purchased will be made in the same manner as interest payments are made.

(c) If the 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, and no additional interest will be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

(d) Upon the commencement of an Asset Sale Offer, the Company will send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice will contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The notice, which will govern the terms of the Asset Sale Offer, will state:

(1) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 and the length of time the Asset Sale Offer will remain open;

(2) the Offer Amount, the offer price and the Purchase Date;

(3) that any Note not tendered or accepted for payment will continue to accrue interest;

(4) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer will cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in integral multiples of $1,000 of principal at Stated Maturity only;

(6) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders will be entitled to withdraw their election if the Company, the Depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, if the aggregate purchase or redemption price of Notes and other pari passu Indebtedness surrendered by Holders exceeds the Offer Amount, the Company will select the Notes and other pari passu Indebtedness to be purchased or redeemed on a pro rata basis based on the Accreted Value of Notes and principal of such other pari passu Indebtedness surrendered (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000 of principal at Stated Maturity, or integral multiples thereof, will be purchased); and

(9) that Holders whose Notes were purchased only in part will be issued new Notes equal in principal amount at Stated Maturity to that of the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

(e) On or before the Purchase Date, the Company will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.09. The Company, the Depositary or the Paying Agent, as the case may be, will promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company will promptly issue a new Note, and the Trustee, upon written request from the Company will authenticate and mail or deliver such new Note to such Holder, in a principal amount at Stated Maturity equal to that of any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company will publicly announce the results of the Asset Sale Offer

on the Purchase Date.

(f) Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made in accordance with the provisions of Sections 3.01 through 3.06.

(g) Notwithstanding the foregoing, to the extent the Intercreditor Agreement is in effect, any Asset Sale Offer shall be governed by the terms of the Intercreditor Agreement to the extent that the applicable terms of this Indenture are inconsistent therewith.

ARTICLE 4.
COVENANTS

Section 4.01 Payment of Notes.

The Company shall pay or cause to be paid the principal or Accreted Value of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes and in this Indenture. Principal, Accreted Value, premium, if any, and interest will be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by or on behalf of the Company in immediately available funds and designated for and sufficient to pay all principal, Accreted Value, premium, if any, and interest then due. Payments of Accreted Value of the Notes prior to the Stated Maturity of principal of the Notes will reduce proportionately, for purposes of calculation of interest payable thereon and for future determinations of Accreted Value and principal thereof, the principal amount at Stated Maturity of the Notes with respect to which such payments of Accreted Value have been made.

Section 4.02 Maintenance of Office or Agency.

(a) The Company shall maintain in the Borough of Manhattan, the City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

(b) The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission will in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York, for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03.

Section 4.03 Reports.

(a) Notwithstanding that the Company may not be subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, so long as any Notes remain outstanding, the Company will:

(1) provide the Trustee and the Holders with the annual, quarterly and current reports as are required in such Sections 13 and 15(d) to be filed by a United States corporation subject to such Sections in respect of debt securities not listed on an exchange, within 15 days after the times specified for the filing of the information, documents and reports under such Sections; and

(2) to the extent permitted, file with the Commission the reports referred to in clause (1) of this Section 4.03(a) within 15 days after

the times specified for such filings under the Exchange Act (whether or not applicable to the Company).

(b) The quarterly and annual financial information required by Section 4.03(a) shall include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, and in Management's Discussion and Analysis of Financial Condition and Results of Operations, of condensed consolidating financial information with respect to the financial condition and results of operations of the Company and its Subsidiaries (excluding CPIH and its Subsidiaries) separate from the financial condition and results of operations of the Company and all of its Subsidiaries (including, for that purpose, CPIH and its Subsidiaries).

Section 4.04 Compliance Certificate.

(a) The Company and each Guarantor (to the extent that such Guarantor is so required under the TIA) shall deliver to the Trustee, within 105 days after the end of each fiscal year, an Officer's Certificate of the Company and such Guarantor, respectively, stating that, in the course of performing his or her duties as officers of the Company or such Guarantor, as applicable, a review of the activities of the Company or such Guarantor and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company or such Guarantor has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default has occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company or such Guarantor is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal or Accreted Value of, or interest or premium, if any, on, the Notes are prohibited or if such event has occurred, a description of the event and what action the Company or such Guarantor is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03(a)(1) shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that caused them to believe that, with respect to financial and accounting matters, the Company has violated any provisions of Article 4 or Article 5 or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation. [SUBJECT TO AUDITOR REVIEW.]

(c) So long as any of the Notes are outstanding, the Company shall deliver to the Trustee, within 5 Business Days after the date on which any Officer of the Company becomes aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.05 Taxes.

The Company shall, and shall cause each of its Subsidiaries to, pay or discharge or cause to be paid or discharged, prior to delinquency, all taxes, assessments, and governmental charges levied or imposed upon its or its Subsidiaries' income, profits or property, except such as are contested in good faith and by appropriate proceedings or where stayed by the Bankruptcy Court or other court of competent jurisdiction or where the failure to effect such payment or discharge is not adverse in any material respect to the Holders of the Notes.

Section 4.06 Stay, Extension and Usury Laws.

The Company and each of the Guarantors covenant (to the extent that it may lawfully do so) that they shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force,

that may affect the covenants or the performance of this Indenture or the Security Documents; and the Company and each of the Guarantors (to the extent that it may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that they shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 Restricted Payments.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Guarantor or, in the case of a Restricted Subsidiary that is not a Guarantor, to the Company or any Restricted Subsidiary);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company held by a Person other than the Company or a Restricted Subsidiary of the Company;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Indebtedness that is subordinated by its terms in right of payment to the Notes or the Subsidiary Guarantees, except payments of interest or principal at the Stated Maturity thereof; or

(4) make any Restricted Investment (all such payments and other actions set forth in these clauses (1) through (4) being collectively referred to as "Restricted Payments"),

unless, at the time of and after giving effect to such Restricted Payment:

(5) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(6) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Coverage Ratio test set forth in Section 4.09(a); and

(7) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (9), (10), (11) (other than payments with respect to Equity Interests of the Company or any of its Restricted Subsidiaries), (12) and (13) of Section 4.07(b)), is less than the sum, without duplication, of:

(A) 50% of the aggregate Consolidated Net Income of the Company (or, in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit) accrued for the period beginning on the Issue Date and ending on the last day of the Company's most recent fiscal quarter for which financial information is available to the Company ending prior to the date of such proposed Restricted Payment, taken as one accounting period, plus

(B) 100% of the aggregate net cash proceeds received by the

Company since the Issue Date (x) from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or Disqualified Stock or debt or other securities of the Company that have been converted into or exchanged for such Equity Interests (other than (i) Equity Interests (or Disqualified Stock or convertible or exchangeable debt or other securities) sold to a Subsidiary of the Company or any employee stock ownership plan or other trust established by the Company or any of its Subsidiaries for the benefit of its employees to the extent that the purchase by such plan or trust is financed by Indebtedness of such plan or trust owed to the Company or any of its Subsidiaries or Indebtedness Guaranteed by the Company or any of its Subsidiaries, and (ii) Disqualified Stock or convertible or exchangeable debt or other securities that have been converted into or exchanged for Disqualified Stock), and (y) as capital contributions from its shareholders, plus ----

(C) to the extent that any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary after the Issue Date, the fair market value of such Subsidiary, as determined by the Board of Directors, as of the date of such redesignation, plus

(D) the sum of (i) the aggregate amount in cash returned to the Company or any of its Restricted Subsidiaries and (ii) the aggregate principal amount of Indebtedness of the Company or any of its Restricted Subsidiaries cancelled, in each case with respect to Restricted Investments made after the Issue Date whether through interest payments, principal payments, dividends, or other distributions or the forgiveness or cancellation of Indebtedness, plus

(E) the net cash proceeds received by the Company or any of its Restricted Subsidiaries from the disposition or sale (other than to a Restricted Subsidiary), or liquidation, retirement or redemption of all or any portion of Restricted Investments made after the Issue Date, plus

(F) the net reduction in Investments in Unrestricted Subsidiaries resulting from payments of dividends, repayments of the principal of loans or advances or other transfers of assets from Unrestricted Subsidiaries to the Company or any of its Restricted Subsidiaries, plus

(G) in the event that the Company or any of its Restricted Subsidiaries makes any Investment in a Person that, as a result of or in connection with such Restricted Investment, becomes a Restricted Subsidiary, an amount equal to such portion of the Company's or any of its Restricted Subsidiaries' existing Investments in such Person that was previously treated as a Restricted Payment.

(b) The provisions of Section 4.07(a) will not prohibit:

(1) the payment of any dividend within 60 days after the date of declaration of the dividend, if at the date of declaration the dividend payment would have complied with the provisions of this Indenture; provided, however, that any such dividend will be included in the calculation of the amount of Restricted Payments (without duplication for declaration);

(2) the making of any Restricted Investment or the payment on or with respect to or, the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of the Company or any of its Restricted Subsidiaries or of any Equity Interests of the Company in exchange for, or out of the net cash proceeds of the substantially concurrent sale of, Equity Interests of the Company (other than (i) Disqualified Stock and (ii) Equity Interests issued or sold to a Restricted Subsidiary of the Company or to any employee stock ownership plan or other trust established by the Company or any of its Subsidiaries for the benefit of its employees to the extent that the purchase by such plan or trust is financed by Indebtedness of such plan or trust owed to the Company or any of its Subsidiaries or Indebtedness Guaranteed by the Company or any of its Subsidiaries) or out of the net cash proceeds of substantially concurrent capital contributions made to the Company; provided that the amount of any such net cash proceeds

that are utilized for any such Restricted Investment redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (7)(B) of Section 4.07(a);

(3) the defeasance (whether legally or as to covenants only), redemption, repurchase or other acquisition of subordinated Indebtedness of the Company or any of its Restricted Subsidiaries or Disqualified Stock of the Company with the net cash proceeds from an incurrence of Permitted Refinancing Indebtedness;

(4) the declaration and payment of any dividend by a Restricted Subsidiary of the Company to the holders of such Restricted Subsidiary's Equity Interests on a pro rata basis;

(5) the retirement of any shares of Disqualified Stock of the Company by conversion into, or by exchange for, shares of Disqualified Stock of the Company, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of other shares of Disqualified Stock of the Company; provided that the Disqualified Stock of the Company that replaces the retired shares of Disqualified Stock of the Company shall not require the direct or indirect payment of any liquidation preference earlier in time than the final stated maturity of the retired shares of Disqualified Stock of the Company;

(6) payments required to be made or otherwise contemplated pursuant to the Plan of Reorganization;

(7) payments required to be made pursuant to the Expense Reimbursement Agreement or Tax Sharing Agreement;

(8) payments in respect of the limited partnership interests in Covanta Onondaga Limited Partnership and Covanta Huntington Limited Partnership pursuant to the limited partnership agreements of such entities as in effect on the Issue Date and as amended, modified or extended on terms not materially less favorable to the Company and its Restricted Subsidiaries, taken as a whole;

(9) repurchases of Equity Interests deemed to occur upon the exercise of stock options if such Equity Interests represent a portion of the exercise price thereof;

(10) payments in satisfaction of earn-out and deferred purchase price obligations pursuant to agreements relating to the acquisition of any Person which, following such acquisition, would be a Restricted Subsidiary of the Company;

(11) any Restricted Payments made pursuant to any employee benefit plan, arrangement or perquisite (including plans, arrangements or perquisites for the benefit of directors) or employment agreements or other compensation arrangements, in each case as approved by the Board of Directors in its good faith judgment;

(12) the distribution, as a dividend or otherwise, of Equity Interests of, or Indebtedness owed to the Company or a Restricted Subsidiary of the Company by, any Unrestricted Subsidiary of the Company;

(13) payments or distributions to dissenting stockholders pursuant to applicable law or pursuant to or in connection with a consolidation, merger or transfer of assets that complies with Section 5.01;

(14) any purchase, redemption, retirement or other acquisition for value of any subordinated Indebtedness pursuant to the provisions of such Indebtedness relating to a change of control or sale of assets; provided that the Company shall have complied with any requirement to make a Change of Control Offer or Asset Sale Offer, as the case may be, in connection with such change of control or sale of assets; and

(15) other Restricted Payments in an aggregate amount not to exceed $10.0 million.

(c) The amount of all Restricted Payments (other than cash) will be the fair market value on the date of the Restricted Payment of the assets or securities proposed to be transferred or issued by the Company or any Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any assets or securities that are required to be valued by this covenant will be determined, in good faith, by the Board of Directors. The Board of Directors' determination must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of national standing if the fair market value exceeds $15.0 million and if the Restricted Payment is to be made to an Affiliate of the Company or to the holders of or in respect of any Equity Interest. Not later than the date of making any Restricted Payment having a fair market value exceeding $15.0 million, the Company will deliver to the Trustee an Officer's Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Section 4.07(c) were computed, together with a copy of the fairness opinion or appraisal required by this Indenture. In determining whether any Restricted Payment is permitted by the covenant described above, the Company may in its sole discretion allocate all or any portion of such Restricted Payment among the categories described in the immediately preceding paragraph or among such categories and the types of Restricted Payments described in the first paragraph under the "Restricted Payments" heading above; provided that at the time of such allocation, all such Restricted Payments, or allocated portions thereof, would be permitted under the various provisions of the covenant described above.

Section 4.08 Dividend and Other Payment Restrictions Affecting Subsidiaries.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

(b) The provisions of Section 4.08(a) will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements governing Existing Indebtedness, the Credit Agreements or the Indemnification Agreement as in effect on the Issue Date and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of those agreements; provided that the amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those provisions contained in those agreements on the Issue Date;

(2) this Indenture, the Notes, the Subsidiary Guarantees and the Security Documents;

(3) applicable law, rule, regulation or order;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred or issued in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Acquired Debt, such Indebtedness was permitted by the terms of this Indenture to

be incurred;

(5) customary non-assignment provisions in leases and other agreements entered into in the ordinary course of business;

(6) Permitted Refinancing Indebtedness; provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are materially not more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in the agreements governing the Indebtedness being refinanced;

(7) provisions with respect to the disposition or distribution of assets or property held under joint venture agreements, or subject to asset sale agreements, stock sale agreements and other similar agreements;

(8) restrictions on cash or other deposits or net worth requirements imposed by customers under contracts or net worth requirements contained in leases and other agreements entered into in the ordinary course of business;

(9) customary restrictions with respect to Restricted Subsidiaries of the Company pursuant to agreements creating Permitted Liens or agreements entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of any such Restricted Subsidiary pending the closing of such sale or disposition; provided that such restrictions apply solely to the Capital Stock or assets of the Restricted Subsidiary that are being sold or that are subject to the Permitted Lien;

(10) any encumbrance or restriction existing under or by reason of Insurance Premium Financing Arrangements permitted pursuant to Section 4.09;

(11) purchase money obligations for property acquired in the ordinary course of business that impose restrictions on that property of the nature described in clause (3) of the preceding paragraph;

(12) Liens securing Indebtedness otherwise permitted to be incurred pursuant to Section 4.12 that limit the right of the debtor to dispose of the assets subject to such Liens;

(13) Non-Recourse Debt, Limited Recourse Debt, leases or operating agreements related to Projects, so long as such encumbrances or restrictions relate solely to Project assets and distributions of Project earnings or Project cash flow;

(14) any instrument governing any other Indebtedness the incurrence of which is not prohibited by Section 4.09; provided that the terms of such Indebtedness are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than the provisions with respect to such dividend and other payment restrictions contained in this Indenture at the time of such incurrence; and

(15) any encumbrance or restriction of the type referred to in Section 4.08(a) imposed by any extension, amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing of an agreement, contract, instrument or obligation referred to in clauses (1) through (14) of this Section 4.08(b) that is not materially more restrictive, taken as a whole, than the encumbrance or restriction imposed by the applicable predecessor agreement, contract, instrument or obligation.

Section 4.09 Restrictions on Indebtedness.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt); provided, however, that the Company or any Guarantor may incur Indebtedness (including

Acquired Debt), and any Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) may incur Acquired Debt not incurred by the acquired Person in contemplation of the related acquisition of such Person by such Restricted Subsidiary, if the Company's Consolidated Coverage Ratio at the time of incurrence of such Indebtedness, after giving pro forma effect to such incurrence or issuance as of such date and to the use of proceeds therefrom, as if the same had occurred at the beginning of the most recently ended four fiscal quarter period of the Company (commencing on or after the Issue Date) for which internal financial statements are available, would have been no less than 2.00 to 1.00.

(b) Section 4.09(a) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(1) the incurrence by the Company or any Restricted Subsidiary of Indebtedness and letters of credit under the Credit Agreements in an aggregate principal amount at any one time outstanding (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) not to exceed $280.0 million, less the aggregate amount of all Net Proceeds of Asset Sales applied to repay Indebtedness under the Credit Agreements in order to comply with Section 4.10(b);

(2) the incurrence by the Company of Indebtedness consisting solely of its obligations under Insurance Premium Financing Arrangements, which obligations shall not exceed at any time $30.0 million in the aggregate;

(3) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness, including without limitation the Unsecured Notes;

(4) the incurrence by the Company and the Guarantors of Indebtedness represented by the Notes and the related Subsidiary Guarantees to be issued on the Issue Date;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Permitted Business in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (5), not to exceed $15.0 million at any time outstanding;

(6) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance, defease or replace, Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09(a) or any of clauses (3), (4), (5), (6), (9), (15), (16) or (18) of this paragraph;

(7) the incurrence (i) by the Company or any of the Guarantors of intercompany Indebtedness between or among the Company and any of the Guarantors and (ii) by non-Guarantor Restricted Subsidiaries of the Company of Indebtedness to the Company or a Guarantor in an aggregate net amount not to exceed $20.0 million; provided, however, that (a) if the Company or any Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes (in the case of the Company) or the related Subsidiary Guarantee (in the case of a Guarantor); and (b) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Guarantor and any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Guarantor will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Guarantor, as the case may be, that was not permitted by this clause (7);

(8) the incurrence by the Company or any of its Restricted

Subsidiaries of Hedging Obligations that are incurred for the bona fide purpose of hedging (w) interest rate risk with respect to Indebtedness of the Company or any of its Restricted Subsidiaries permitted to be incurred under this Indenture and which has a notional amount no greater than the payments due with respect to the Indebtedness being hedged thereby, or (x) currency exchange rate risk in connection with then existing financial obligations, or (y) the acquisition of goods or services or (z) against fluctuations in electricity rates pertaining to electricity produced by a Project; and in no event for purposes of speculation;

(9) Guarantees provided under Section 4.17 and the Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or a Restricted Subsidiary that was permitted to be incurred by another provision of this Section 4.09;

(10) (A) Indebtedness incurred in the ordinary course of business solely in respect of bid, surety and similar bonds and standby letters of credit issued for the purpose of supporting workers' compensation liabilities or other insurance obligations of the Company or any of its Restricted Subsidiaries, to the extent that such incurrence does not result in the incurrence of any obligation for the payment of borrowed money to others and (B) Indebtedness owed to, including obligations in respect of letters of credit for the benefit of, any Person in connection with workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance provided by such Person to the Company or a Restricted Subsidiary of the Company, pursuant to reimbursement or indemnification obligations to such Person, in each case incurred in the ordinary course of business;

(11) obligations in respect of Performance Guarantees entered into in accordance with Section 4.20;

(12) obligations in respect of any Existing IPP International Project Guaranties;

(13) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business, and such Indebtedness is extinguished within five business days after incurrence thereof;

(14) Indebtedness arising from agreements of the Company or any of its Restricted Subsidiaries providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, in each case, incurred or assumed in connection with the disposition of any business or assets or a Subsidiary of the Company;

(15) Indebtedness of the Company or any of its Restricted Subsidiaries, to the extent the net proceeds thereof are promptly (a) used to purchase Notes tendered pursuant to a Change of Control Offer under Section 4.15 or (b) deposited to defease the Notes in accordance with Article 8;

(16) the incurrence by the Company or any of its Restricted Subsidiaries of Non-Recourse Debt or Limited Recourse Debt, in an aggregate amount not to exceed the greater of (i) $40.0 million and (ii) 33% of the aggregate reduction in principal amount of Non-Recourse Debt and Limited Recourse Debt in existence on the Issue Date, up to a maximum amount of $150.0 million, at any time outstanding;

(17) the incurrence by any Restricted Subsidiary of the Company of Limited Recourse Debt relating to waste-to-energy Projects, so long as the incurrence by such Restricted Subsidiary of such Limited Recourse Debt is required, as evidenced by a resolution of the Board of Directors, by the existing client (if such client is a governmental authority) of the relevant Project; provided that during the continuance of an Event of Default, the Company and its Restricted Subsidiaries will not enter into any new commitments for any such Indebtedness;

(18) Non-Recourse Debt or Limited Recourse Debt incurred by any of the Company's Restricted Subsidiaries, the net proceeds of which are used to repay, redeem or repurchase the Notes or any other secured unsubordinated Indebtedness of the Company; and

(19) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (19), not to exceed $30.0 million at any time outstanding.

(c) For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clause (1) through (19) of Section 4.09(b), or is permitted to be incurred pursuant to Section 4.09(a), the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Section 4.09. The maximum amount of Indebtedness that the Company or any of its Restricted Subsidiaries may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in currency exchange rates. Indebtedness under the Credit Agreements, including Guarantees of such Indebtedness, on the Issue Date will be deemed to have been incurred on such date in reliance on the exception provided by clause (1) of Section 4.09(b).

(d) Accrual of interest or dividends, the accretion of accreted value or original issue discount and the payment of interest or dividends in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this Section 4.09.

(e) For purposes of determining compliance with any U.S. dollar-denominated restriction on Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided that (1) the U.S. dollar-equivalent principal amount of any such Indebtedness outstanding or committed on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date of this Indenture, and (2) if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency than the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Section 4.10 Asset Sales.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the fair market value of the assets or Equity Interests issued or sold or otherwise disposed of;

(2) the fair market value is determined by the Board of Directors and evidenced by a resolution of the Board of Directors and, if such fair market value is in excess of $15.0 million, is set forth in an Officer's Certificate delivered to the Trustee; and

(3) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents. For purposes of this clause (3), each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any of its Restricted Subsidiaries (other than contingent liabilities and liabilities that are by their terms subordinated in right of payment to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability;

(B) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee converted by the Company or such Restricted Subsidiary within 90 days into cash or Cash Equivalents, to the extent of the cash and Cash Equivalents received in that conversion; and

(C) any Voting Stock or assets of the kind referred to in clause (2) or (4) of Section 4.10(b).

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or such Restricted Subsidiary may, at its option and to the extent it elects, apply (i) 33% of all such Net Proceeds received after the Issue Date and until the aggregate Net Proceeds received by the Company and all of its Restricted Subsidiaries equal $7.5 million, and (ii) thereafter, 100% of such Net Proceeds:

(1) to repay or cash collateralize Bank Indebtedness and, to the extent the Bank Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(2) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, a Permitted Business, or to make a Permitted Investment in another Person that is engaged in a Permitted Business;

(3) to make capital expenditures that are used or useful in a Permitted Business;

(4) to acquire other assets that are used or useful in a Permitted Business; or

(5) any combination of the foregoing;

provided that the Company and any such Restricted Subsidiary will be deemed to have applied such Net Proceeds in accordance with clause (2) or clause (4) of this Section 4.10(b) if, within 365 days after the date of such Asset Sale, the Company or such Restricted Subsidiary shall have entered into, and not abandoned or rejected, a binding agreement with respect to an acquisition, expenditure or Investment that would result in such application of such Net Proceeds and that acquisition, expenditure or Investment is thereafter completed within 455 days after the date of such Asset Sale.

(c) Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

(d) Any Net Proceeds from Asset Sales that are not applied or invested as provided in Section 4.10(b), other than Net Proceeds not required to be applied or invested in the manner specified in Section 4.10(b), will constitute "Excess Proceeds". When the aggregate amount of Excess Proceeds exceeds $15.0 million, the Company will, to the extent permitted under the Intercreditor Agreement, make an Asset Sale Offer to all Holders of Notes and to all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in this Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase or redeem the maximum principal amount of the Notes and such other pari passu Indebtedness that may be purchased or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the Accreted Value plus accrued and unpaid interest on the Notes to be purchased, to the date fixed for the closing of such Asset Sale Offer in accordance with the procedures set forth in this Indenture, and will be payable in cash. If the date of purchase is on or after an interest record date and on or before the related Interest Payment Date, accrued and unpaid interest, if any, will be paid to the Holder in whose name a Note is registered at the close of business on such record date, and no

additional interest will be payable to Holders who tender pursuant to the Asset Sale Offer. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate Accreted Value of Notes and the amount of other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other pari passu Indebtedness to be purchased or redeemed on a pro rata basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(e) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with Section 3.09 or this Section 4.10, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09 or this Section 4.10 by virtue of such conflict.

(f) Notwithstanding the foregoing, to the extent the Intercreditor Agreement is in effect, any Asset Sale shall be governed by the terms of the Intercreditor Agreement to the extent that the applicable terms of this Indenture are inconsistent therewith.

Section 4.11 Transactions with Affiliates.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any of its Affiliates (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on terms that are no less favorable to the Company or such Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person; and

(2) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $5.0 million, a resolution of the Board of Directors set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this Section 4.11 and that such Affiliate Transaction has been approved by a majority of the members of the Board of Directors having no personal stake in such Affiliate Transaction; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $15.0 million, an opinion as to the fairness to the Company and its Restricted Subsidiaries of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

(b) The following transactions will not be deemed to be Affiliate Transactions and therefore will not be subject to the provisions of Section 4.11(a):

(1) any Restricted Payment permitted to be made pursuant to Section 4.07 and any Permitted Investment;

(2) payments made pursuant to the Expense Reimbursement Agreement and the Tax Sharing Agreement;

(3) any employment, service or termination agreement entered into in the ordinary course of business;

(4) any issuance of Equity Interests (other than Disqualified Stock), or other payments, awards or grants in cash, Equity Interests (other than Disqualified Stock) or otherwise pursuant to, or the

funding of, employment arrangements, employee stock options and employee stock ownership plans approved by the Board of Directors;

(5) loans or advances to employees of the Company or its Subsidiaries in the ordinary course of business permitted by clause (7) of the definition of Permitted Investments;

(6) the payment or provision of reasonable fees, compensation or employee benefit plans, arrangements or perquisites to, and any indemnity provided for the benefit of, directors, officers, consultants or employees of the Company or any Subsidiary in the ordinary course of business;

(7) any transaction between or among the Company and its Restricted Subsidiaries or between Restricted Subsidiaries of the Company;

(8) transactions with customers, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services, in each case which are in the ordinary course of business (including, without limitation, pursuant to joint venture agreements) and otherwise in compliance with the terms of this Indenture, and which are fair to the Company and its Restricted Subsidiaries, as applicable, in the reasonable determination of the Board of Directors;

(9) transactions with the Investor Parties pursuant to the Indemnification Agreement, the Second Lien Letter of Credit Facility and any other agreement in existence on the Issue Date, between the Company, DHC or any Investor Party, as such agreement may thereafter be amended, modified, restated, renewed, extended, refinanced, refunded or replaced, as applicable, on terms not materially less favorable to the Company and its Restricted Subsidiaries, taken as a whole, than those terms in effect on the Issue Date, and any such amendment, modification, restatement, renewal, extension, refinancing, refunding or replacement;

(10) transactions with CPIH and its Subsidiaries pursuant to agreements in existence or entered into on the Issue Date, as such agreements may thereafter be amended, modified, restated, renewed, extended, refinanced, refunded or replaced, as applicable, on terms not materially less favorable to the Company and its Restricted Subsidiaries, taken as a whole, than the terms of such agreements as in effect on the Issue Date, and any such amendment, modification, restatement, renewal, extension, refinancing, refunding or replacement;

(11) transactions pursuant to any other arrangement, contract or agreement in existence on the Issue Date, as such arrangement, contract or agreement may thereafter be amended, modified, restated, renewed, extended, refinanced, refunded or replaced from time to time; provided that any such amendment, modification, restatement, renewal, extension, refinancing, refunding or replacement is on terms not materially less favorable to the Company and its Restricted Subsidiaries, taken as a whole, than the arrangement, contract or agreement in existence on the Issue Date; and

(12) sales of Equity Interests, other than Disqualified Stock, of the Company to Affiliates of the Company.

Section 4.12 Liens.

(a) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind securing Indebtedness or trade payables on any asset now owned or hereafter acquired, except Permitted Liens.

(b) If the Company or any of its Restricted Subsidiaries shall create, incur, assume or suffer to exist any such Lien not permitted by the provisions of Section 4.12(a), the Company and such Restricted Subsidiary (i) will be deemed to have automatically and without further action secured the Obligations under the Notes with such Lien equally and ratably with any and all other Indebtedness secured thereby as long as any such Indebtedness shall be so secured, and (ii) will take or cause to be taken such actions as Holders deem necessary or advisable to evidence such equal and ratable Lien; provided that,

notwithstanding the foregoing, this covenant shall not be construed as a consent by Holders to the creation of any such Lien not permitted by the provisions of Section 4.12(a) and the creation or assumption of any such Lien not permitted by the provisions of Section 4.12(a) shall constitute an Event of Default.

Section 4.13 Business Activities.

The Company will not, and will not permit any of its Subsidiaries to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Subsidiaries taken as a whole.

Section 4.14 Corporate Existence.

Subject to Article 5, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect:

(1) its corporate existence, and the corporate, partnership or other existence of each of its Restricted Subsidiaries, in accordance with the respective or organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary; and

(2) the material rights (charter and statutory), licenses and franchises of the Company and its Restricted Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, of the Company or any of its Restricted Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole, and that the loss thereof is not materially adverse to the Holders of the Notes or such action as is otherwise permitted by this Indenture.

Section 4.15 Offer to Repurchase Upon Change of Control.

(a) Subject to the Company's right to redeem the Notes pursuant to Section 3.07, upon the occurrence of a Change of Control, the Company will make an offer (a "Change of Control Offer") to each Holder to repurchase all or any part (in a minimum aggregate principal amount at Stated Maturity of $1,000 or an integral multiple of $1,000) of such Holder's Notes at a purchase price in cash equal to 101% of the Accreted Value of the Notes repurchased plus accrued and unpaid interest on the Notes repurchased to the date of repurchase (the "Change of Control Payment"). Within 10 days following any Change of Control, if the Company has not sent a redemption notice pursuant to Section 3.03 for all of the Notes, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and stating:

(1) that the Change of Control Offer is being made pursuant to this Section 4.15 and that all Notes tendered will be accepted for payment;

(2) the purchase price and the purchase date, which date shall be no earlier than 30 days and no later than 60 days after the date on which such notice is mailed (the "Change of Control Payment Date");

(3) that any Note not tendered will continue to accrue interest;

(4) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Payment Date;

(5) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the

name of the Holder; the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof.

(b) The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change in Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of Sections 3.09, 3.10 or 4.15, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under Section 3.09, 3.10 or this Section 4.15 by virtue of such conflict.

(c) On the Change of Control Payment Date, the Company shall, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

Any Note so accepted for payment shall cease to accrue interest on and after the Change of Control Payment Date.

(d) The Paying Agent will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each new Note will be in a minimum aggregate principal amount of $1,000 or an integral multiple thereof. If the Change of Control Payment Date is on or after an interest record date and on or before the related Interest Payment Date, accrued and unpaid interest, if any, will be paid to the Holder in whose name a note is registered at the close of business on such record date, and no additional interest will be payable to the holders who tender pursuant to the Change of Control Offer. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(e) Notwithstanding anything to the contrary in this Section 4.15, the Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.15 and Section 3.10 and purchases all Notes validly tendered and not withdrawn under the Change of Control Offer.

Section 4.16 Payments for Consent.

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture, the Notes or the Security Documents unless such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Section 4.17 Additional Subsidiary Guarantees and Liens.

If the Company or any of its Restricted Subsidiaries acquires or

creates another Domestic Subsidiary after the Issue Date, excluding any Subsidiary that has been properly designated as an Unrestricted Subsidiary in accordance with this Indenture for so long as it continues to constitute an Unrestricted Subsidiary, then that newly acquired or created Domestic Subsidiary will become a Guarantor and (a) execute a supplemental indenture and deliver an Opinion of Counsel reasonably satisfactory to the Trustee within 10 Business Days of the date on which it was acquired or created, (b) if such Domestic Subsidiary grants any Lien upon any of its assets and property as security for any Credit Agreement Obligations, execute any and all further Security Documents, financing statements, agreements and instruments, upon substantially the same terms as the security documents in respect of such Credit Agreement Obligations, but subject to the Intercreditor Agreement, that grants the Trustee a third-priority Lien upon such assets and property for the benefit of the Holders and take all such actions (including the filing and recording of financing statements, fixture filings, Mortgages and other documents) that may be required under any applicable law, or which the Trustee may reasonably request to create such third-priority Lien, all at the expense of the Company, including all reasonable fees and expenses of counsel incurred by the Trustee in connection therewith, and (c) deliver to the Trustee an Opinion of Counsel, reasonably satisfactory to the Trustee, that such Guarantee and any such Security Documents, as the case may be, are valid, binding and enforceable obligations of such Subsidiary, subject to customary exceptions for bankruptcy, fraudulent conveyance and equitable principles.

Section 4.18 Designation of Restricted and Unrestricted Subsidiaries.

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary, if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate fair market value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary properly so designated will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the first paragraph of Section 4.07 or Permitted Investments, as determined by the Company. Such a designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the criteria for being an Unrestricted Subsidiary. The Board of Directors may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if the redesignation would not cause a Default.

Section 4.19 Limitation on Sale and Leaseback Transactions.

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale/Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale/Leaseback transaction if:

(1) the Company or that Restricted Subsidiary, as applicable, could have incurred Indebtedness in an amount equal to the Attributable Debt relating to such Sale/Leaseback Transaction in compliance with Section 4.09;

(2) the gross cash proceeds of the Sale/Leaseback Transaction are at least equal to the fair market value (in the case of gross cash proceeds in excess of $5.0 million, as determined in good faith by the Board of Directors, and as so determined by the Board of Directors and set forth in an Officer's Certificate delivered to the Trustee in the case of gross cash proceeds in excess of $15.0 million), of the property that is the subject of that Sale/Leaseback Transaction; and

(3) the transfer of assets in that Sale/Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, Section 4.10.

Section 4.20 Limitation on Performance Guarantees.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or become obligated with respect to any Performance Guarantee other than Performance Guarantees which are unsecured and which:

(1) are in effect on the Issue Date;

(2) replace, renew or extend Performance Guarantees permitted pursuant to clause (1) above;

(3) support Expansions of existing waste-to-energy Projects; or

(4) are required in connection with waste-to-energy Projects undertaken by the Company or any of its Restricted Subsidiaries after the Issue Date (i) with respect to which the Company's or such Restricted Subsidiary's Investment therein constitutes a Permitted Investment or a Restricted Payment not prohibited by Section 4.07 or (ii) in which neither the Company nor any of its Restricted Subsidiaries has any Investment.

Section 4.21 Payment of Additional Interest

The Company shall apply for and use reasonable business efforts to obtain and maintain ratings of the Notes from both Moody's and S&P. If the Notes have not been rated by either Moody's or S&P within 90 days after the Issue Date, the Company shall pay, as additional interest on the Notes, an amount equal to 0.25% of the principal amount of the Notes at maturity until a rating is obtained from one or both of Moody's or S&P. Such additional interest shall be computed in the same manner and shall be payable at the same times and to the same Persons as other interest on the Notes. Any failure by the Company to obtain or maintain the ratings required by this Section 4.21 solely as a result of the inaction or refusal to act by any such rating agency that is beyond the control of the Company shall not constitute a breach of this Section 4.21 or require the payment of such additional interest.

ARTICLE 5.
SUCCESSORS

Section 5.01 Merger, Consolidation, or Sale of Assets.

(a) The Company shall not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation); or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person; unless:

(1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person organized or existing under the laws of the United States, any state of the United States or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Company under the Notes and this Indenture, pursuant to a supplemental indenture or other agreements reasonably satisfactory to the Trustee;

(3) immediately after giving effect to such transaction no Default or Event of Default exists;

(4) the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, conveyance or other disposition has been made shall, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period, (i) be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Consolidated Coverage Ratio test set forth in the first paragraph of Section 4.09(a) or (ii) (A) would have a Consolidated Coverage Ratio greater than the Consolidated Coverage Ratio of the Company immediately prior to such transaction and without taking into account such transaction and any related financing transactions and (B) has received and delivered to the Trustee letters from Moody's and S&P stating that the Notes, after giving effect to such transaction and any related financing transactions, will be rated at least "Ba1" and "BB+"

by such agencies, respectively; and

(5) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with this Indenture.

(b) In addition, the Company shall not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person. This Section 5.01 will not prohibit (i) any sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and any Guarantor, (ii) any Restricted Subsidiary from consolidating with, merging into or transferring all or part of its assets to the Company or any Guarantor, or (iii) the Company from merging with an Affiliate incorporated solely for the purpose of reincorporating the Company in another jurisdiction to realize tax or other benefits.

(c) In the event of any transaction (other than a lease) described in and complying with the conditions listed in the immediately preceding paragraph in which the Company is not the surviving Person and the surviving Person is to assume all the obligations of the Company under the Notes and this Indenture pursuant to a supplemental indenture, such surviving Person shall succeed to, and be substituted for, and may exercise every right and power of, the Company, and the Company would be discharged from its obligations under this Indenture and the Notes.

Section 5.02 Successor Corporation Substituted.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in a transaction that is subject to, and that complies with the provisions of, Section 5.01, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; provided, however, that the predecessor Company shall not be relieved from the obligation to pay the principal or Accreted Value of, and interest and premium, if any, on, the Notes except in the case of a sale of all of the Company's assets in a transaction that is subject to, and that complies with the provisions of, Section 5.01.

ARTICLE 6.
DEFAULTS AND REMEDIES

Section 6.01 Events of Default.

Each of the following is an "Event of Default":

(1) the Company defaults for 30 consecutive days in the payment when due of interest on the Notes;

(2) the Company defaults in payment when due of the principal or Accreted Value of, or premium, if any, on the Notes;

(3) failure by the Company or any of its Restricted Subsidiaries to comply with its obligations to make any Change of Control Payment pursuant to Section 4.15 or to comply with the provisions of Section 5.01;

(4) failure by the Company or any of its Restricted Subsidiaries for 30 days after written notice from the Trustee or Holders of at least 25% in aggregate principal amount of the outstanding Notes to comply with the provisions of any of Sections 4.07, 4.09 or 4.10;

(5) failure by the Company or any of its Restricted Subsidiaries for 60 days after written notice from the Trustee or Holders of at least 25% in aggregate principal amount of the outstanding Notes to comply with any of the other agreements in this Indenture or the Security Documents;

(6) default under any mortgage, indenture, agreement or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or any of its Restricted Subsidiaries whether such Indebtedness now exists, or is created after the Issue Date, if that default:

(A) is caused by a failure to pay principal of or liquidation preference of such Indebtedness at the final stated maturity thereof (giving effect to any applicable grace periods and any extensions thereof); or

(B) results in the acceleration of such Indebtedness prior to its express maturity; or

(C) results in a requirement that the Company or any of its Restricted Subsidiaries collateralize any letter of credit thereunder and the Company or such Restricted Subsidiary fails to provide the required collateral on the terms and within the times set forth therein (giving effect to any applicable grace periods and any extensions thereof);

and, in each case, if the principal amount of such Indebtedness or the amount of such collateralization requirement aggregates $20.0 million or more;

(7) any final judgment or judgments for the payment of money in an aggregate amount in excess of $10.0 million (or its foreign currency equivalent at the time) in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies shall have been rendered against the Company or any Restricted Subsidiary of the Company that is a Significant Subsidiary and shall not have been waived, satisfied, bonded or discharged for any period of 60 consecutive days during which a stay of enforcement is not in effect;

(8) the Company or any Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary, pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case;

(B) consents to the entry of an order for relief against it in an involuntary case;

(C) consents to the appointment of or taking possession by a custodian, receiver, liquidator, trustee, assignee or sequestrator of it or for all or substantially all of its property; or

(D) makes a general assignment for the benefit of its creditors; or

(9) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken as a whole, would constitute a Significant Subsidiary in an involuntary case; or

(B) appoints a custodian, receiver, liquidator, trustee, assignee or sequestrator of the Company or any Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) that is a Significant Subsidiary or for all or substantially all of the property of the Company or any Restricted Subsidiary of the Company that is a Significant Subsidiary or, in either case, any group of Restricted Subsidiaries of the Company that, taken as a whole, would constitute a Significant Subsidiary; or

(C) orders the liquidation of the Company or any Restricted Subsidiary of the Company (other than a Bankrupt Subsidiary) that is

a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken as a whole, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; or

(D) (a) any Subsidiary Guarantee or any Security Document or any security interest granted thereby is held in any judicial proceeding to be unenforceable or invalid, or ceases for any reason to be in full force and effect and such default continues for ten days after written notice, or (b) the Company or any Guarantor, or any Person acting on behalf of the Company or any Guarantor, denies or disaffirms its obligations under any Subsidiary Guarantee or Security Document.

Section 6.02 Acceleration.

(a) In the case of an Event of Default specified in clauses (8) or (9) of Section 6.01, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount at Stated Maturity of the then outstanding Notes may declare all the Notes to be due and payable immediately. Upon any such declaration the Notes shall become due and payable immediately. The amount due and payable with respect to principal of the Notes upon any acceleration hereunder shall be the Accreted Value of the Notes as of the date of acceleration.

(b) In the event of a declaration of acceleration of the Notes because an Event of Default has occurred and is continuing as a result of the acceleration of any Indebtedness described in clause (6) of Section 6.01, the declaration of acceleration of the Notes shall be automatically annulled if the holders of any Indebtedness described in clause (6) of Section 6.01 have rescinded the declaration of acceleration in respect of the Indebtedness within 30 days of the date of the declaration and if:

(1) the annulment of the acceleration of Notes would not conflict with any judgment or decree of a court of competent jurisdiction; and

(2) all existing Events of Default, except nonpayment of principal or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

(c) The Holders of a majority in aggregate principal amount at Stated Maturity of the then outstanding Notes by written notice to the Trustee may on behalf of all of the Holders rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except nonpayment of principal, interest or premium that has become due solely because of the acceleration) have been cured or waived.

(d) If an Event of Default occurs by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to Section 3.07, then, upon acceleration of the Notes, an equivalent premium, based upon the Accreted Value of the Notes as of the date of acceleration, shall also become and be immediately due and payable, to the extent permitted by law, anything in this Indenture or in the Notes to the contrary notwithstanding.

Section 6.03 Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal or Accreted Value of and premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All remedies are cumulative to the extent permitted by law.

Section 6.04 Waiver of Past Defaults.

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal or Accreted Value of or premium or interest on, the Notes, including in connection with an offer to purchase (other than a rescission of acceleration of the Notes by the Holders of a majority in aggregate principal amount at Stated Maturity of the then outstanding Notes); provided, however, that the Holders of a majority in aggregate principal amount at Stated Maturity of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05 Control by Majority.

Holders of a majority in aggregate principal amount at Stated Maturity of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law, this Indenture or the Security Documents that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability and may take any other action it deems proper that is not inconsistent with such direction.

Section 6.06 Limitation on Suits.

(a) A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes only if:

(1) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(5) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

Section 6.07 Rights of Holders of Notes to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal or Accreted Value of, and premium, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08 Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(1) or (2) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of

principal or Accreted Value of, premium, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 Trustee May File Proofs of Claim.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 Priorities.

(a) If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys (including any Collateral Agent) for amounts due under Section 7.07, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

(b) The Trustee may, upon prior written notice to the Company, fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee or any Collateral Agent for any action taken or omitted by it as Trustee or as Collateral Agent, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee or by any Collateral Agent, a suit by a Holder of a Note pursuant to Section 6.07, or a suit by Holders of more than 25% in principal amount of the then outstanding Notes.

ARTICLE 7.
TRUSTEE

Section 7.01 Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(1) the duties of the Trustee will be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee will examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section 7.01;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section 7.01.

(e) No provision of this Indenture will require the Trustee to expend or risk its own funds or incur any liability. The Trustee will be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee will not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.02 Rights of Trustee.

(a) The Trustee may conclusively rely upon any document reasonably believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel or both. The Trustee will not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel will be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and will not

be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee will not be liable for any action it reasonably takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture, provided, however, that the Trustee's conduct does not constitute willful misconduct or negligence.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company will be sufficient if signed by an Officer of the Company.

(f) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

Section 7.03 Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11.

Section 7.04 Trustee's Disclaimer.

The Trustee will not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it will not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it will not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section 7.05 Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee will mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06 Reports by Trustee to Holders of the Notes.

(a) Within 60 days after each January 1 beginning January 1, 2005, and for so long as Notes remain outstanding, the Trustee will mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA ss. 313(a) (but if no event described in TIA ss. 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also will comply with TIA ss. 313(b)(2). The Trustee will also transmit by mail all reports as required by TIA ss. 313(c).

(b) A copy of each report at the time of its mailing to the Holders of Notes will be mailed by the Trustee to the Company and filed by the Trustee with the Commission and each stock exchange on which the Notes are listed in accordance with TIA ss. 313(d). The Company will promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07 Compensation and Indemnity.

(a) The Company will pay to the Trustee such compensation for its acceptance of this Indenture and services hereunder as agreed from time to time by the Company and the Trustee. The Trustee's compensation will not be limited by any law on compensation of a trustee of an express trust. The Company will

reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses will include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) The Company and the Guarantor will indemnify the Trustee and any Collateral Agent against any and all losses, liabilities or expenses incurred by them arising out of or in connection with the acceptance or administration of their duties under this Indenture, including the reasonable costs and expenses of enforcing this Indenture against the Company and the Guarantors (including this Section 7.07) and defending themselves against any claim (whether asserted by the Company, the Guarantors or any Holder or any other Person) or liability in connection with the exercise or performance of any of their powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to their negligence or bad faith. The Trustee (or, if the claim is against a Collateral Agent, the applicable Collateral Agent) will notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee or a Collateral Agent to so notify the Company will not relieve the Company or any of the Guarantors of their obligations hereunder. The Company or such Guarantor will defend the claim and the Trustee (or the Collateral Agent, as applicable) will cooperate in the defense. The Trustee may have separate counsel and the Company will pay the reasonable fees and expenses of such counsel. Neither the Company nor any Guarantor need pay for any settlement made without its consent, which consent will not be unreasonably withheld.

(c) The obligations of the Company and the Guarantors under this Section 7.07 will survive the satisfaction and discharge of this Indenture.

(d) To secure the Company's payment obligations in this Section 7.07, the Trustee will have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien will survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(8) or (9) occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

(f) The Trustee will comply with the provisions of TIA ss. 313(b)(2) to the extent applicable.

Section 7.08 Replacement of Trustee.

(a) A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

(b) The Trustee may resign, upon 30 days written notice to the Company, in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

(d) If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee will mail a notice of its succession to Holders. The retiring Trustee will promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 will continue for the benefit of the retiring Trustee.

Section 7.09 Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act will be the successor Trustee.

Section 7.10 Eligibility; Disqualification.

(a) There will at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $100 million as set forth in its most recent published annual report of condition.

(b) This Indenture will always have a Trustee who satisfies the requirements of TIA ss. 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b).

Section 7.11 Preferential Collection of Claims Against Company.

The Trustee is subject to TIA ss. 311(a), excluding any creditor relationship listed in TIA ss. 311(b). A Trustee who has resigned or been removed shall be subject to TIA ss. 311(a) to the extent indicated therein.

ARTICLE 8.
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01 Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, at any time, elect to have either Section 8.02 or 8.03 be applied to all outstanding Notes (including the Subsidiary Guarantees) upon compliance with the conditions set forth below in this Article 8.

Section 8.02 Legal Defeasance and Discharge.

(a) Upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.02, the Guarantees will be released, and the Company and each of the Guarantors will, subject to the satisfaction of the conditions set forth in Section 8.04, be deemed to have been discharged from their obligations with respect to all outstanding Notes (including the Subsidiary Guarantees) on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company and the Guarantors will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Subsidiary Guarantees), which will thereafter be deemed to be "outstanding" only

for the purposes of Section 8.05 and the other Sections of this Indenture referred to in clauses (1) and (2) below, and to have satisfied all their other obligations under such Notes, the Subsidiary Guarantees and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which will survive until otherwise terminated or discharged hereunder:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium, if any, on such Notes when such payments are due from the trust referred to in Section 8.04;

(2) the Company's obligations with respect to such Notes under Article 2 and Section 4.02;

(3) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's and the Guarantors' obligations in connection therewith; and

(4) this Article 8.

(b) Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03.

Section 8.03 Covenant Defeasance.

Upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.03, the Company and its Restricted Subsidiaries will, subject to the satisfaction of the conditions set forth in Section 8.04, be released from each of their obligations under the covenants contained in Sections 3.09, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15, 4.16, 4.17, 4.18, 4.19, 4.20 and 4.21 and clause (4) of Section 5.01(a) and the first sentence of Section 5.01(b) with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 are satisfied (hereinafter, "Covenant Defeasance"), and the Notes will thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but will continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes will not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes and Subsidiary Guarantees, the Company and the Guarantors may omit to comply with and will have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply will not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Notes and Subsidiary Guarantees will be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 of the option applicable to this Section 8.03, subject to the satisfaction of the conditions set forth in Section 8.04, Sections 6.01(3) through 6.01(6) will not constitute Events of Default.

Section 8.04 Conditions to Legal or Covenant Defeasance.

(a) In order to exercise either Legal Defeasance or Covenant Defeasance under either Section 8.02 or 8.03:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal or Accreted Value of and premium, if any, and interest on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of an election under Section 8.02, the Company has delivered to the Trustee an Opinion of Counsel in the United States

reasonably acceptable to the Trustee confirming that:

(A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling; or

(B) since the Issue Date, there has been a change in the applicable federal income tax law,

in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of an election under Section 8.03, the Company must deliver to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others; and

(7) the Company must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

(b) Notwithstanding the foregoing, the Opinion of Counsel required by clause (7) of Section 8.04(a) need not be delivered if all Notes not therefore delivered to the Trustee for cancellation (i) have become due and payable or (ii) will become due and payable on their maturity date within one year under arrangements satisfactory to the Trustee for the giving of notice of assumption by the Trustee in the name, and at the expense, of the Company.

Section 8.05 Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.

(a) Subject to Section 8.06, all money and noncallable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 in respect of the outstanding Notes will be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium (if any) and interest, but such money need not be segregated from other funds except to the extent required by law.

(b) The Company will pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 or the principal and interest received in respect thereof other than any such tax, fee or other

charge which by law is for the account of the Holders of the outstanding Notes.

(c) Notwithstanding anything in this Article 8 to the contrary, the Trustee will deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a)), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06 Repayment to Company.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or premium or interest on any Note and remaining unclaimed for two years after such principal, premium or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) will be discharged from such trust; and the Holder of such Note will thereafter be permitted to look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, will thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which will not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 8.07 Reinstatement.

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's and the Guarantor's obligations under this Indenture and the Notes and the Subsidiary Guarantees will be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03, as the case may be; provided, however, that, if the Company makes any payment of principal of or premium or interest on any Note following the reinstatement of its obligations, the Company will be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9.
AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01 Without Consent of Holders of Notes.

(a) Notwithstanding Section 9.02, the Company, the Guarantors and the Trustee may amend or supplement this Indenture, the Subsidiary Guarantees, the Notes or the Security Documents without the consent of any Holder of a Note:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Company's obligations to Holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Company's assets;

(4) to make any change that would provide any additional rights or benefits to the Holders of Notes or that would not adversely affect the legal rights under this Indenture of any such Holder;

(5) to comply with requirements of the Commission in order to effect or maintain the qualification of this Indenture under the TIA;

(6) to allow any Guarantor to execute a supplemental indenture and/or a Subsidiary Guarantee with respect to the Notes; or

(7) if necessary, in connection with any addition or release of Collateral permitted under the terms of this Indenture or the Security Documents.

(b) Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of the documents described in Section 7.02, the Trustee will join with the Company and the Guarantors in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

(c) The Company shall be entitled to releases of the Collateral or the Guarantees as described in Sections 10.03, 11.05 and 11.06.

Section 9.02 With Consent of Holders of Notes.

(a) Except as provided below in this Section 9.02, the Company, the Guarantors and the Trustee may amend or supplement any provision of this Indenture, the Subsidiary Guarantees, the Notes or the Security Documents with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding voting as a single class (including, without limitation, consents obtained in connection with a purchase of or a tender offer or exchange offer for the Notes), and, subject to Sections 6.04 and 6.07, any existing Default or compliance with any provision of this Indenture, the Notes or the Security Documents may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes). Section 2.08 shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02.

(b) Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture or other amendment, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02, the Trustee will join with the Company in the execution of such amended or supplemental Indenture or other amendment unless such amended or supplemental Indenture or other amendment directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental Indenture or other amendment.

(c) It is not necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it is sufficient if such consent approves the substance thereof.

(d) After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 6.04 and 6.07, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Company with any provision of this Indenture, the Notes or the Security Documents. However, without the consent of each Holder affected, an amendment or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal or Accreted Value of or change the stated maturity of any Note or alter or waive any of the provisions with respect to the redemption or repurchase of the Notes;

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal or Accreted Value of or premium or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in this Indenture;

(6) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal or Accreted Value of, or interest or premium on, the Notes;

(7) waive a redemption payment with respect to any Note other than a payment required by Sections 3.09, 4.10 and 4.15;

(8) subordinate in right of payment the Notes or any Subsidiary Guarantee to any other Indebtedness of the Company or any Guarantor; or

(9) make any change in the preceding amendment and waiver provisions;

(e) Any amendment to, or waiver of, the provisions of this Indenture or the Security Documents relating to the release of any Guarantor from any of its Obligations under its Guarantee, this Indenture or the Security Documents, except in accordance with the terms of this Indenture, will require the consent of the Holders of at least 75% in aggregate principal amount of Notes then outstanding.

Section 9.03 Compliance with Trust Indenture Act.

Every amendment or supplement to this Indenture or the Notes will be set forth in a amended or supplemental Indenture that complies with the TIA as then in effect.

Section 9.04 Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 9.05 Notation on or Exchange of Notes.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in exchange for all Notes may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate new Notes that reflect the amendment, supplement or waiver. Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06 Trustee to Sign Amendments, etc.

The Trustee will sign any amended or supplemental Indenture or other amendment authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amended or supplemental Indenture or other amendment until the Board of Directors approves it. In executing any amended or supplemental indenture or other amendment, the Trustee will be entitled to receive and (subject to Section 7.01) will be fully protected in relying upon, in addition to the documents required by Section 13.04, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental Indenture or other amendment is authorized or permitted by this Indenture.

ARTICLE 10.
COLLATERAL AND SECURITY

Section 10.01 Security Documents.

The due and punctual payment of the principal and Accreted Value of and interest and premium (if any) on the Notes when and as the same shall be due and payable, whether on an Interest Payment Date, at maturity, by acceleration, repurchase, redemption or otherwise, and interest on the overdue principal or Accreted Value of and interest on the Notes and performance of all other obligations of the Company to the Holders or the Trustee under this Indenture and the Notes, according to the terms hereunder or thereunder, are secured as provided in the Security Documents which the Company and the Guarantors have entered into simultaneously with the execution of this Indenture, subject to the terms of the Intercreditor Agreement. Each Holder of a Note, by its acceptance thereof, consents and agrees to the terms of this Indenture and the Security Documents (including the provisions providing for foreclosure and release of Collateral) as the same may be in effect or may be amended from time to time in accordance with its terms or the terms hereof and authorizes and directs the Collateral Agent to enter into the Security Documents and to perform its obligations and exercise its rights thereunder in accordance therewith. The Company shall deliver to the Trustee (if it is not itself then the Collateral Agent) copies of all documents delivered to the Collateral Agent pursuant to the Security Documents, and will do or cause to be done all such acts and things as may be required by the next sentence of this Section 10.01, to assure and confirm to the Trustee and the Collateral Agent the security interest in the Collateral contemplated hereby, by the Security Documents or any part thereof, as from time to time constituted, so as to render the same available for the security and benefit of this Indenture and of the Notes secured hereby, according to the intent and purposes herein expressed. The Company shall take, and shall cause its Restricted Subsidiaries to take, any and all actions reasonably required to cause the Security Documents to create and maintain, as security for the Obligations of the Company and the Guarantors hereunder, a valid and enforceable perfected third-priority Lien and security interest in and on 100% of the capital stock of, or other Equity Interests in, existing and future Domestic Subsidiaries owned by the Company and its Restricted Subsidiaries, substantially all the personal property assets of the Company and the Guarantors, all fee interests in real property assets and all leasehold interests, in favor of the Collateral Agent for the benefit of the Holders, third in priority (subject to Permitted Liens) to Liens securing Credit Agreement Obligations.

Section 10.02 Recording and Opinions.

(a) The Company will furnish to the Collateral Agent and the Trustee on January 15 in each year beginning with January 15, 2005, an Opinion of Counsel, which may be rendered by internal counsel to the Company, dated as of such date, either:

(1) (A) stating that, in the opinion of such counsel, action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of all supplemental indentures, financing statements, continuation statements or other instruments of further assurance as is necessary to maintain and perfect the Lien of the Security Documents and reciting with respect to the security interests in the Collateral the details of such action or referring to prior Opinions of Counsel in which such details are given, and (B) stating that, in the opinion of such counsel, based on relevant laws as in effect on the date of such Opinion of Counsel, all financing statements and continuation statements have been executed and filed that are necessary as of such date and during the succeeding 12 months fully to preserve, perfect and protect, to the extent such protection and preservation are possible by filing, the rights of the Collateral Agent and the Trustee hereunder and under the Security Documents with respect to the security interests in the Collateral; or

(2) stating that, in the opinion of such counsel, no such action is necessary to maintain and perfect such Lien and assignment.

(b) The Company will otherwise comply with the provisions of TIA Section 314(b).

Section 10.03 Release of Collateral/Additional Liens.

(a) Subject to subsections (b), (c) and (d) of this Section 10.03, Collateral may be released from the Lien and security interest created by the Security Documents at any time or from time to time in accordance with the provisions of the Security Documents or as provided hereby. Whether prior to or after the Discharge of Credit Agreement Obligations, upon the request of the Company pursuant to an Officer's Certificate certifying that all conditions precedent hereunder have been met and without the consent of any Holder, the Company and the Guarantors will be entitled to a release (or in the case of clause (3) below, a subordination) of the security interests on assets included in the Collateral from the Liens securing the Notes and the Subsidiary Guarantees under any one or more of the following circumstances:

(1) to enable the Company or any Guarantor to consummate any sale, lease, conveyance or other disposition of any assets or rights permitted or not prohibited under Section 4.10;

(2) in respect of assets subject to a permitted purchase money lien;

(3) if all of the stock of any Subsidiary of the Company that is pledged as part of the Collateral is released or if any Subsidiary that is a Guarantor is released from its Guarantee, such Subsidiary's assets will also be released; or

(4) pursuant to an amendment, waiver or supplement in accordance with Article 9;

provided that, in the case of a release requested under clauses (1), (2) or (3), above, or a subordination under clause (2) above, the Credit Agent concurrently releases (or in the case of a requested subordination under clause (2) above, subordinates) the Liens securing Credit Agreement Obligations with respect to the affected assets and, provided further, that if there are any subordinated Liens on such assets, such subordinated Liens are similarly released or subordinated.

Upon receipt of such Officer's Certificate, the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release (or in the case of clause (2) above, the subordination) of any Collateral permitted to be released (or in the case of clause (2) above, subordinated) pursuant to this Indenture or the Security Documents.

Notwithstanding anything to the contrary in this Section 10.03(a) or in Section 10.03(b), as long as the Company is in compliance with the provisions of Section 10.03(f), the Company or any Guarantor may, pursuant to and in accordance with this Indenture and the Security Documents, without requesting the release or consent of the Trustee or the Collateral Agent or any Holder and without delivering an Officer's Certificate:

(A) sell or dispose of in the ordinary course of business, free from the Lien and security interest created by the Security Documents, any machinery, equipment, furniture, apparatus, tools, implements, materials, supplies or other similar property ("Subject Property") which, in the Company's reasonable opinion, may have become obsolete or unfit for use in the conduct of its business or the operation of the Collateral upon replacing the same with, or substituting for the same, new Subject Property constituting Collateral not necessarily of the same character but being of at least equal value and utility as the Subject Property so disposed of, as long as such new Subject Property becomes subject to the Lien and security interest created by the Security Documents;

(B) abandon, sell, assign, transfer, license or otherwise dispose of in the ordinary course of business any personal property the use of which is no longer necessary or desirable in the proper conduct of the business or maintenance of the earnings of the Company and its Subsidiaries, taken as a whole, and is not material to the conduct of the business of the Company and its Subsidiaries, taken as a whole;

(C) grant in the ordinary course of business rights-of-way and

easements over or in respect of any of the Company's or any Guarantor's real property; provided that such grant will not, in the reasonable opinion of the Board of Directors, impair the usefulness of such property in the conduct of the Company's and its Subsidiaries' business, taken as a whole, and will not be materially prejudicial to the interests of the Holders;

(D) sell, transfer or otherwise dispose of inventory in the ordinary course of business;

(E) sell, collect, liquidate, factor or otherwise dispose of accounts receivable in the ordinary course of business; and

(F) make cash payments (including for the scheduled repayment of Indebtedness) from cash that is at any time part of the Collateral in the ordinary course of business that are not otherwise prohibited by this Indenture and the Security Documents.

(b) Except as may be otherwise provided in the Security Documents or in this Section 10.03, no Collateral may be released from the Lien and security interest created by the Security Documents pursuant to the provisions of the Security Documents unless the Officer's Certificate required by this Section 10.03 has been delivered to the Collateral Agent.

(c) At any time when a Default or Event of Default has occurred and is continuing and the maturity of the Notes has been accelerated (whether by declaration or otherwise) and the Trustee has delivered a notice of acceleration to the Collateral Agent, no release of Collateral pursuant to the provisions of the Security Documents will be effective as against the Holders, except as otherwise provided in the Security Documents.

(d) The release of any Collateral from the terms of this Indenture and the Security Documents shall not be deemed to impair the security under this Indenture in contravention of the provisions hereof if and to the extent the Collateral is released pursuant to the terms of the Security Documents and this Indenture. To the extent applicable, the Company will cause TIA Section 313(b), relating to reports, and TIA Section 314(d), relating to the release of property or securities from the Lien and security interest of the Security Documents and relating to the substitution therefor of any property or securities to be subjected to the Lien and security interest of the Security Documents, to be complied with. Any certificate or opinion required by TIA Section 314(d) may be made by an Officer of the Company except in cases where TIA Section 314(d) requires that such certificate or opinion be made by an independent Person, which Person will be an independent engineer, appraiser or other expert selected or approved by the Trustee and the Collateral Agent in the exercise of reasonable care, and in accordance with TIA; provided that the fair value of Collateral released from the Lien and security interest of the Security Documents pursuant to the last paragraph of Section 10.03(a) shall not be considered in determining whether the aggregate fair value of Collateral released from the Lien and security interest of the Security Documents in any calendar year exceeds the 10% threshold specified in TIA Section 314(d)(1). The Company's and each Guarantor's right to rely on the immediately preceding proviso at any time is conditioned upon the Company having furnished to the Trustee all certificates described in Section 10.03(f) that were required to be furnished to the Trustee at or prior to such time.

(e) The Company may from time to time file with the Commission a request for an exemption (an "Exemption") from the requirements of TIA Section 314(d) for purposes of the releases of Collateral described in the last paragraph of Section 10.03(a). The Company shall provide the Trustee with a copy of any such Exemption and promptly inform the Trustee of any rescission or termination of, or amendment to, such Exemption.

(f) In the case of transactions permitted by the last paragraph of Section 10.03(a), the Company shall deliver to the Trustee, within 15 days after the end of each of the six month periods ended on [_____] and [_____] of each year, a certificate signed on behalf of the Company by an Officer of the Company to the effect that all transactions effected pursuant to the last paragraph of Section 10.03(a) during the immediately preceding six month period were made by the Company and the Guarantors in the ordinary course of business and that all proceeds therefrom were used by the Company and the Guarantors in connection with their respective businesses or to make payments on the Notes or

as otherwise permitted under this Indenture and the Security Documents.

Section 10.04 Certificates and Opinions of Counsel.

(1) To the extent applicable, the Company will furnish to the Trustee and the Collateral Agent, prior to each proposed release of Collateral pursuant to the Security Documents:

(2) all documents required by TIA Section 314(d); and

(3) an Opinion of Counsel, to the effect that such accompanying documents constitute all documents required by TIA Section 314(d).

(b) The Trustee may, to the extent permitted by Sections 7.01 and 7.02, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and such Opinion of Counsel.

Section 10.05 Certificates of the Trustee.

In the event that the Company wishes to release Collateral in accordance with the Security Documents at a time when the Trustee is not itself also the Collateral Agent and has delivered the certificates and documents required by the Security Documents and Sections 10.03 and 10.04, the Trustee will determine whether it has received all documentation required by TIA Section 314(d) in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 10.04(b), will deliver a certificate to the Collateral Agent setting forth such determination.

Section 10.06 Authorization of Actions to be Taken by the Trustee Under the Security Documents.

(a) Subject to the provisions of Section 7.01 and 7.02 and the Intercreditor Agreement, the Trustee may, in its sole discretion and without the consent of the Holders, direct, on behalf of the Holders, the Collateral Agent to, take all actions it deems necessary or appropriate in order to:

(1) enforce any of the terms of the Security Documents; and

(2) collect and receive any and all amounts payable in respect of the Obligations of the Company hereunder.

(b) Subject to the terms of the Intercreditor Agreement, the Trustee will have power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Security Documents or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Holders in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders or of the Trustee).

Section 10.07 Authorization of Receipt of Funds by the Trustee Under the Security Documents.

The Trustee is authorized to receive any funds for the benefit of the Holders distributed under the Security Documents, and to make further distributions of such funds to the Holders according to the provisions of this Indenture.

Section 10.08 Termination of Security Interest.

The Trustee will, at the request of the Company, deliver a certificate to the Collateral Agent stating that all Obligations under the Notes, the Guarantees, this Indenture and the Security Documents have been paid in full, and instruct the Collateral Agent to take the actions set forth in the next sentence pursuant to this Indenture and the Security Documents upon (1) payment in full of the principal of, accrued and unpaid interest on the Notes and all other Obligations under this Indenture, the Guarantees and the Security Documents that are due and payable at or prior to the time such principal,

accrued and unpaid interest are paid, (2) a satisfaction and discharge of this Indenture as described in Article 12 or (3) a legal defeasance or covenant defeasance as described in Article 8. Upon receipt of such instruction, the Collateral Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of all such Liens.

ARTICLE 11.
NOTE GUARANTEES

Section 11.01 Guarantee.

(a) Subject to this Article 11, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Company hereunder or thereunder, that:

(1) the principal and Accreted Value of and premium, if any, and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal and Accreted Value of and interest on the Notes, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(2) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

(b) Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(c) Subject to Section 11.02, the Guarantors hereby agree that their obligations hereunder are full and unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenant that this Subsidiary Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(d) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Company or the Guarantors, any amount paid by either to the Trustee or such Holder, this Subsidiary Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(e) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (1) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of this Subsidiary Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (2) in the event of any declaration of acceleration of such obligations as provided in Article 6, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Subsidiary Guarantee. The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right

does not impair the rights of the Holders under this Subsidiary Guarantee.

Section 11.02 Limitation on Guarantor Liability.

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Subsidiary Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Subsidiary Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 11, result in the obligations of such Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance.

Section 11.03 Execution and Delivery of Subsidiary Guarantees.

(a) To evidence its Subsidiary Guarantee set forth in Section 11.01, each Guarantor hereby agrees that a notation of such Subsidiary Guarantee substantially in the form attached as Exhibit B hereto will be endorsed by an Officer of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture will be executed on behalf of such Guarantor by one of its Officers.

(b) Each Guarantor hereby agrees that its Subsidiary Guarantee set forth in Section 11.01 will remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Subsidiary Guarantee.

(c) If an Officer whose signature is on this Indenture or on the Subsidiary Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Subsidiary Guarantee is endorsed, the Subsidiary Guarantee will be valid nevertheless.

(d) The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Subsidiary Guarantee set forth in this Indenture on behalf of the Guarantors.

(e) In the event that the Company creates or acquires any Domestic Subsidiary after the Issue Date, if required by Section 4.17, the Company will cause such Domestic Subsidiary to comply with the provisions of Section 4.17 and this Article 11, to the extent applicable.

Section 11.04 Guarantors May Consolidate, etc., on Certain Terms.

(a) Except as otherwise provided in Section 11.05, no Guarantor may sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company or another Guarantor, except that a Restricted Subsidiary may merge with or into any Guarantor so long as such Guarantor is the surviving entity, unless:

(1) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(2) if the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger is a Restricted Subsidiary immediately following such transaction, such Person assumes all the obligations of that Guarantor under its Subsidiary Guarantee pursuant to a supplemental indenture satisfactory to the Trustee; and

(3) the Company will have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with this Indenture;

provided, however, that the foregoing shall not apply to any such consolidation or merger with or into, or conveyance, transfer or lease to, any Person if the

resulting, survivor or transferee Person will not be a Subsidiary of the Company and the other terms of this Indenture, including Section 4.10, are complied with.

(b) In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Subsidiary Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person will succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Subsidiary Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee. All the Subsidiary Guarantees so issued will in all respects have the same legal rank and benefit under this Indenture as the Subsidiary Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Subsidiary Guarantees had been issued at the date of the execution hereof.

(c) Except as set forth in Article 4, and notwithstanding Section 11.04(a), nothing contained in this Indenture or in any of the Notes will prevent any consolidation or merger of a Guarantor with or into the Company or another Guarantor, or will prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Company or another Guarantor.

Section 11.05 Releases Following Sale of Assets.

(a) In the event of any sale or other disposition of all or substantially all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of Capital Stock of any Guarantor such that it is no longer a Subsidiary of the Company, in each case to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of the Company, then such Guarantor (in the event of a sale or other disposition, by way of merger, consolidation or otherwise, of all of the capital stock of such Guarantor) or the Person acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) will be released and relieved of any obligations under its Subsidiary Guarantee; provided that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of this Indenture, including without limitation Section 4.10. Upon delivery by the Company to the Trustee of an Officer's Certificate and an Opinion of Counsel to the effect that such sale or other disposition, merger or consolidation was made by the Company or a Subsidiary of the Company in accordance with the provisions of this Indenture, including without limitation Section 4.10, the Trustee will execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Subsidiary Guarantee.

(b) Any Guarantor not released from its obligations under its Subsidiary Guarantee will remain liable for the full amount of principal or Accreted Value of and interest on the Notes and for the other obligations of such Guarantor under this Indenture as provided in this Article 11.

Section 11.06 Release Following Designation as an Unrestricted Subsidiary.

In the event the Company designates any Guarantor as an Unrestricted Subsidiary in accordance with Section 4.18, the Obligations of such Guarantor under its Subsidiary Guarantee pursuant to this Article 11 shall be released.

ARTICLE 12.
SATISFACTION AND DISCHARGE

Section 12.01 Satisfaction and Discharge.

(a) This Indenture will be discharged and will cease to be of further effect as to all Notes issued hereunder, when:

(1) either:

(A) all Notes that have been authenticated (except lost, stolen

or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company) have been delivered to the Trustee for cancellation; or

(B) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the making of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium (if any) and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company or any Guarantor has paid or caused to be paid all sums payable under this Indenture;

(4) the Company has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be; and

(5) the Company has delivered an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

(b) Notwithstanding the satisfaction and discharge of this Indenture; if money has been deposited with the Trustee pursuant to subclause (b) of clause (1) of Section 12.01(a), the provisions of Section 12.02 and Section 8.06 will survive. In addition, nothing in this Section 12.01 will be deemed to discharge those provisions of Section 7.07, that, by their terms, survive the satisfaction and discharge of this Indenture.

Section 12.02 Application of Trust Money.

(a) Subject to the provisions of Section 8.06, all money deposited with the Trustee pursuant to Section 12.01 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee; but such money need not be segregated from other funds except to the extent required by law.

(b) If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with Section 12.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's and any Guarantor's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 12.01; provided that if the Company has made any payment of principal of, premium, if any, or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

ARTICLE 13.
MISCELLANEOUS

Section 13.01 Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with

the duties imposed by TIA ss.318(c), the imposed duties will control.

Section 13.02 Notices.

(a) Any notice or communication by the Company, any Guarantor or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telex, telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company and/or any Guarantor:

[ ]

With a copy to:

[ ]

If to the Trustee:

[ ]

(b) The Company, any Guarantor or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

(c) All notices and communications (other than those sent to Holders) will be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

(d) Any notice or communication to a Holder will be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication will also be so mailed to any Person described in TIA ss. 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it will not affect its sufficiency with respect to other Holders.

(e) If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

(f) If the Company mails a notice or communication to Holders, it will mail a copy to the Trustee and each Agent at the same time.

Section 13.03 Communication by Holders of Notes with Other Holders of Notes.

Holders may communicate pursuant to TIA ss. 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA ss. 312(c).

Section 13.04 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.05) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which must include the statements set forth in Section 13.05) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 13.05 Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA ss. 314(a)(4)) must comply with the provisions of TIA ss. 314(e) and must include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied; provided that an Opinion of Counsel can rely as to matters of fact on an Officer's Certificate or a certificate of a public official.

Section 13.06 Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Trustee shall provide the Company reasonable notice of such rules. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 13.07 No Personal Liability of Directors, Officers, Employees and Stockholders.

No past, present or future director, officer, employee, incorporator, stockholder or agent of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, this Indenture, the Subsidiary Guarantees or the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

Section 13.08 Governing Law.

THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE SUBSIDIARY GUARANTEES WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 13.09 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 13.10 Successors.

All agreements of the Company in this Indenture and the Notes will bind its successors. All agreements of the Trustee in this Indenture will bind its successors. All agreements of each Guarantor in this Indenture will bind its successors, except as otherwise provided in Section 11.05.

Section 13.11 Severability.

In case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 13.12 Counterpart Originals.

The parties may sign any number of copies or counterparts of this Indenture. Each signed copy or counterpart will be an original, but all of them together represent the same agreement.

Section 13.13 Table of Contents, Headings, etc.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and will in no way modify or restrict any of the terms or provisions hereof.

S I G N A T U R E S

Dated as of [_____], 2004

COVANTA ENERGY CORPORATION, a Delaware Corporation

By:

Name:
Title:

[SUBSIDIARY GUARANTORS]

By:

Name:
Title:

[TRUSTEE], as Trustee

By:

Name:
Title:

Schedule I

SCHEDULE OF GUARANTORS

The following schedule lists each Guarantor under this Indenture as of the Issue Date:

1.

2.

3.

4.

EXHIBIT A

[Face of Note]

CUSIP/CINS _____

8.25% Senior Secured Notes Due 2011

No. _____ $230,000,000 at Stated Maturity

COVANTA ENERGY CORPORATION

promises to pay to_____ or registered assigns,

the principal sum of TWO HUNDRED THIRTY MILLION DOLLARS

on [_____], 2011.

Interest Payment Dates: [_____] and [_____]

Record Dates: [_____] and [_____]

Dated: [_____], 2004

COVANTA ENERGY CORPORATION

By:

Name:
Title:

This is one of the Notes referred to in the within-mentioned Indenture:

[_____], as Trustee

By:

Authorized Signatory

[Back of Note]

8.25% Senior Secured Notes Due 2011

[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]

Capitalized terms used herein have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) INTEREST. Covanta Energy Corporation, a Delaware corporation (the "Company"), promises to pay interest on the principal amount at Stated Maturity of this Note at a rate equal to 8.25% per annum plus any additional amounts payable pursuant to Section 4.21 of the Indenture. The Company will pay interest semiannually in arrears on [_____] and [_____] of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each, an "Interest Payment Date"). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be [_____], 2004. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) METHOD OF PAYMENT. The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the [_____] or [_____] next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, Accreted Value, premium, if any, and interest at the office or agency of the Company maintained for such purpose within the City and State of New York, or, at the option of the Company, payment

of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders; provided that payment by wire transfer of immediately available funds will be required with respect to principal and Accreted Value of and interest on all Global Notes and all other Notes the Holders of which will have provided wire transfer instructions to the Company or the Paying Agent. Such payment will be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debt.

(3) PAYING AGENT AND REGISTRAR. Initially, [_____], the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

(4) INDENTURE. The Company issued the Notes under an Indenture dated as of [_____], 2004 (the "Indenture") among the Company, the Guarantors and the Trustee. The terms of the Notes include those stated in the Indenture and these made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code ss.ss. 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are secured obligations of the Company pursuant to the Security Documents and subject to the terms of the Intercreditor Agreement.

(5) OPTIONAL REDEMPTION.

(a) At any time after the Issue Date and on or before [_____], 2006, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the Accreted Value on the redemption date, plus accrued and unpaid interest to the redemption date.

(b) At any time on or after [_____], 2006, the Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of Accreted Value) set forth below, plus accrued and unpaid interest to the redemption date, if redeemed during the twelve-month period beginning on [_____] of the years indicated below:

Year	Percentage
2006.....	104.625%
2007.....	103.469%
2008.....	102.313%
2009.....	101.156%
2010 and thereafter.....	100.000%

(c) Any redemption pursuant to Section 3.07 of the Indenture shall be made in accordance with the provisions of Sections 3.01 through 3.06 of the Indenture.

(6) MANDATORY REDEMPTION.

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

(7) REPURCHASE AT OPTION OF HOLDER.

(a) Subject to the Company's right to redeem the Notes pursuant to Section 3.07 of the Indenture, upon the occurrence of a Change of Control, the Company will be required to make an offer (a "Change of Control Offer") to each Holder to repurchase all or any part (in a minimum aggregate principal amount at Stated Maturity of $1,000 or an integral multiple of $1,000) of such Holder's Notes at a purchase price in cash equal to 101% of the Accreted Value of the Notes repurchased plus accrued and unpaid interest on the Notes repurchased

to the date of repurchase (the "Change of Control Payment"). Within 10 days following any Change of Control, if the Company has not sent a redemption notice pursuant to Section 3.03 of the Indenture for all of the Notes, the Company will mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Subsidiary consummates any Asset Sale, and the aggregate amount of Excess Proceeds exceeds $15.0 million, the Company will, subject to the Intercreditor Agreement, commence an offer to all Holders and all holders of other Indebtedness that is pari passu with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (an "Asset Sale Offer") pursuant to Section 4.10 of the Indenture to purchase or redeem the maximum principal amount at Stated Maturity of Notes and such other pari passu Indebtedness that may be purchased or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the Accreted Value thereof plus accrued and unpaid interest on the Notes to be purchased to the date fixed for the closing of such Asset Sale Offer in accordance with the procedures set forth in the Indenture, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by this Indenture. If the aggregate Accreted Value of Notes and principal amount of other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and other pari passu Indebtedness to be purchased or redeemed on a pro rata basis. Upon the commencement of an Asset Sale Offer, the Company will send, by first class mail, a notice to each of the Holders containing all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. Holders electing to have a Note purchased pursuant to any Asset Sale Offer will be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date.

(8) NOTICE OF REDEMPTION. Subject to the provisions of Sections 3.09 and 3.10 of the Indenture, notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture pursuant to Articles 8 or 12 of the Indenture. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

(9) DENOMINATIONS, TRANSFER, EXCHANGE. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company will not be required to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part. Also, the Company will not be required to issue, to register the transfer of or to exchange any Notes (i) during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 of the Indenture and ending at the close of business on the day of selection, or (ii) during a period beginning at the opening of business 15 days before any Interest Payment Date and ending at the closing of business on such Interest Payment Date.

(10) PERSONS DEEMED OWNERS. The Holder of a Note may be treated as its owner for all purposes.

(11) AMENDMENT, SUPPLEMENT AND WAIVER. Subject to certain exceptions, the Indenture, the Subsidiary Guarantees, the Notes or the Security Documents may be amended or supplemented with the consent of the Holders of at least a majority in principal amount at Stated Maturity of the then outstanding Notes voting as a single class, and any existing default or compliance with any provision of the Indenture, the Subsidiary Guarantees, the Notes or the Security Documents may be waived with the consent of the Holders of a majority in principal amount at Stated maturity of the then outstanding Notes, voting as a single class. Without the consent of any Holder of a Note, the Indenture, the Subsidiary Guarantees, the Notes or the Security Documents may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation or sale of all or substantially all of the Company's assets, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that would not adversely affect the legal rights under the Indenture of any such Holder, to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act, to allow any Guarantor to execute a supplemental indenture and/or a Subsidiary Guarantee with respect to the Notes, or if necessary, in connection with any addition or release of Collateral permitted under the terms of the Indenture or the Security Documents.

(12) DEFAULTS AND REMEDIES. Events of Default include: (i) the Company defaults for 30 consecutive days in the payment when due of interest on the Notes; (ii) the Company defaults in payment when due of the principal or Accreted Value of, or premium, if any, on the Notes; (iii) failure by the Company or any of its Restricted Subsidiaries to comply with its obligations to make any Change of Control Payment pursuant to Section 4.15 or to comply with the provisions of Section 5.01 of the Indenture; (iv) failure by the Company or any of its Restricted Subsidiaries for 30 days after written notice from the Trustee or Holders of at least 25% in aggregate principal amount of the outstanding Notes to comply with the provisions of any of Section 4.07, 4.09 or 4.10 of the Indenture; (v) failure by the Company or any of its Restricted Subsidiaries for 60 days after written notice from the Trustee or Holders of at least 25% in aggregate principal amount of the outstanding Notes to comply with any of the other agreements in the Indenture or the Security Documents; (vi) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of the Company or any of its Restricted Subsidiaries whether such Indebtedness now exists, or is created after the Issue Date, if that default (A) is caused by a failure to pay principal of or liquidation preference of such Indebtedness at the final stated maturity thereof (giving effect to any applicable grace periods and any extensions thereof), (B) results in the acceleration of such Indebtedness prior to its express maturity, or (C) results in a requirement that the Company or any of its Restricted Subsidiaries collateralize any letter of credit thereunder and the Company or such Restricted Subsidiary fails to provide the required collateral on the terms and within the times set forth therein (giving effect to any applicable grace periods and any extensions thereof), and, in each case, if the principal amount of any such Indebtedness aggregates $20.0 million or more; (vii) any final judgment or judgments for the payment of money in an aggregate amount in excess of $10.0 million (or its foreign currency equivalent at the time) in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies shall have been rendered against the Company or any Restricted Subsidiary of the Company that is a Significant Subsidiary and shall not have been waived, satisfied, bonded or discharged for any period of 60 consecutive days during which a stay of enforcement is not in effect; (viii) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any of its Significant Subsidiaries; and (x) (a) any Subsidiary Guarantee or any Security Document or any security interest granted thereby is held in any judicial proceeding to be unenforceable

or invalid, or ceases for any reason to be in full force and effect and such default continues for ten days after written notice, or (b) the Company or any Guarantor, or any Person acting on behalf of the Company or any Guarantor, denies or disaffirms its obligations under any Subsidiary Guarantee or Security Document. If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount at Stated maturity of the then outstanding Notes may declare all the Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or a Significant Subsidiary, all outstanding Notes will become due and payable without further action or notice. The amount payable with respect to principal of the Notes upon any acceleration shall be the Accreted Value of the Notes as of the date of such acceleration. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount at Stated Maturity of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Holders of a majority in aggregate principal amount at Stated Maturity of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of principal or Accreted Value of or premium or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of a majority in aggregate principal amount at Stated Maturity of the then outstanding Notes). The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required, within 5 Business Days after the date on which any Officer of the Company becomes aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

(13) TRUSTEE DEALINGS WITH COMPANY. The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as trustee or resign.

(14) NO RECOURSE AGAINST OTHERS. A past, present or future director, officer, employee, incorporator or stockholder of the Company or any Guarantor, as such, will not have any liability for any obligations of the Company or Guarantors under the Notes, the Subsidiary Guarantees, the Indenture or the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

(15) AUTHENTICATION. This Note will not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

(16) ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(17) CUSIP NUMBERS AND ISNs. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers and ISNs to be printed on the Notes and the Trustee may use CUSIP numbers and ISNs in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

Covanta Energy Corporation
[Address]
Attention: General Counsel

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: _____
(Insert assignee's legal name)

_____
(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____
(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date:_____

Your Signature:_____
(Sign exactly as your name appears on the face of this Note)

Signature Guarantee*:_____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 3.09 or 4.15 of the Indenture, check the appropriate box below:

[ ] Section 3.09 [ ] Section 4.15

If you want to elect to have only part of the principal amount at Stated Maturity of the Note purchased by the Company pursuant to Section 3.09 or 4.15 of the Indenture, state the principal amount at Stated Maturity you elect to have purchased:

$_____

Date:_____

Your Signature:_____
(Sign exactly as your name appears on the face of this Note)

Tax Identification No.:_____

Signature Guarantee*:_____

* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

<TABLE>

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Custodian
<S>	<C>	<C>	<C>	<C>

</TABLE>

EXHIBIT B

FORM OF NOTATION OF GUARANTEE

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of [_____], 2004 (the "Indenture") among Covanta Energy Corporation, (the "Company", the Guarantors listed on Schedule I thereto and [_____], as trustee (the "Trustee"), (a) the due and punctual payment of the principal or Accreted Value of, premium, if any, and interest on the Notes (as defined in the Indenture), whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Subsidiary Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture and reference is hereby made to the Indenture for the precise terms of the Subsidiary Guarantee. Each Holder of a Note, by accepting the same, agrees to and shall be bound by such provisions.

[NAME OF GUARANTOR(S)]

By:

Name:
Title:

EXHIBIT C

FORM OF SUPPLEMENTAL INDENTURE
TO BE DELIVERED BY SUBSEQUENT GUARANTORS

SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), dated as of _____, 20__, among _____ (the "Guaranteeing Subsidiary"), a subsidiary of Covanta Energy Corporation (or its permitted successor), a Delaware corporation (the "Company"), the Company, the other Guarantors (as defined in the Indenture referred to herein) and _____, as trustee under the indenture referred to below (the "Trustee").

WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "Indenture") at Stated Maturity, dated as of [_____], 2004 providing for the issuance of an aggregate principal amount of $230.0 million of 8.25% Senior Secured Notes Due 2011 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "Subsidiary Guarantee"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees as follows:

(a) Along with all Guarantors named in the Indenture, to jointly and severally Guarantee to each Holder of a Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, the Notes or the obligations of the Company hereunder or thereunder, that:

(i) the principal or Accreted Value of, and premium, if any, and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest on the Notes, if any, if lawful, and all other obligations of the Company to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors shall be jointly and severally obligated to pay the same immediately.

(b) The obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor.

(c) The following is hereby waived: diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever.

(d) Except as otherwise provided herein or in the Indenture, this Subsidiary Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture, and the Guaranteeing Subsidiary accepts all obligations of a Guarantor under the Indenture.

(e) If any Holder or the Trustee is required by any court or otherwise to return to the Company, the Guarantors, or any custodian, trustee, liquidator or other similar official acting in relation to either the Company or the Guarantors, any amount paid by either to the Trustee or such Holder, this Subsidiary Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect.

(f) The Guaranteeing Subsidiary shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

(g) As between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 of the Indenture for the purposes of this Subsidiary Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article 6 of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of this Subsidiary Guarantee.

(h) The Guarantors shall have the right to seek contribution from any nonpaying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Subsidiary Guarantee.

(i) Pursuant to Section 11.02 of the Indenture, after giving effect to any maximum amount and all other contingent and fixed liabilities that are relevant under any applicable Bankruptcy or fraudulent conveyance laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under Article 11 of the Indenture, this new Subsidiary Guarantee shall be limited to the maximum amount permissible such that the obligations of such Guarantor under this Subsidiary Guarantee will not constitute a fraudulent transfer or conveyance.

3. EXECUTION AND DELIVERY. Each Guaranteeing Subsidiary agrees that the Subsidiary Guarantees shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Subsidiary Guarantee.

4. RELEASES.

(a) In the event of any sale or other disposition of all or substantially all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of Capital Stock of any Guarantor such that it is no longer a Subsidiary of the Company, in each case to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of the Company, then such Guarantor (in the event of a sale or other disposition, by way of merger, consolidation or otherwise, of all of the capital stock of such Guarantor) or the Person acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) will be released and relieved of any obligations under its Subsidiary Guarantee; provided that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture, including without limitation Section 4.10 of the Indenture. Upon delivery by the Company to the Trustee of an Officer's Certificate and an Opinion of Counsel to the effect that such sale or other disposition was made by the Company or a Subsidiary of the Company in accordance with the provisions of the Indenture, including without limitation Section 4.10 of the Indenture, the Trustee shall execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Subsidiary Guarantee.

(b) Any Guarantor not released from its obligations under its Subsidiary Guarantee shall remain liable for the full amount of principal or Accreted Value of and interest on the Notes and for the other obligations of such Guarantor under the Indenture as provided in Article 11 of the Indenture.

5. NO PERSONAL LIABILITY. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, any Subsidiary Guarantees, the Indenture, this Supplemental Indenture or the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws.

6. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

7. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

8. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

9. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: _____, 20__

[GUARANTEEING SUBSIDIARY]

By:

Name:
Title:

COVANTA ENERGY CORPORATION

By:

Name:
Title:

[GUARANTORS]

By:

Name:
Title:

[TRUSTEE], as Trustee

By:

Authorized Signatory

CLEARY, GOTTLIEB, STEEN & HAMILTON
Deborah M. Buell (DB 3562)
James L. Bromley (JB 5125)
One Liberty Plaza
New York, New York 10006

and

JENNER & BLOCK, LLC
Vincent E. Lazar (VL 7320)
Christine L. Childers (CC 0092)
One IBM Plaza
Chicago, Illinois 60611

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
OGDEN NEW YORK SERVICES, INC., et al., -- ---	:	Case Nos. 02-40826 (CB), et al. -- ---
	:	Jointly Administered
---------Debtors and Debtors in Possession:	:	

DEBTORS' SECOND JOINT PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

January 14, 2004

Covanta Energy Corporation and those of its affiliates set forth on Exhibit 1 attached hereto (each a "Reorganizing Debtor" and collectively, the "Reorganizing Debtors"), as debtors and debtors in possession under chapter 11 of title 11 of the United States Code, in each of their separate cases, which have been consolidated for procedural purposes only, hereby propose and file this Second Joint Plan of Reorganization.

Table of Contents

EXHIBITS TO REORGANIZATION PLAN

EXHIBITS TO REORGANIZATION PLAN SUPPLEMENT

7	Term Sheet for Class 3B Stock Offering
8	Domestic Intercreditor Agreement
9	International Intercreditor Agreement
10	Tax Sharing Agreement

INTRODUCTION

These Chapter 11 Cases have been consolidated for procedural purposes only and are being jointly administered pursuant to an order of the Court. While this is a Joint Reorganization Plan for each of the Reorganizing Debtors, and without limiting the terms of Section 6.8 of this Reorganization Plan, it does NOT provide that these Chapter 11 Cases will be substantively consolidated. Capitalized terms used herein shall have the meanings ascribed to such terms in Article I of this Reorganization Plan.

Reference is made to the Disclosure Statement accompanying this Reorganization Plan, including the Exhibits thereto, for a discussion of the Reorganizing Debtors' history, business, results of operations and properties, and for a summary and analysis of the Reorganization Plan. All creditors are encouraged to consult the Disclosure Statement and read this Reorganization Plan carefully before voting to accept or reject this Reorganization Plan.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE COURT, HAVE BEEN AUTHORIZED BY THE COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS REORGANIZATION PLAN.

The Reorganizing Debtors reserve the right to proceed with confirmation of this Reorganization Plan as to some but not all of the Reorganizing Debtors.

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions. In addition to such other terms as are defined in other Sections of this Reorganization Plan, the following terms (which appear herein as capitalized terms) shall have the meanings set forth below, such meanings to be applicable to both the singular and plural forms of the terms defined. A term used in this Reorganization Plan and not defined herein or elsewhere in this Reorganization Plan, but that is defined in the Bankruptcy Code has the meaning set forth therein.

"Accepting Bondholder" means any member of Subclass 3B other than a Rejecting Bondholder.

"Additional Distributable Cash" means, if Distributable Cash is equal to $60 million, an amount of Cash equal to the lesser of (i) $7.2 million and (ii) the amount of Post- Closing Cash in excess of Distributable Cash.

"Additional New Lenders" means the lenders that underwrite the entire commitment with respect to the Second Lien L/C Facility and the New CPIH Revolver Facility.

"Administrative Expense Claim" means a Claim under sections 503(b), 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary expenses incurred after the Petition Date for preserving the assets of the Reorganizing Debtors, any actual and necessary costs and expenses of operating the businesses of the Reorganizing Debtors incurred after the Petition Date, all compensation and reimbursement of expenses allowed by the Court under sections 330, 331 or 503 of the Bankruptcy Code, any reclamation claims arising under section 546(c) of the Bankruptcy Code, and any amounts payable with respect to Tranche A or Tranche B of the DIP Financing Facility.

"Administrative Expense Claim Bar Date" means the date that is thirty (30) days following the Effective Date. The Administrative Expense Claim Bar Date shall apply to all holders of Administrative Expense Claims not satisfied prior to the Administrative Expense Claim Bar Date, except that the Administrative Expense Claim Bar Date shall not apply to holders of the following limited types of claims: (a) United States Trustee Claims; (b) post-petition liabilities incurred and payable in the ordinary course of business by any Reorganizing Debtor; or (c) fees and expenses incurred by (i)

Retained Professionals and (ii) Persons employed by the Reorganizing Debtors or serving as independent contractors to the Reorganizing Debtors in connection with their reorganization efforts, including without limitation the Balloting Agent.

"Administrative Expense Claims Reserve" shall have the meaning assigned to such term in the Liquidation Plan.

"Agent Banks" means Bank of America, N.A., as Administrative Agent, and Deutsche Bank, AG, New York Branch, as Documentation Agent, under the Prepetition Credit Agreement.

"Allowed" means, with reference to the portion of any Claim (other than Administrative Expense Claims) or Equity Interest and with respect to each Reorganizing Debtor, (a) any such Claim against or Equity Interest in such Reorganizing Debtor which has been listed by a Reorganizing Debtor in its Schedules, as such Schedules have been or may be amended or supplemented by a Reorganizing Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary proof of claim or interest has been filed, (b) any Claim or Equity Interest allowed (i) under the Reorganization Plan or under any settlement agreement incorporated or otherwise implemented hereby, (ii) by Final Order, or (iii) as to which the liability of each Reorganizing Debtor and the amount thereof are determined by a final, non-appealable order of a court of competent jurisdiction other than the Court or (c) as to which a proof of claim has been timely filed before the applicable Bar Date in a liquidated amount with the Court pursuant to the Bankruptcy Code or any order of the Court, provided that (i) no objection to the allowance of such Claim or notice to expunge such Claim has been interposed by the Reorganizing Debtors, the Committee, the United States Trustee or any other party in interest as permitted under the Bankruptcy Code before any final date for the filing of such objections or motions set forth in the Reorganization Plan, the Confirmation Order or other order of the Court, or (ii) if such objection or motion has been filed and not withdrawn, such objection or motion has been overruled by a Final Order (but only to the extent such objection or motion has been overruled); provided, further that any such Claims or Equity Interests allowed solely for the purpose of voting to accept or reject the Reorganization Plan pursuant to an order of the Court shall not be considered "Allowed Claims" or "Allowed Equity Interests" for the purpose of distributions hereunder. Except as expressly stated in this Reorganization Plan or as provided under section 506(b) of the Bankruptcy Code or a Final Order of the Court, an Allowed Claim shall not include interest on the principal amount of any Claim accruing from and after the Petition Date or any fees (including attorneys' fees), costs or charges (including late payment charges) related to any Claim accruing from or after the Petition Date.

"Allowed Administrative Expense Claim" means the portion of any Administrative Expense Claim (including any interest for which the Reorganizing Debtors are legally obligated) that is (i) incurred or arising after the Petition Date and prior to the Effective Date, (ii) for those Administrative Expense Claims as to which the Administrative Expense Claim Bar Date is applicable, which has been filed before the Administrative Expense Bar Date, and (iii) as to which no objection to the allowance of such Administrative Expense Claim has been filed by the Reorganizing Debtors, the Committee, the United States Trustee or any other party in interest as permitted under the Bankruptcy Code. All Administrative Expense Claims arising under or relating to the DIP Financing Facility are deemed Allowed Administrative Expense Claims.

"Allowed Class [ ] Claim " means an Allowed Claim in the specified Class.

"Allowed Priority Tax Claims" means any Claim that is Allowed pursuant to Section 2.4 of this Reorganization Plan.

"Allowed Subclass 3A Secured Claim Amount" means the aggregate Allowed amount of the Secured Bank Claims, currently estimated to be $415 million including accrued but unpaid fees and interest, but subject to ultimate resolution of the claims under the Prepetition Credit Agreement.

"Allowed Subclass 3B Secured Claim Amount" means the aggregate Allowed amount of the 9.25% Debenture Claims, currently estimated to be $105 million including accrued but unpaid fees and interest, but subject to ultimate resolution of the claims under the 9.25% Debentures Adversary Proceeding.

"Allowed Subclass 3B Settlement Amount" means the aggregate amount of the Subclass 3B Secured Claims held by holders that are Accepting Bondholders.

"Assuming Debtors' Schedule of Rejected Contracts and Leases" means the schedule of the executory contracts and unexpired leases to which each of the Assuming Debtors (as defined in Section 9.1(b) of this Reorganization Plan) is a party that will be rejected under Article IX of the Plan, which schedule has been filed as Exhibit 9.1B hereto and shall be served on the relevant parties no less than twenty-three (23) days prior to the Confirmation Hearing.

"Ballot" means the ballot that accompanies the Disclosure Statement upon which holders of Impaired Claims entitled to vote on the Reorganization

Plan shall indicate their acceptance or rejection of the Reorganization Plan.

"Ballot Deadline" means the date and time set by the Court by which the Balloting Agent must receive all Ballots.

"Balloting Agent" means Bankruptcy Services LLC ("BSI") or such other entity authorized by the Court to distribute, collect and tally Ballots.

"Bankruptcy Code" means title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Cases.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure promulgated by the United States Supreme Court under 28 U.S.C. ss. 2075 and the local rules of the Court (including any applicable local rules and standing and administrative orders of the Court), as now in effect or hereafter amended, as applicable to the Chapter 11 Cases.

"Bar Date" means the applicable date or dates fixed by the Court or this Reorganization Plan for filing proofs of claim or interests in the Chapter 11 Cases.

"Bondholders Committee" means the Informal Committee of Secured Debenture Holders of certain holders of, and the Indenture Trustee for, the 9.25% Debentures issued by Covanta.

"Business Day" means any day other than a Saturday, Sunday or "legal holiday" as such term is defined in Bankruptcy Rule 9006(a).

"Canadian Loss Sharing Lenders" means the institutions identified as such pursuant to the Intercreditor Agreement and their permitted successors and assigns.

"Cash" means lawful currency of the United States, including cash equivalents, bank deposits, checks and other similar items, unless otherwise indicated.

"Chapter 11 Cases" means the voluntary cases under Chapter 11 of the Bankruptcy Code commenced by each Reorganizing Debtor, which cases are currently pending before the Court under the caption In re Ogden Services New York, Inc. et al., Case Nos. 02-40826 (CB), et al.

"CIBC" means Canadian Imperial Bank of Commerce.

"Claim" has the meaning set forth in section 101 of the Bankruptcy Code, whether or not asserted.

"Claims Objection Deadline" means that day which is one hundred eighty (180) days after the Effective Date, as the same may be extended from time to time by the Court, without further notice to parties in interest.

"Class" means any group of similar Claims or Equity Interests described in Article IV of the Reorganization Plan in accordance with section 1123(a)(1) of the Bankruptcy Code.

"Class 3B Stock Offering" means a stock offering that will be made by the Plan Sponsor after the Effective Date pursuant to which those holders of Allowed Class 3B Claims that vote in favor of this Reorganization Plan will have the non-transferable right to purchase up to but no more than 3,000,000 shares of common stock (the actual number of shares issued being subject to the level of public participation in the DHC Rights Offering, the issuance of common stock pursuant to the Plan Sponsor's backstop arrangements with the Investors for the DHC Rights Offering and the related Ownership Change Limitation, it being understood that such factors may preclude issuance of any shares) issued by the Plan Sponsor at an exercise price of $1.53 per share in accordance with the terms of the Class 3B Stock Offering term sheet set forth in the Reorganization Plan Supplement, which term sheet shall be in form acceptable to the Plan Sponsor.

"Class 6 Counsel" means counsel for the Committee as authorized pursuant to Section 11.8(b) of this Reorganization Plan.

"Class 6 Litigation Claims" means any preference actions, fraudulent conveyance actions, rights of setoff and other claims or causes of action under sections 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code and other applicable bankruptcy law that may be brought against the holder of any Unsecured Claim against the Reorganizing Debtors or Liquidating Debtors but specifically excluding any such claims against any or all of the following: (i) the Prepetition Lenders, (ii) the DIP Lenders, (iii) the Agent Banks, (iv) the DIP Agents, (v) holders of 9.25% Debentures (except as otherwise specifically provided under this Reorganization Plan), (vi)the Plan Sponsor, (vii) the Investors, and (viii) any affiliates or advisors of any of the persons or entities described in clauses (i), (ii), (iii), (iv), (v), (vi) or (vii) of this definition.

"Class 6 Representative" means a representative of holders of Allowed

Class 6 Claims that will be designated by the Committee prior to the Effective Date or such other Person as shall be designated in replacement thereof by order of the Court.

"Class B Palladium Preferred Shares" means the preferred shares issued by Palladium Finance Corporation II that are owned by CIBC and the Canadian Loss Sharing Lenders.

"Class 6 Unsecured Notes" means Reorganization Plan Unsecured Notes in the aggregate principal amount of $4 million to be distributed to holders of Allowed Class 6 Claims in accordance with Section 4.6 of this Reorganization Plan. The Reorganized Debtors shall have the option to delay issuance of the Class 6 Unsecured Notes until immediately after such time as the Disbursing Agent, in consultation with the Class 6 Representative, elects to make an interim or final Distribution to holders of Allowed Class 6 Claims in accordance with Section 8.7 of this Reorganization Plan; provided, however, that in the event that the Reorganized Debtors shall elect to delay issuance of the Class 6 Unsecured Notes, any subsequent Distribution of the Class 6 Unsecured Notes shall include all accrued interest, whether made in Cash or otherwise, that a holder of such Notes would have been entitled to receive for the period from the Effective Date through and including the Date of such subsequent Distribution.

"Committee" means the Official Committee of Unsecured Creditors appointed by the Office of the United States Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as appointed, modified or reconstituted from time to time.

"Confirmation Date" means the date on which the clerk of the Court enters the Confirmation Order on the docket, within the meaning of Bankruptcy Rules 5003 and 9021.

"Confirmation Hearing" means the hearing held by the Court to consider confirmation of the Reorganization Plan pursuant to section 1128 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

"Confirmation Order" means the order of the Court confirming the Reorganization Plan pursuant to section 1129 of the Bankruptcy Code, together with any subsequent orders, if any, pursuant to sections 1127 and 1129 of the Bankruptcy Code approving modifications to the Reorganization Plan, which in each case shall be in form and substance satisfactory to the Reorganizing Debtors.

"Convenience Claim" means any Unsecured Claim, other than an Intercompany Claim, against any Operating Company Reorganizing Debtor in an amount equal to or less than $2,500. For purposes of determining whether an Unsecured Claim qualifies as a Convenience Claim, all Unsecured Claims held by a Person against any Operating Company Reorganizing Debtor shall be considered separately and shall not be aggregated in making such determination.

"Convertible Subordinated Bond Claims" means any Unsecured Claim that arises out of, or is attributable to, ownership of the Convertible Subordinated Bonds.

"Convertible Subordinated Bonds" means all the convertible subordinated notes issued by Covanta, including (i) those in the aggregate principal amount of $85,000,000 bearing an interest rate of 6% per annum and (ii) those in the aggregate principal amount of $63,500,000 bearing an interest rate of 5-3/4% per annum.

"Court" collectively means the United States Bankruptcy Court for the Southern District of New York and, to the extent it may exercise jurisdiction over the Chapter 11 Cases, the United States District Court for the Southern District of New York or if either such court ceases to exercise jurisdiction over the Chapter 11 Cases, such other Court or adjunct thereof that exercises competent jurisdiction over the Chapter 11 Cases or any proceeding therein.

"Covanta" means Covanta Energy Corporation, a Reorganizing Debtor and the ultimate corporate parent directly or indirectly holding an interest in all the Reorganizing Debtors in these Chapter 11 Cases.

"Covanta Energy Americas" means Covanta Energy Americas, Inc., a Reorganizing Debtor.

"Covanta Huntington" means Covanta Huntington, L.P., a Reorganizing Debtor.

"Covanta Onondaga" means Covanta Onondaga, L.P., a Reorganizing Debtor.

"CPIH" means Covanta Power International Holdings, Inc., a Reorganizing Debtor.

"CPIH Participation Interest" means a provision contained in the International Intercreditor Agreement entitling the holders of Allowed Class 6

Claims to receive from a distribution of net proceeds resulting from (i) the sale or other disposition of CPIH and its subsidiaries, or (ii) the sale or other disposition of the assets of CPIH and its subsidiaries, an amount equal to five percent (5%) of the net proceeds when distributed from any such sale or disposition, but in no event shall such amount received pursuant to such participation interest exceed $4 million in the aggregate, which agreement shall be subject to a satisfactory intercreditor agreement among the holders of the New CPIH Funded Debt, the Class 6 Representative or an agent of such class as a whole and Reorganized CPIH, which intercreditor agreement shall provide, inter alia, that any successor or assign of the New CPIH Funded Debt shall be bound to the terms of such agreement.

"Deficiency Claim" means an Allowed Claim of a holder equal to the amount by which the aggregate Allowed Claims of such holder exceed the sum of (a) any setoff rights of the holder permitted under section 553 of the Bankruptcy Code plus (b) (without duplication of clause (a)) the Secured Claim of such holder; provided, however, that if the holder of a Secured Claim makes the election pursuant to section 1111(b)(2) of the Bankruptcy Code, there shall not be a Deficiency Claim in respect of such Claim.

"Determination Date" shall mean the earlier of (i) the date on which all of the Class 4 Claims and the Priority Tax Claims under Section 2.4 of this Reorganization Plan shall be deemed Allowed or otherwise be resolved by order of the Court or by compromise approved by order of the Court, (ii) the date on which Reorganized Covanta determines that the maximum aggregate principal amount of Allowed Class 4 Claims and Allowed Priority Tax Claim under Section 2.4 of this Reorganization Plan could not exceed $70 million and (iii) such date as the majority of the holders of the New CPIH Funded Debt (or their permitted assigns) may choose in writing delivered to Reorganized Covanta and Reorganized CPIH after the Effective Date.

"DHC Rights Offering" means a rights offering of the Plan Sponsor's common stock made by the Plan Sponsor to the public pursuant to an effective registration statement to be filed after the Effective Date.

"DIP Agents" means Bank of America, N.A., as administrative agent, and Deutsche Bank AG, New York branch, as documentation agent, under the DIP Financing Facility.

"DIP Financing Facility" means the Debtor-in-Possession Credit Agreement, dated as of April 1, 2002, among the Reorganizing Debtors, the Heber Debtors, the Liquidating Debtors, the DIP Lenders and the DIP Agents, as it has been or may be amended and modified from time to time, and as approved and extended by order of the Court.

"DIP Lenders" means those Persons from time to time party to the DIP Financing Facility as lenders.

"Disbursing Agent" means Reorganized Covanta, in its capacity as disbursing agent under this Reorganization Plan, together with such other persons as may be selected by Reorganized Covanta in accordance with, or otherwise referred to in, Section 7.3 of this Reorganization Plan.

"Disclosure Statement" means the written disclosure statement that relates to this Reorganization Plan and the Liquidation Plan and is approved by the Court pursuant to section 1125 of the Bankruptcy Code, as such disclosure statement may be amended, modified, or supplemented (and all exhibits and schedules annexed thereto or referred to therein) and that is prepared and distributed in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3018.

"Disputed Claim" means that portion (including, when appropriate, the whole) of a Claim that is not an Allowed Claim, is subject to an Estimation Request, or as to which an objection has been filed. For the purposes of the Reorganization Plan, a Claim shall be considered a Disputed Claim in its entirety before the time that an objection has been or may be filed if: (a) the amount or classification of the Claim specified in the relevant proof of claim exceeds the amount or classification of any corresponding Claim scheduled by a Reorganizing Debtor in its Schedules; (b) any corresponding Claim scheduled by a Reorganizing Debtor has been scheduled as disputed, contingent or unliquidated in its Schedules; or (c) no corresponding Claim has been scheduled by a Reorganizing Debtor in its Schedules.

"Disputed Claims Reserve" means, with respect to each Class of Claims in which there exists any Disputed Claim on or after the Effective Date other than Class 4, Cash or Reorganization Plan Notes to be set aside by the Disbursing Agent in separate accounts corresponding to each such Class of Claims in which there are Disputed Claims, in an amount such that, if such Disputed Claims become Allowed Claims, there will be sufficient Cash or Reorganization Plan Notes to pay all such Disputed Claims pro rata with Allowed Claims in such Class with respect to each such Class of Claims in accordance with the provisions of this Reorganization Plan. Each Disputed Claims Reserve is to be maintained under this Reorganization Plan, as set forth more fully in Article VIII of this Reorganization Plan.

"Distributable Cash" means an amount of Cash equal to the lesser of (i) $60 million, and (ii) the Post-Closing Cash.

"Distribution" means the distribution to holders of Allowed Claims and Allowed Interests in accordance with this Reorganization Plan of Cash, Reorganization Plan Notes, Subsidiary Debtor Equity Securities or other property, as the case may be.

"Distribution Address" means (i) the address of the holder of a Claim set forth in the relevant proof of claim, (ii) the address set forth in any written notices of address change delivered to the Disbursing Agent after the date of any related proof of claim, or (iii) if no proof of claim is filed in respect to a particular Claim, the address set forth in the relevant Reorganizing Debtor's Schedules of Assets and Liabilities or register maintained for registered securities.

"Distribution Date" means, with respect to Distributions to creditors other than holders of Allowed Class 6 Claims, the date that is the later of (i) the Effective Date or as soon thereafter as reasonably practicable, but in no event later than thirty (30) days after the Effective Date, and (ii) the first Business Day after the date that is thirty (30) days after the date such Claims become Allowed Claims or otherwise become payable under the Reorganization Plan. With respect to Distributions to holders of Allowed Class 6 Claims, the Distribution Date shall mean either: (i) a date designated by the Disbursing Agent, in consultation with the Class 6 Representative, for an interim Distribution to holders of Allowed Class 6 Claims, or (ii) as soon as practicable after a final determination with respect to the allowance or disallowance of all Class 6 Claims.

"Distribution Record Date" means the Confirmation Date or, with respect to holders of 9.25% Debenture Claims, the date fixed by the Court as the record date for determining the holders of 9.25% Debentures who are entitled to receive Distributions under this Reorganization Plan.

"Domestic Intercreditor Agreement" means the intercreditor agreement to be entered into by Reorganized Covanta and each of its subsidiaries party thereto, as borrowers under the First Lien L/C Facility, each of its subsidiaries party thereto, as borrowers under the Second Lien L/C Facility, the financial institutions listed therein as lenders, agents and/or trustee substantially in the form set forth in the Plan Supplement

"Domestic Reorganizing Debtors" means the Reorganizing Debtors other than CPIH and its direct and indirect subsidiaries.

"DSS Environmental" means DSS Environmental, Inc., a Reorganizing Debtor.

"Effective Date" means a date, which is a Business Day, selected by each of the Reorganizing Debtors that is no more than ten (10) Business Days following the date on which all conditions set forth in Section 10.2 of this Reorganization Plan have been satisfied or expressly waived pursuant to Section 10.3 of this Reorganization Plan.

"Equity Interest" means as to each Reorganizing Debtor, any equity security, partnership interest or share of common stock or other instrument evidencing an ownership interest in such Reorganizing Debtor, regardless of whether it may be transferred, and any option, warrant or right, contractual or otherwise, to acquire an ownership interest or other equity security in such Reorganizing Debtor and shall include any redemption, conversion, exchange, voting participation, dividend rights and liquidation preferences relating thereto.

"Estate" means as to each Reorganizing Debtor, the estate which was created by the commencement of such Reorganizing Debtor's Chapter 11 Case pursuant to section 541 of the Bankruptcy Code, and shall be deemed to include, without limitation, any and all privileges of such Reorganizing Debtor and all interests in property, whether real, personal or mixed, rights, causes of action, avoidance powers or extensions of time that such Reorganizing Debtor or such estate shall have had effective as of the commencement of the Chapter 11 Case, or which such estate acquired after the commencement of the Chapter 11 Case, whether by virtue of section 544, 545, 546, 547, 548, 549 or 550 of the Bankruptcy Code or otherwise.

"Estimated Recovery Value" means the estimated value of any Distribution under this Reorganization Plan; provided, that with respect to Distributions consisting of Reorganization Plan Notes, the Estimated Recovery Value shall be determined based upon the face amount of such Reorganization Plan Notes (which in the case of the New High Yield Secured Notes shall mean the face amount prior to any accretion in principal amount.

"Estimation Request" means a request for estimation of a Claim in accordance with the Bankruptcy Code and Bankruptcy Rules.

"Excess Distributable Cash" means (i) as of the Effective Date, if

Additional Distributable Cash is equal to $7.2 million, an amount of Cash equal to seventy five percent (75%) of Post-Closing Cash in excess of $67.2 million, and (ii) after the Effective Date, an amount of Cash equal to the amount of excess reserves, if any, as determined in accordance with the proviso to the definition of Exit Costs.

"Exit Costs" means the Cash costs for consummation of this Reorganization Plan and, as applicable, the Heber Reorganization Plan, to be either paid or reserved on or shortly after the Effective Date pursuant to the terms hereof, including without limitation, (i) all amounts required to make payments with respect to Distributions to holders of Allowed Administrative Expense Claims (including, without limitation, Allowed Claims for compensation and reimbursement pursuant to Section 2.3 of this Reorganization Plan and Allowed Claims with respect to the DIP Financing Facility), Allowed Priority Tax Claims (but only to the extent paid pursuant to the second sentence of Section 2.4 of this Reorganization Plan), Allowed Class 1 Claims, Allowed Subclass 2A Claims (to the extent paid in Cash within thirty days of the Effective Date) and cure payments with respect to assumed executory contracts, (ii) funding a reserve sufficient to satisfy all anticipated but still unliquidated Administrative Expense Claims (including, without limitation, unliquidated Claims for compensation and reimbursement pursuant to Section 2.3 of this Reorganization Plan and unliquidated Claims with respect to the DIP Financing Facility), unliquidated Class 1 Claims, unliquidated cure payments with respect to assumed executory contracts and funding of reserves with respect to Disputed Claims, (iii) funding the Liquidation Plan Funding Amount, (iv) payment of all costs and expenses associated with the implementation of this Reorganization Plan, including, without limitation, all expenses anticipated or required with respect to the resolution of Claims (including the payment of legal fees in accordance with Sections 8.6(c) and 11.8(b) of this Reorganization Plan), the consummation of all transactions contemplated hereunder, obtaining a final decree closing these Chapter 11 Cases and, to the extent applicable, the Heber Reorganization Plan, (v) severance costs, (vi) establishment of the Cash Tax Reserve as defined in and required by section 6.12(b) of the Investment and Purchase Agreement, including but not limited to tax reserves with respect to the Geothermal Sale, (vii) payment of any Heber Administrative Claims, (viii) the transfer of Cash to CPIH such that CPIH shall have $5 million in accounts under its control, (ix) such other reserves as may be required under one or more of the Exit Financing Agreements and (without duplication of any other provision hereof) the Investment and Purchase Agreement, and (x) a reasonable additional cushion reserve with respect to such Exit Costs; provided, however, that a reasonable period of time after the Effective Date, seventy five percent (75%) of any such reserves held in excess of actual Exit Costs shall be considered Excess Distributable Cash; further, provided, that for purposes of determining the amount of cushion referred to in clause (x) of this definition and the period of time referred to in the preceding proviso, such reasonable determinations shall be mutually agreed upon by Reorganized Covanta, the Plan Sponsor, the DIP Agents and the Bondholders Committee no later than five (5) days prior to the last date by which votes to accept or reject this Reorganization Plan must be submitted .

"Exit Financing Agreements" means the agreements providing for new credit facilities, to be entered into on the Effective Date among the applicable Reorganizing Debtors and the Persons identified therein as lenders, consisting of the First Lien L/C Facility, the Second Lien L/C Facility, the New CPIH Funded Debt, the New CPIH Revolver Facility, the New High Yield Indenture, the Domestic Intercreditor Agreement and the International Intercreditor Agreement, each substantially in the form set forth in the Reorganization Plan Supplement, and all collateral and other agreements executed in connection therewith.

"Exit Facility Agents" means Bank of America, N.A., as Administrative Agent and Collateral Agent and Deutsche Bank, AG, New York branch, as Documentation Agent, under certain of the Exit Financing Agreements.

"Final Order" means an order or judgment of the Court, as entered on the docket of the Court, that has not been reversed, stayed, modified, or amended, and as to which: (a) the time to appeal, seek review or rehearing or petition for certiorari under the Bankruptcy Rules has expired and no timely filed appeal or petition for review, rehearing, remand or certiorari is pending; or (b) any appeal taken or petition for certiorari filed has been resolved by the highest Court to which the order or judgment was appealed or from which certiorari was sought, provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or other rules governing procedure in cases before the Court, may be filed with respect to such order or judgment shall not cause such order or judgment not to be a Final Order.

"First Lien L/C Facility" means the letter of credit facility, secured by a first priority lien on the Post-Confirmation Collateral in the original aggregate face amount of approximately $139 million for purposes of continuing or replacing the unfunded letter of credit issued and outstanding as of the Effective Date under Tranche B of the DIP Financing Facility with respect to the Reorganizing Debtors' Detroit facility and for funding draws with respect thereto.

"First Lien Lenders" means the Persons named as lenders with respect to

the First Lien L/C Facility; it being understood that all holders of Allowed Class 3 Claims shall have the opportunity to participate as First Lien Lenders on a pro rata basis.

"Free Cash" means the total amount of Cash held by the Reorganizing Debtors on the Effective Date after consummation of the Geothermal Sale and immediately after the closing under the Investment and Purchase Agreement but prior to giving effect to the payment of Exit Costs or any other Distributions or transactions contemplated by this Reorganization Plan; provided, however that Free Cash does not include the Post-Confirmation Working Capital or any other Cash as to which usage by the Reorganizing Debtors is restricted in any manner pursuant to the terms of any applicable agreements to which the Reorganized Debtors are party, including, without limitation, any project financing or operating agreements, that have been or shall be assumed or reinstated in connection with the Reorganization Plan.

"Geothermal Sale" means the sale of certain assets related to the Heber Debtors' geothermal independent power production business and the Reorganizing Debtors' equity therein pursuant to the Heber Reorganization Plan.

"Heber Administrative Claims" means all Allowed Administrative Expense Claims pursuant to the Heber Reorganization Plan.

"Heber Debtors" means AMOR 14 Corporation, Covanta SIGC Energy, Inc. Covanta SIGC Energy II, Inc., Heber Field Company, Heber Geothermal Company and Second Imperial Geothermal Company, L.P., (subject to the Effective Date of the Heber Plan) each of which are affiliates of the Reorganizing Debtors and are being reorganized pursuant to the Heber Plan of Reorganization.

"Heber Debtors Intercompany Claim" means any Intercompany Claim held by a Heber Debtor, but excluding any such Claim that would also be included in the definition of Liquidating Debtors Intercompany Claim or Reorganizing Debtors Intercompany Claim.

"Heber Reorganization Plan" means the Joint Plan of Reorganization of the Heber Debtors under Chapter 11 of the Bankruptcy Code (including all exhibits, supplements, appendices and schedules annexed thereto), confirmed by the Court on November 21, 2003 (Docket No. 2809).

"Impaired" means, when used with reference to an Allowed Claim or an Allowed Equity Interest, a Claim or Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

"Indenture Trustee" means Wells Fargo Bank Minnesota, National Association, in its capacity as indenture trustee with respect to the 9.25% Debentures.

"Initial Distribution" means the initial distribution of the Secured Subclass 3A and 3B Total Distribution into separate Distributions for Subclass 3A and Subclass 3B in accordance with Section 4.4(c)(I) of this Reorganization Plan.

"Initial Petition Date" means April 1, 2002, the date upon which the Reorganizing Debtors identified on Exhibit 3 hereto filed their respective orders for relief under Chapter 11 of the Bankruptcy Code.

"Intercompany Claims" means all Claims against a Reorganizing Debtor asserted by any Liquidating Debtor, Heber Debtor, Non-Debtor Affiliate or any other Reorganizing Debtor, including, without limitation, any (a) preference actions, fraudulent conveyance actions, rights of setoff and other claims or causes of action under sections 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code and other applicable bankruptcy or nonbankruptcy law, (b) claims or causes of action arising out of illegal dividends or similar theories of liability, (c) claims or causes of action based on piercing the corporate veil, alter ego liability or similar legal or equitable theories of recovery arising out of the ownership or operation of any of the Reorganizing Debtors prior to the applicable Petition Date, (d) claims or causes of action based on unjust enrichment, (e) claims or causes of action for breach of fiduciary duty, mismanagement, malfeasance or, to the extent they are claims or causes of action of any of the Reorganizing Debtors, fraud, (f) claims or causes of action arising out of any contracts or other agreements between or among any of the Reorganizing Debtors and any Liquidating Debtor, Heber Debtor, Non-Debtor Affiliate or any other Reorganizing Debtor that are rejected, and (g) any other claims or causes of action of any nature, including any claims or causes of action arising out of or related in any way to the Chapter 11 Cases, the Liquidation Plan, this Reorganization Plan or the Heber Reorganization Plan, that are based on an injury that affects or affected the shareholders or creditors of any of the Liquidating Debtors, Heber Debtors, Reorganizing Debtors or Non-Debtor Affiliates generally; provided, however that Intercompany Claims shall not include the Claims of Greenway Insurance Company of Vermont against any Reorganizing Debtor.

"Intercreditor Agreement" means the Intercreditor Agreement dated as of March 14, 2001, among Covanta and its affiliates named therein and the Prepetition Lenders, as it has been or may be amended, supplemented or otherwise

modified.

"Intermediate Holding Company Debtor" means any of the Reorganizing Debtors identified as such on Exhibit 1 hereto.

"International Intercreditor Agreement" means the intercreditor agreement to be entered into by Reorganized CPIH and each of its subsidiaries party thereto, certain other Reorganized Debtors, the financial institutions listed therein as lenders, agents and/or trustees substantially in the form set forth in the Plan Supplement.

"Investment and Purchase Agreement" means the Investment and Purchase Agreement, dated as of December 2, 2003, between Covanta and the Plan Sponsor, without giving effect to any further amendments, supplements or other modifications.

"Investors" means D.E. Shaw Laminar Portfolios, L.L.C., S.Z. Investments, LLC and Third Avenue Value Fund, Inc.

"Key Ordinary Course Professional Claim" means an Administrative Claim of a Person that has been retained by the Debtors pursuant to the Ordinary Course Professional Order for compensation for services rendered or reimbursement of costs or expenses in an amount in excess of $30,000 for any month incurred after the Petition Date and prior to the Effective Date.

"Lien" has the meaning set forth in section 101(37) of the Bankruptcy Code.

"Liquidating Debtors" means those debtors identified on Exhibit 2 attached hereto that are being liquidated pursuant to the Liquidation Plan.

"Liquidating Debtors Intercompany Claim" means any Intercompany Claim held by a Liquidating Debtor or any of its direct or indirect subsidiaries.

"Liquidation Plan" means the Joint Plan of Liquidation of Ogden New York Services, Inc., et al. under Chapter 11 of the Bankruptcy Code (including all exhibits, supplements, appendices and schedules annexed thereto), dated September 8, 2003, as the same may be amended, modified or supplemented from time to time.

"Liquidation Plan Funding Amount" means the amount that the Reorganizing Debtors shall fund the Operating Reserve and the Administrative Expense Claims Reserve pursuant to Section 6.1(a) of the Liquidation Plan.

"New CPIH Funded Debt" means the new debt to be issued, in the form of a term loan, by Reorganized CPIH as part of the Exit Financing Agreements on the Effective Date in the original aggregate principal amount of $90 million (subject to adjustment as set forth in the proviso below), with a stated maturity date of the third anniversary of the Effective Date, bearing interest at the rate per annum of ten and one half percent (10.5%) (6.0% of such interest to be paid in cash and the remaining 4.5% to be paid in cash to the extent available and otherwise such interest shall be paid in kind by adding it to the outstanding principal balance); provided, however, that on the Determination Date the aggregate amount of New CPIH Funded Debt issued by Reorganized CPIH shall be increased dollar for dollar by an amount equal to (if positive) the difference between (x) $75 million and (y) Total Unsecured Plan Debt on the Determination Date, but in no event shall such debt exceed $95 million in original principal amount; provided, further that any such increase in the principal amount of New CPIH Funded Debt shall include the right to receive interest retroactive to the Effective Date unless payment of retroactive interest shall be waived by holders of a majority of the New CPIH Funded Debt. For the avoidance of doubt, Reorganization Plan Unsecured Notes issued to holders of Allowed Class 6 Claims pursuant to Section 4.6(b) of this Reorganization Plan shall not be deemed to be included in "Total Unsecured Plan Debt" as such term is used in the immediately preceding sentence. The New CPIH Funded Debt shall be secured by a second priority lien on substantially all of Reorganized CPIH's and its domestic subsidiaries' assets, including, without limitation, the Equity Interest of CPIH.

"New CPIH Revolver Facility" means the new revolving line of credit facility, to be arranged by the Plan Sponsor and to be entered into as part of the Exit Financing Agreements, as an obligation of Reorganized CPIH and its domestic subsidiaries, secured by a first priority lien on substantially all of Reorganized CPIH's and its domestic subsidiaries' assets, junior only to duly perfected and unavoidable prior liens, providing for a revolving credit line of up to $10 million dollars for purposes of supporting the business operations of CPIH and its subsidiaries.

"New High Yield Indenture" means the indenture to be entered into by Reorganized Covanta and the Domestic Reorganizing Debtors as part of the Exit Financing Agreements providing for the issuance by Reorganized Covanta of notes in the aggregate principal amount of $205 million, which liability will accrete to approximately $230 million at the stated maturity date.

"New High Yield Secured Notes" means the new notes in the aggregate

principal amount of $205 million (accreting to $230 million at the stated maturity date), secured by a third priority lien on the Post-Confirmation Collateral, to be issued by Reorganized Covanta and guaranteed by the Domestic Reorganizing Debtors on the Effective Date pursuant to the New High Yield Indenture in accordance with the terms of this Reorganization Plan.

"Non-Debtor Affiliate" means any affiliate of the Reorganizing Debtors that is not a subject of these Chapter 11 Cases.

"Non-Participating Lender" means any holder of an Allowed Class 3 Claim that is not a First Lien Lender.

"Non-Priority Subclass 3A Claims" means all Secured Bank Claims other than Priority Bank Claims.

"9.25% Debenture Claim" means any Claim that arises out of, or is attributable to, ownership of the 9.25 % Debentures.

"9.25% Debenture Holders Subclass 3B Distribution" means the aggregate Distribution to holders of Allowed Subclass 3B Claims pursuant to this Reorganization Plan.

"9.25% Debentures" means those certain debentures issued by Ogden Corporation (now known as Covanta) in the aggregate principal amount of $100,000,000 due in March 2022 and bearing an interest rate of 9.25 % per annum (Cusip No. 676346AF6).

"9.25% Debentures Adversary Proceeding" means adversary proceeding No. 02-03004 captioned as The Official Committee of Unsecured Creditors v. Wells Fargo Bank Minnesota, National Association, et al., pending before the Court.

"9.25% Deficiency Claim" means an amount equal to (X) the Allowed amount of 9.25% Debenture Claims, currently estimated at $105 million including accrued but unpaid fees and interest minus (Y) as of the Effective Date, the Estimated Recovery Value of the 9.25% Debenture Holders Subclass 3B Distribution without deducting from such Estimated Recovery Value any payment of the Settlement Distribution, such amount to be determined by agreement of the holders of the 9.25% Debentures, the Reorganizing Debtors and the Committee, or by order of the Court.

"9.25% Indenture" means the indenture entered into by Ogden Corporation (now known as Covanta) with respect to the 9.25% Debentures.

"9.25% Settlement" means the settlement agreed to by the Committee and each Accepting Bondholder with respect to the 9.25% Debentures Adversary Proceeding, providing for, among other things, each holder of an Allowed Class 6 Claim to receive an additional Distribution consisting of a Settlement Distribution with respect to the Subclass 3B Accepting Bondholder Recovery, as further set forth in Exhibit 5 attached to this Reorganization Plan.

"Ogden Put/Call Agreement" means the Ogden Put/Call Agreement, dated as of December 27th, 1997, between the Reorganizing Debtors and CIBC, as administrative agent for the holders of the class B preferred shares issued by Palladium Finance Corporation II, as amended form time to time.

"Old Covanta Stock" means the pre-confirmation common stock, options, warrants, preferred stock or any other Equity Interest of Covanta, whether issued and outstanding or held in treasury.

"Operating Company Reorganizing Debtor" means any of the Reorganizing Debtors other than Covanta and the Intermediate Holding Company Debtors.

"Operating Company Unsecured Claims" means all Unsecured Claims asserted against any Operating Company Reorganizing Debtor; provided, however, that the term Operating Company Unsecured Claims shall not include any Convenience Claim.

"Operating Reserve" shall have the meaning assigned to such term in the Liquidation Plan.

"Ordinary Course Professional Order" means the Order Authorizing Employment and Compensation of Professionals Utilized in the Ordinary Course of Business entered by the Court on April 2, 2002 (Docket No. 47).

"Ownership Change Limitation" means any issuance of common stock of the Plan Sponsor that would otherwise result in an ownership change under Section 382(g) of the U.S. Internal Revenue Code of 1986, as amended, computed by substituting "48.75 percentage points" for "50 percentage points" where such phrase appears in Section 382(g)(1)(A) of the U.S. Internal Revenue Code of 1986, as amended.

"Parent and Holding Company Guarantee Claim" means any Claim against Covanta or any Intermediate Holding Company Debtor based on a guarantee of an obligation of any other Reorganizing Debtor or any direct or indirect international subsidiary of a Reorganizing Debtor that will continue operating

following the Effective Date, including, without limitation, performance guarantees; provided, however, that Parent and Holding Company Guarantee Claims do not include the Claims of the Prepetition Lenders, the DIP Lenders, the holders of the 9.25% Debentures or Intercompany Claims.

"Parent and Holding Company Unsecured Claims" means all Unsecured Claims asserted against Covanta or any Intermediate Holding Company Debtor; provided, however, that the term Parent and Holding Company Unsecured Claims shall not include any Convenience Claims or Operating Company Unsecured Claims; further, provided that the term Parent and Holding Company Unsecured Claims shall not include the Prepetition Lender Deficiency Claim; further, provided that the term Parent and Holding Company Unsecured Claims shall include the Allowed Deficiency Claims of the holders of 9.25% Debentures only with respect to that portion of such Allowed Deficiency Claims held by Rejecting Bondholders.

"Person" has the meaning provided in section 101(41) of the Bankruptcy Code and includes, without limitation, any individual, corporation, partnership, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any political subdivision thereof, the Committee, Indenture Trustee, Equity Interest holders, holders of Claims, current or former employees of any Reorganizing Debtor, or any other entity.

"Petition Date" means, collectively, the Initial Petition Date and the Subsequent Petition Date.

"Plan Documents" means the documents to be executed, delivered, assumed or performed in conjunction with the consummation of this Reorganization Plan on the Effective Date, including, without limitation, the Investment and Purchase Agreement, the Exit Financing Agreements and shall be treated as if incorporated herein.

"Plan Sponsor" means Danielson Holding Corporation, a Delaware corporation.

"Post-Closing Cash" means an amount of Cash determined on the Effective Date equal to Free Cash minus Exit Costs.

"Post-Confirmation Collateral" means all assets of the Domestic Reorganizing Debtors, other than Equity Interests of Reorganized CPIH, to the extent such assets may be subject to a Lien, with respect to such Debtors' obligations under the Exit Financing Agreements without violation of any applicable law or the terms of any contracts that have been assumed or reinstated by the Reorganized Debtors unless otherwise waived or consented to.

"Post-Confirmation Working Capital" means, on the Effective Date, the Closing Cash Balance, as such term is defined pursuant to the Investment and Purchase Agreement.

"Preferred Distribution" shall have the meaning assigned to that term under the Intercreditor Agreement.

"Prepetition Credit Agreement" means the Revolving Credit and Participation Agreement dated as of March 14, 2001, among Covanta, certain other Reorganizing Debtors, certain other Liquidating Debtors and the Prepetition Lenders and the Security Agreement dated as of March 14, 2001, both as they have been or may be amended, supplemented or otherwise modified from time to time.

"Prepetition Lenders" means the Persons identified as lenders under the Prepetition Credit Agreement, together with their successors and permitted assigns.

"Prepetition Lender Deficiency Claim" means an amount equal to (X) the Allowed amount of the claims of the Prepetition Lenders, currently estimated at $434 million including accrued but unpaid fees and interest minus (Y) as of the Effective Date, the Estimated Recovery Value of the Subclass 3A Recovery, such amount to be determined by agreement of the Prepetition Lenders, the Reorganizing Debtors and the Committee, or by order of the Court.

"Priority Bank Claims" means all Secured Bank Claims that are entitled to a Preferred Distribution or Ratable Paydown pursuant to the Intercreditor Agreement.

"Priority Bank Lenders" means the Prepetition Lenders that hold Priority Bank Claims.

"Priority Non-Tax Claim" means any Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Expense Claim or (b) a Priority Tax Claim.

"Priority Tax Claim" means any Claim of a Government Unit of the kind entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

"Pro Rata Class Share" means the proportion that the amount of any Claim bears to the aggregate amount of such Claim and all other Claims in the

same Class entitled to distributions from the same source of Cash or Reorganization Plan Notes, including Disputed Claims.

"Pro Rata Subclass Share" means the proportion that the amount of any Claim bears to the aggregate amount of such Claim and all other Claims in the same Subclass entitled to Distributions from the same source of Cash or Reorganization Plan Notes, including Disputed Claims.

"Project Debt Claim" means any Claim against an Operating Company Reorganizing Debtor arising under an indenture with respect to bond indebtedness that is secured by a Lien on such Operating Company Reorganizing Debtor's tangible or intangible assets; provided, however, that Project Debt Claims do not include the Claims of the Prepetition Lenders, the DIP Lenders, the holders of the 9.25% Debentures or Intercompany Claims.

"Ratable Paydown" shall have the meaning assigned to that term under the Intercreditor Agreement.

"Rejecting Bondholder" means any member of Subclass 3B that rejects being included as a settling party pursuant to the 9.25% Settlement Agreement by expressly marking the appropriate box on the Ballot distributed to holders of Subclass 3B Secured Claims.

"Rejecting Debtors' Schedule of Assumed Contracts and Leases" means a schedule of the executory contracts and unexpired leases to which each of the Rejecting Debtors (as defined in Section 9.1(a) of this Reorganization Plan) is a party that will be assumed under Article IX of the Plan, which schedule has been filed as Exhibit 9.1A hereto and shall be served on the relevant parties no less than twenty-three (23) days prior to the Confirmation Hearing.

"Reorganization Plan" means this chapter 11 plan of reorganization, including without limitation, all documents referenced herein and all exhibits, supplements, appendices and schedules hereto, either in its present form or as the same may be altered, amended or modified from time to time.

"Reorganization Plan Notes" means the New High Yield Secured Notes, the Reorganization Plan Unsecured Notes and the New CPIH Funded Debt.

"Reorganization Plan Supplement" means a supplemental appendix to this Reorganization Plan that will contain certain of the Plan Documents in substantially completed form, to be filed no later than five (5) days prior to the last date by which votes to accept or reject this Reorganization Plan must be submitted. Documents to be included in the Reorganization Plan Supplement will be posted at www.covantaenergy.com as they become available.

"Reorganization Plan Unsecured Notes" means the new subordinated unsecured notes to be issued by Reorganized Covanta on or after the Effective Date in accordance with the terms of this Reorganization Plan in an aggregate principal amount equal to the aggregate amount of Allowed Class 4 Claims plus the Class 6 Unsecured Notes issued to holders of Allowed Class 6 Claims pursuant to Section 4.6(b) of this Reorganization Plan plus the aggregate principal amount of such Notes that the Reorganizing Debtors may elect to distribute to holders of Allowed Class 8 Claims, all to be issued pursuant to the Covanta Unsecured Subordinated Notes Indenture contained in the Reorganization Plan Supplement.

"Reorganized Covanta" means Covanta on and after the Effective Date.

"Reorganized Covanta Common Stock" means the shares of common stock of Reorganized Covanta, authorized under Section 6.4 of this Reorganization Plan and under the amended and restated certificate of incorporation for Reorganized Covanta.

"Reorganized Covanta Secured Claims" means the Secured Bank Claims and Secured 9.25% Debenture Claims.

"Reorganized Debtor" means each Reorganizing Debtor, on or after the Effective Date.

"Reorganizing Debtors" has the meaning ascribed to such term on the first page of this Reorganization Plan (each of the Reorganizing Debtors is individually referred to herein as a Reorganizing Debtor). A list of the Reorganizing Debtors is attached hereto as Exhibit 1.

"Reorganizing Debtors Intercompany Claim" means any Intercompany Claim held by a Reorganizing Debtor or any of its direct or indirect subsidiaries, including Non-Debtor Affiliates, but excluding any such Claims that would also be included in the definition of Liquidating Debtors Intercompany Claim or Heber Debtors Intercompany Claim.

"Retained Professional" means the professionals retained in these jointly administered Chapter 11 Cases by the Reorganizing Debtors or the Committee pursuant to sections 327, 328 or 1103 of the Bankruptcy Code pursuant to Final Orders of the Court; provided, however, that Retained Professional does not include those Persons retained pursuant to the Ordinary Course Professional

Order except to the extent such Persons shall assert a Key Ordinary Course Professional Claim.

"Schedules" means the schedules of assets and liabilities and the statement of financial affairs filed by the Reorganizing Debtors as required by sections 521 and 1106(a)(2) of the Bankruptcy Code and Bankruptcy Rule 1007, as they have been or may be supplemented or amended from time to time.

"Second Lien L/C Facility" means the new letter of credit and revolving credit facility, arranged by the Investors and to be entered into as part of the Exit Financing Agreements, as an obligation of the Domestic Reorganizing Debtors, secured by a second priority lien on the Post-Confirmation Collateral, junior only to duly perfected and unavoidable prior liens, including the lien with respect to the First Lien L/C Facility, providing for commitments for issuance of certain letters of credit and a revolving line of credit in an aggregate amount up to $118.0 million (with a sublimit of $10 million established with respect to the revolving line of credit), for purposes of supporting the Domestic Reorganizing Debtors business operations, as more particularly described therein.

"Secured Bank Claims" means the Secured Claims of the Prepetition Lenders arising under (i) the Prepetition Credit Agreement and related collateral documents, and (ii) the Intercreditor Agreement, including the Priority Bank Claims and the Non-Priority Subclass 3A Claims.

"Secured Claim" means, pursuant to section 506 of the Bankruptcy Code, that portion of a Claim that is secured by a valid, perfected and enforceable security interest, lien, mortgage or other encumbrance, that is not subject to avoidance under applicable bankruptcy or non-bankruptcy law, in or upon any right, title or interest of any of the Reorganizing Debtors in and to property of the Estates, to the extent of the value of the holder's interest in such property as of the relevant determination date. The defined term Secured Claim includes any Claim that is (i) subject to an offset right under applicable law, and (ii) a secured claim against any of the Reorganizing Debtors pursuant to sections 506(a) and 553 of the Bankruptcy Code. Such defined term shall not include for voting or Distribution purposes any such Claim that has been or will be paid in connection with the cure of defaults under an assumed executory contract or unexpired lease under section 365 of the Bankruptcy Code. A Secured Claim shall not include any portion of the Claim that exceeds that value of the interest in property of the Estate securing such Claim.

"Secured Subclass 3A and 3B Total Distribution" means the total Distribution to Allowed Subclass 3A Claims and Allowed Subclass 3B Claims under this Reorganization Plan, consisting of: (i) Distributable Cash, (ii) Additional Distributable Cash (if any), (iii) Excess Distributable Cash (if any), (iv) the New High Yield Secured Notes, and (v) New CPIH Funded Debt.

"Secured Project Fees and Expenses" means those reasonable fees, costs or charges that (i) are incurred by a trustee acting on behalf of a bondholder, bond insurer or owner participant under any indenture that relates to an Allowed Project Debt Claim, (ii) represent fees, costs or charges that are properly payable under the applicable indenture, and (iii) have been approved by order of the Court; provided, however, that to the extent that any Secured Project Fees and Expenses may have been paid by third parties, then such third parties may only seek reimbursement from the Reorganizing Debtors for payment of such Secured Project Fees and Expenses, if and to the extent permitted by the relevant prepetition transaction documents and the Bankruptcy Code.

"Secured Value Distribution" means the portion of the Secured Subclass 3A and 3B Total Distribution made to holders of Allowed Subclass 3A Claims or Allowed Subclass 3B Claims in the form of either Distributable Cash, Additional Distributable Cash or New High Yield Secured Notes, it being understood that the form of Secured Value Distribution received by the holders of an Allowed Class 3 Claim will vary in accordance with the provisions of this Reorganization Plan depending on whether such holder is an Additional New Lender, a First Lien Lender or a Non-Participating Lender and it being further understood that any Distribution of one form of Secured Value Distribution as provided hereunder shall be in lieu of the right to receive an equivalent amount of any other form of Secured Value Distribution.

"Settlement Distribution" shall mean (i) in the event that the aggregate Estimated Recovery Value of the Subclass 3B Accepting Bondholder Recovery is less than or equal to $84 million, that portion of the Additional Distributable Cash (if any), Excess Distributable Cash (if any), New High Yield Secured Notes and New CPIH Funded Debt equal to, as of the Effective Date, twelve and one half percent (12.5%) of each type of recovery of the aggregate of the Subclass 3B Accepting Bondholder Recovery and (ii) in the event that the Estimated Recovery Value of the Subclass 3B Accepting Bondholder Recovery is greater than $84 million, an amount of each of Additional Distributable Cash (if any), Excess Distributable Cash (if any), New High Yield Secured Notes and New CPIH Funded Debt with an aggregate Estimated Recovery Value, determined as of the Effective Date, equal to $10.5 million; it being understood that, with respect to any Accepting Bondholder that is a First Lien Lender, the percentage of New High Yield Secured Notes included in the Settlement Distribution with respect to any such Accepting Bondholder shall be increased over the amount of

New High Yield Secured Notes that would have been included in such Accepting Bondholders' pro rata portion of the Settlement Distribution were it not a First Lien Lender so that such Accepting Bondholder's pro rata portion of the aggregate Settlement Distribution shall be equal in amount to twelve and one half percent (12.5%) of each type of recovery (including Distributable Cash) of such Accepting Bondholder; provided, however, that the Settlement Distribution shall not include any right or opportunity arising pursuant to the DHC Rights Offering or the Class 3B Stock Offering. With respect to that portion of the Settlement Distribution consisting of New High Yield Secured Notes, the Reorganized Debtors shall have the option to delay issuance of any such Notes until immediately after such time as the Disbursing Agent, in consultation with the Class 6 Representative, elects to make an interim or final Distribution to holders of Allowed Class 6 Claims in accordance with Section 8.7 of this Reorganization Plan; provided, however, that in the event that the Reorganized Debtors shall elect to delay issuance of New High Yield Secured Notes with respect to the Settlement Distribution, any subsequent Distribution of New High Yield Secured Notes shall include all accrued interest, whether made in Cash or otherwise, that a holder of such Notes would have been entitled to receive for the period from the Effective Date through and including the Date of such subsequent Distribution.

"Specified Personnel" means any officer, director or employee of any Reorganizing Debtor, but only if and to the extent, in each case, such party served in such capacity on or after the Petition Date and prior to the Confirmation Date.

"Standby Commitment" shall mean the commitment of the Investors to make purchases of New High Yield Secured Notes from Non-Participating Lenders in accordance with the provisions of Section 4.3(c)(IV) of this Reorganization Plan.

"Subclass 3A" means a sub class of Class 3 consisting of all Secured Bank Claims.

"Subclass 3B" means a sub class of Class 3 Claims consisting of all Secured Claims of the holders of 9.25% Debentures.

"Subclass 3A Percentage" means the percentage determined by dividing (i) the Allowed Subclass 3A Secured Claim Amount by (ii) the Total Allowed Class 3 Secured Claim Amount.

"Subclass 3A Recovery" means a Distribution equal to the Subclass 3A Percentage of the Secured Subclass 3A and 3B Total Distribution.

"Subclass 3B Accepting Bondholder Recovery" means that portion of the Subclass 3B Recovery corresponding to the Pro Rata Subclass Share of the Accepting Bondholders.

"Subclass 3B Rejecting Bondholder Recovery" means that portion of the Subclass 3B Recovery corresponding to the Pro Rata Subclass Share of the Rejecting Bondholders.

"Subclass 3B Percentage" means the percentage determined by dividing (i) the Allowed Subclass 3B Secured Claim Amount by (ii) the Total Allowed Class 3 Secured Claim Amount.

"Subclass 3B Recovery" means a Distribution equal to the Subclass 3B Percentage of the Secured Subclass 3A and 3B Total Distribution.

"Subordinated Claims" means (a) Claims for fines, penalties or forfeiture or for multiple, exemplary or punitive damages, to the extent that such fines, penalties, forfeitures or damages are not compensation for actual pecuniary loss suffered by the holders of such claims, (b) Claims subject to subordination under section 510(b) of the Bankruptcy Code, including without limitation claims for rescission, damages or reimbursement, indemnification or contribution arising out of a purchase or sale of any security of any of the Reorganizing Debtors or Liquidating Debtors, and (c) Claims subject to equitable subordination under section 510(c) of the Bankruptcy Code.

"Subsequent Petition Date" means June 6, 2003, the date upon which the Reorganizing Debtors identified on Schedule 3 hereto filed their respective orders for relief under chapter 11 of the Bankruptcy Code.

"Subsidiary Debtors" means the Reorganizing Debtors other than Covanta, Covanta Huntington, Covanta Onondaga and DSS Environmental.

"Substantial Contribution Claims" means the claim by any creditor or party in interest for reasonable compensation for services rendered in these Chapter 11 Cases pursuant to section 503(b)(3), (4) or (5) of the Bankruptcy Code.

"Tax Sharing Agreement" means that certain tax sharing agreement between the Plan Sponsor and Reorganizing Covanta, substantially in the form set forth in the Plan Supplement.

"Total Allowed Class 3 Secured Claim Amount" means the sum of (i) Allowed Subclass 3A Secured Claim Amount and (ii) Allowed Subclass 3B Secured Claim Amount.

"Total Unsecured Plan Debt" means as of the Determination Date the sum of (i) the aggregate amount of Reorganization Plan Unsecured Notes to be issued solely to holders of Allowed Class 4 Claims pursuant to Section 4.4(b) of this Reorganization Plan, (ii) the aggregate amount of Reorganization Plan Unsecured Notes to be issued, at the option of the Reorganizing Debtors, to holders of Allowed Class 8 Claims pursuant to Section 4.8(b) of this Reorganization Plan and (iii) the aggregate amount of notes issued by Reorganized Covanta with respect to Allowed Priority Tax Claims in accordance with the terms of this Reorganization Plan; provided, that in the event a majority of holders of the New CPIH Funded Debt (or their permitted assigns) shall have delivered notice to Reorganized Covanta and Reorganized CPIH pursuant to clause (iii) of the definition of Determination Date under this Reorganization Plan, then the Total Unsecured Plan Debt as of such Determination Date shall also include the aggregate amount of any Disputed Class 4 Claims and Disputed Tax Priority Claims in the amount asserted by the holders of such Claims as of such Determination Date.

"Unimpaired" means, when used with reference to a Claim or Equity Interest, a Claim or Equity Interest that is not Impaired.

"United States Trustee" means the Office of the United States Trustee for the Southern District of New York.

"United States Trustee Claims" means all United States Trustee Fees accrued through the close of the Chapter 11 Cases.

"United States Trustee Fees" means all fees and charges due from the Reorganizing Debtors to the United States Trustee pursuant to section 1930 of Title 28 of the United States Code.

"Unsecured Claims" means any Claim (including, without limitation, (a) Claims arising from the rejection of executory contracts and unexpired leases and (b) any Deficiency Claims) that is not a Secured Claim, Administrative Expense Claim, Priority Tax Claim, Priority Non-Tax Claim, Project Debt Claim, Reorganized Covanta Secured Claim, Intercompany Company Claim or Subordinated Claim.

ARTICLE II

TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

2.1 Non-Classification. As provided in section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against the Reorganizing Debtors are not classified for purposes of voting on or receiving Distributions under this Reorganization Plan. All such Claims are instead treated separately pursuant to the terms set forth in this Article II.

2.2 Administrative Expense Claims. Except to the extent that the applicable Reorganizing Debtor and a holder of an Allowed Administrative Expense Claim agree to less favorable treatment and except as set forth in Sections 2.3 and 2.5 of this Reorganization Plan, each Reorganizing Debtor shall pay to each holder of an Allowed Administrative Expense Claim against such Reorganizing Debtor, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Administrative Expense Claim, Cash in an amount equal to such Allowed Administrative Expense Claim on the Distribution Date; provided that any such liabilities not incurred in the ordinary course of business were approved and authorized by a Final Order of the Court; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by such Reorganizing Debtor, as a debtor in possession, or liabilities arising under loans or advances to or other obligations incurred by such Reorganizing Debtor, as debtor in possession, whether or not incurred in the ordinary course of business, shall be paid by such Reorganizing Debtor in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions. To the extent that the Administrative Expense Claim Bar Date applies, failure to file a timely request for payment of an Administrative Expense Claim prior to the Administrative Expense Claim Bar Date shall result in the Administrative Expense Claim being forever barred and discharged.

2.3 Compensation and Reimbursement Claims. (a) Except with respect to Substantial Contribution Claims, which are subject to Section 2.3(b), all (i) Retained Professionals and (ii) Persons employed by the Debtors or serving as independent contractors to the Debtors in connection with their reorganization efforts that are seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code shall file and serve on counsel for the Debtors and as otherwise required by the Court and Bankruptcy Code their respective final applications for allowance of compensation for services rendered and

reimbursement of expenses incurred on or before the date that is forty-five (45) days after the Effective Date, subject to prior written notice to counsel to the DIP Agents. The Reorganized Debtors shall pay in full on the Distribution Date such Claims in such amounts as are Allowed by the Court, after notice and hearing, or upon such other less favorable terms as may be mutually agreed upon between the holder of such an Allowed Administrative Expense Claim and the Reorganizing Debtors or, on and after the Effective Date, the Reorganized Debtors and, in each such case, approved by the Court after notice and hearing. Any request for payment of an Administrative Expense Claim of the type specified in this Section 2.3(a), which is not filed by the applicable deadline set forth above, shall be barred.

(b) Any Person who requests compensation or expense reimbursement for a Substantial Contribution Claim in the Chapter 11 Cases must file an application with the clerk of the Court, on or before the Administrative Expense Claim Bar Date, and serve such application on counsel for the Reorganized Debtors and as otherwise required by the Court and the Bankruptcy Code on or before such date, or be forever barred from seeking compensation or expense reimbursement for such Substantial Contribution Claim.

(c) All other requests for payment of an Administrative Expense Claim (other than as set forth in clauses (a) and (b) of this Section 2.3 above) that are subject to the Administrative Expense Claim Bar Date must be filed with the Court and served on counsel for the Reorganizing Debtors and as otherwise required by the Court and Bankruptcy Code on or before the Administrative Expense Claim Bar Date. Unless the Reorganizing Debtors, Reorganized Debtors, or any other party in interest in the Chapter 11 Cases objects to an Administrative Expense Claim by the Claims Objection Deadline, such Administrative Expense Claim shall be deemed Allowed in the amount filed. In the event that the Reorganizing Debtors, Reorganized Debtors, or any other party in interest in the Chapter 11 Cases objects to an Administrative Expense Claim, the Court shall determine the Allowed amount of such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim incurred and payable by the Reorganizing Debtors in the ordinary course of business.

(d) Under no circumstances will the deadlines set forth above be extended by order of the Court or otherwise. Any holders of Administrative Expense Claims who are required to file a Claim or request for payment of such Claims or expenses and who do not file such Claims or requests by the applicable dates set forth in this Section 2.3 shall be forever barred from asserting such Claims or expenses against the Reorganizing Debtors, the Reorganized Debtors, or any property of the Reorganized Debtors and the Reorganizing Debtors, and from receiving any Distributions under this Reorganization Plan with respect to such Claims.

2.4 Priority Tax Claims. On the Distribution Date, each holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, a note issued by the Reorganizing Debtors or Reorganized Debtors, which shall be in form and substance reasonably satisfactory to the Plan Sponsor, in the principal amount equal to the amount of such Allowed Priority Tax Claim payable over a period not exceeding six (6) years after the date of assessment of the Priority Tax Claim as provided in subsection 1129(a)(9)(C) of the Bankruptcy Code, such note to provide for the payment of simple interest on the unpaid portion of such Claim semiannually without penalty of any kind, at the fixed annual rate equal to four percent (4%), with the first interest payment due on the latest of: (i) six (6) months after the Effective Date, (ii) six (6) months after the date on which such Priority Tax Claim becomes an Allowed Claim, or (iii) such longer time as may be agreed to by the holder of such Priority Tax Claim and the Reorganized Debtor. Notwithstanding the foregoing, subject to the consent of the DIP Agents and the Bondholders Committee (which consent shall be requested on or before the Effective Date), the Reorganized Debtors shall have the option, in lieu of issuing a holder of an Allowed Priority Tax Claim a note in accordance with the terms of this Reorganization Plan, to pay any or all Allowed Priority Tax Claims in Cash, without penalty of any kind, in an amount equal to the unpaid portion of such Allowed Priority Tax Claim on the Effective Date or as soon as practical thereafter.

2.5 DIP Financing Facility Claims. On the Effective Date, the Reorganizing Debtors shall pay all funded amounts and additional amounts outstanding under the DIP Financing Facility (other than amounts outstanding with respect to Tranche C thereunder) and all commitments thereunder shall automatically and irrevocably terminate; provided, however, that on the Effective Date, all outstanding and unfunded letters of credit issued under Tranche A of the DIP Financing Facility shall be replaced by letters of credit to be issued under the Second Lien L/C Facility and, subject to acceptance by the requisite number of Tranche B DIP Lenders in accordance with section 2.13 of the DIP Financing Facility, all outstanding and unfunded letters of credit issued under Tranche B of the DIP Financing Facility shall be replaced or otherwise continued by letters of credit to be issued under the First Lien L/C Facility or the Second Lien L/C Facility (as applicable) or otherwise cash collateralized in an amount not less than one hundred and five percent (105%) of the face amount thereof pursuant to documentation in form and substance

satisfactory to the DIP Agents and the issuing banks. Once all such payments have been received in Cash by the DIP Lenders and all commitments thereunder have been terminated and such letters of credit have been issued under the First Lien L/C Facility or the Second Lien L/C Facility (as applicable), the DIP Financing Facility shall be terminated with respect to the Reorganizing Debtors (subject in all respects to any carve-out approved by the Court in the Final Order approving the DIP Financing Facility and any other terms of the DIP Financing Facility and the Final Order that by their express terms survive the termination of the DIP Financing Facility), and the DIP Lenders shall take all necessary action to confirm the removal of any liens on the properties of the applicable Reorganizing Debtors securing the DIP Financing Facility at the sole cost of the Reorganized Debtors. To the extent that Claims arising under Tranche B of the DIP Financing Facility will not be paid in full in Cash as a result of reinstatement and continuation of such letters of credit under the First Lien L/C Facility or Second Lien L/C Facility (as applicable), acceptance of such treatment in full satisfaction of their Allowed Administrative Expense Claim by the requisite DIP Lenders as provided under section 2.13 of the DIP Financing Facility shall be binding on all DIP Lenders. Contemporaneous with the termination of the DIP Financing Facility pursuant to this Section 2.5, the DIP Lenders' commitments and obligations thereunder shall be terminated and the Debtors shall be deemed to have unconditionally and irrevocably released the DIP Lenders and DIP Agents from all obligations, claims and liabilities whatsoever arising thereunder or relating thereto.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

3.1 General Rules of Classification. This Reorganization Plan constitutes a Joint Reorganization Plan of the Reorganizing Debtors. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims, as described in Article II, have not been classified and thus are excluded from the Classes described below. The classification of Claims and Equity Interests and implementation of the settlements set forth below shall be applicable for all purposes, including voting, confirmation, and distribution pursuant to the Reorganization Plan. As to each Reorganizing Debtor, a Claim or Equity Interest shall be deemed classified in a particular Class or Subclass only to the extent that the Claim or Equity Interest qualifies within the description of that Class or Subclass and shall be deemed classified in a different Class or Subclass to the extent that any remainder of the Claim or Equity Interest qualifies within the description of such different Class or Subclass. A Claim or Interest is in a particular Class or Subclass only to the extent that such Claim or Interest is Allowed in that Class or Subclass and has not been paid or otherwise settled prior to the Effective Date.

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS

The following is a designation of the treatment to be accorded, with respect to each Reorganizing Debtor, to each Class of Claims and Equity Interests denominated in this Reorganization Plan.

No Claim shall entitle the holder thereof to any Distribution pursuant to this Reorganization Plan unless, and only to the extent that, such Claim is an Allowed Claim. All Distributions on account of Allowed Claims shall be made on the applicable Distribution Date.

Class	Claims	Status	Voting Right
1	Allowed Priority Non-Tax Claims	Unimpaired	Deemed to Accept
2	Allowed Project Debt Claims and the Allowed CIBC Secured Claim	Unimpaired	Deemed to Accept
3	Allowed Reorganized Covanta Secured Claims and Other Secured Claims	Impaired	Entitled to Vote
4	Allowed Operating Company Unsecured Claims	Impaired	Entitled to Vote
5	Allowed Parent and Holding Company Guarantee Claims	Unimpaired	Deemed to Accept
6	Allowed Parent and Holding Company Unsecured Claims	Impaired	Entitled to Vote
7	Allowed Convertible Subordinated Bond Claims	Impaired	Deemed to Reject
8	Allowed Convenience Claims	Impaired	Entitled to Vote

9	Intercompany Claims	Impaired	Deemed to Reject
10	Subordinated Claims	Impaired	Deemed to Reject
11	Equity Interests in Subsidiary Debtors	Unimpaired	Deemed to Accept
12	Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental	Unimpaired	Deemed to Accept
13	Old Covanta Stock Equity Interests	Impaired	Deemed to Reject

4.1 Class 1 - Allowed Priority Non-Tax Claims.

a. Classification: Class 1 consists of all Allowed Priority Non-Tax Claims.

b. Treatment: Each holder of an Allowed Class 1 Claim shall receive, in full settlement, release and discharge of its Class 1 Claim, either (i) Cash, on the Distribution Date, in an amount equal to such Allowed Claim, or (ii) such other less favorable terms as the Reorganizing Debtors or Reorganized Debtors and the holder of an Allowed Priority Non-Tax Claim agree.

c. Voting: Class 1 Claims are Unimpaired, and the holders of Allowed Class 1 Claims are conclusively presumed to accept the Reorganization Plan. The votes of the holders of Class 1 Claims will not be solicited.

4.2 Class 2 - Allowed Project Debt Claims and the Allowed CIBC Secured Claim.

a. Classification: Class 2 consists of the following two Subclasses of Allowed Secured Claims: Subclass 2A consists of the Allowed Project Debt Claims and Subclass 2B consists of the Allowed CIBC Secured Claim.

b. Allowance: The Allowed CIBC Secured Claim shall be equal to the sum of (i) amount of Canadian $10,740,249.10, (ii) a per diem amount of Canadian $1,120.73 for each day during the period from December 1, 2003 through December 24, 2003, and (iii) a per diem amount determined in accordance with the applicable dividend rate pursuant to the terms of the Class B Palladium Preferred Shares for each day during the period from December 25, 2003 through the Effective Date.

c. Treatment: (i) Subclass 2A. On the Effective Date, the legal, equitable and contractual rights of the holders of Allowed Subclass 2A Claims will be reinstated in full satisfaction, release and discharge of their respective Subclass 2A Claims and will remain unaltered under the Reorganization Plan, except as the Reorganizing Debtors and the holders of Allowed Subclass 2A Claims may otherwise agree or as such holders may otherwise consent. To the extent that defaults exist in connection with any Allowed Project Debt Claims, the Reorganized Debtors shall comply with section 1124(2) of the Bankruptcy Code on or before the Effective Date. Without limiting the generality of the foregoing, the Reorganizing Debtors shall pay in Cash thirty days after the Effective Date any Secured Project Fees and Expenses. Notwithstanding the foregoing, no contractual provisions or applicable law that would entitle the holder of an Allowed Subclass 2A Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim, terminate any contractual relationship or take such other enforcement action (as may be applicable) from and after the occurrence of a default that occurred prior to the Effective Date shall be enforceable against the Reorganized Debtors.

(ii) Subclass 2B. On the Effective Date, in full settlement, release and discharge of the Allowed CIBC Secured Claim, CIBC shall apply the CIBC cash collateral in full satisfaction of such Allowed CIBC Secured Claim. The remaining balance of the CIBC cash collateral, after satisfaction of the Allowed CIBC Secured Claim, shall be applied by CIBC first in payment of the fees and expenses of the mediator with respect to the Canadian loss sharing litigation and thereafter in payment of a portion of the fees and expenses of the Canadian Loss Sharing Lenders in connection therewith.

c. Voting: Class 2 Claims are Unimpaired, and the holders of Allowed Class 2 Claims (including Subclass 2A and Subclass 2B) are conclusively presumed to accept the Reorganization Plan. The votes of the holders of Class 2 Claims will not be solicited.

4.3 Class 3 - Allowed Secured Claims.

a. Classification: Class 3 consists of certain Allowed Secured Claims and is divided into three Subclasses. Subclass 3A consists of the Allowed Secured Bank Claims; Subclass 3B consists of Allowed Secured 9.25% Debenture Claims; Subclass 3C consists of Allowed Secured Claims other than Project Debt Claims and Reorganized Covanta Secured Claims.

b. Allowance: The aggregate amount of Allowed Secured Claims in Subclass 3A and Subclass 3B shall be determined as set forth in accordance with the definitions of the terms Allowed Subclass 3A Secured Claim Amount and the Allowed Subclass 3B Secured Claim Amount, respectively.

c. Treatment: Treatment of Subclass 3A and Subclass 3B. On the Effective Date, holders of Allowed Subclass 3a and Subclass 3B Claims shall receive the Secured Subclass 3A and 3B Total Distribution in full settlement, release and discharge of their respective Allowed Subclass 3A and Subclass 3B Secured Claims. The Secured Subclass 3A and 3B Total Distribution shall be divided between Subclass 3A and Subclass 3B as follows:

I. Pro Rata Distribution Between Subclass 3A and Subclass 3B: The Secured Subclass 3A and 3B Total Distribution shall be segregated into a two part Initial Distribution whereby (i) the Subclass 3A Recovery shall be segregated and set aside for holders of Allowed Subclass 3A Claims to be further distributed in accordance with Section 4.3(c)(II) of this Reorganization Plan, and (ii) the Subclass 3B Recovery shall be segregated and set aside for holders of Allowed Subclass 3B Claims to be further distributed in accordance with Section 4.3(c)(III) of this Reorganization Plan; provided, however, that the Distributable Cash component of each of the Subclass 3A Recovery and Subclass 3B Recovery shall be apportioned in the Initial Distribution between Subclass 3A and Subclass 3B such that each Subclass shall receive the same percentage of Distributable Cash as, in the case of Subclass 3A, the percentage determined by dividing the total amount of Allowed Subclass 3A Claims held by First Lien Lenders by the total amount of all Allowed Class 3 Claims held by First Lien Lenders, and in the case of Subclass 3B, the percentage determined by dividing the total amount of Allowed Subclass 3B Claims held by First Lien Lenders by the total amount of all Allowed Class 3 Claims held by First Lien Lenders; and further, provided, that the Additional Distributable Cash component of each of the Subclass 3A Recovery and Subclass 3B Recovery shall be apportioned in the Initial Distribution between Subclass 3A and Subclass 3B such that each Subclass shall receive the same percentage of Additional Distributable Cash as, in the case of Subclass 3A, the percentage determined by dividing the total amount of Allowed Subclass 3A Claims held by Non-Participating Lenders by the total amount of all Allowed Class 3 Claims held by Non-Participating Lenders, and in the case of Subclass 3B, the percentage determined by dividing the total amount of Allowed Subclass 3B Claims held by Non-Participating Lenders by the total amount of all Allowed Class 3 Claims held by Non-Participating Lenders.

II. Distribution Among Members of Subclass 3A: Immediately after the Initial Distribution to Subclass 3A, the Subclass 3A Recovery shall be distributed among the holders of Subclass 3A Claims as follows:

First, in full settlement, release and discharge of the Allowed Priority Bank Claims, the Priority Bank Lenders shall receive first, to the extent available as part of the Subclass 3A Recovery, Additional Distributable Cash and Excess Distributable Cash in an amount equal to the amount of such Allowed Priority Bank Claims and thereafter New High Yield Secured Notes in a principal amount equal to the remaining amount of such Allowed Priority Bank Claims;

Second, immediately after making the Distribution on account of the Allowed Priority Bank Claims, in full settlement, release and discharge of Non-Priority Subclass 3A Claims, the holders of Allowed Non-Priority Subclass 3A Claims shall receive a Pro Rata Subclass Share of the remaining Subclass 3A Recovery; provided, however, that with respect to the Distribution of the remaining Subclass 3A Recovery, (i) the First Lien Lenders in Subclass 3A shall receive their Secured Value Distribution first, to the extent available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes, and (ii) the Additional New Lenders in Subclass 3A shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and further, provided, that Non-Participating Lenders in Subclass 3A shall receive their Secured Value Distribution first, to the extent available, in the form of Additional Distributable Cash and thereafter in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash.

III. Distribution Among Members of Subclass 3B: Immediately after the Initial Distribution to Subclass 3B, the Subclass 3B Recovery shall be distributed as follows:

First, the Subclass 3B Secured Claim shall be deemed an Allowed Secured Claim in an amount equal to the Allowed Subclass 3B Settlement Amount and in full settlement, release and discharge of the Allowed Secured Claims of the Accepting Bondholders, each holder of an Allowed Subclass 3B Claim that is an Accepting Bondholder shall, subject to payment of its pro-rata share of the Settlement Distribution, receive its Pro Rata Subclass Share of Distributions of the Subclass 3B Accepting Bondholder Recovery; provided, however, that with respect to the Subclass 3B Accepting Bondholder Recovery, (i) the First Lien Lenders in Subclass 3B that are Accepting Bondholders, if any, shall receive their Secured Value Distribution first, to the extent

available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes; and (ii) the Additional New Lenders in Subclass 3B that are Accepting Bondholders, if any, shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and provided further that the Non-Participating Lenders in Subclass 3B that are Accepting Bondholders shall receive their Secured Value Distribution first, to the extent available, in the form of Additional Distributable Cash and thereafter in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash. Distributions made to each Accepting Bondholder of such holder's Allowed Subclass 3B Claim shall be subject to adjustment and modification in accordance with the provisions of the 9.25% Settlement, including the waiver of the 9.25% Deficiency Claims and any subordination benefits with respect to the Convertible Subordinated Bonds, and payment of such holder's pro-rata share of the Settlement Distribution to the holders of Allowed Class 6 Claims as provided under this Reorganization Plan.

Second, in the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is equal to or greater than $10 million, the Subclass 3B Claim of each Rejecting Bondholder shall be deemed a Disputed Secured Claim, allowance thereof shall be subject to determination pursuant to the 9.25% Debentures Adversary Proceeding, and on the Effective Date, the Reorganizing Debtors shall deliver the Subclass 3B Rejecting Bondholder Recovery into a Reserve Account in accordance with Section 8.4 of this Reorganization Plan and be held subject to Distribution pursuant to Section 8.6 of this Reorganization Plan.

Third, in the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is less than $10 million, the Subclass 3B Claim of each Rejecting Bondholder shall be deemed an Allowed Secured Claim in its full amount and in full settlement, release and discharge of the Allowed Secured Claims of the Rejecting Bondholders, on the Effective Date, each holder of an Allowed Subclass 3B Claim that is a Rejecting Bondholder shall receive its Pro Rata Subclass Share of Distributions of the Subclass 3B Rejecting Bondholder Recovery; provided, however, that with respect to the Subclass 3B Rejecting Bondholder Recovery, (i) the First Lien Lenders in Subclass 3B that are Rejecting Bondholders, if any, shall receive their Secured Value Distribution first, to the extent available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes; and (ii) the Additional New Lenders in Subclass 3B that are Rejecting Bondholders, if any, shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and further, provided, that the Non-Participating Lenders in Subclass 3B that are Rejecting Bondholders shall receive their Secured Value Distribution first in the form of Additional Distributable Cash, to the extent available, and thereafter solely in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash. In the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is less than $10 million, the Distributions made to each Rejecting Bondholder of such holder's Allowed Subclass 3B Claim shall not be subject to adjustment and modification, nor shall they receive a release of claims asserted in the 9.25% Adversary Proceeding (remaining subject to liability to the holders of Class 6 Claims for the Settlement Distribution), in accordance with the provisions of the 9.25% Settlement.

IV. Standby Commitment. In the event that Additional Distributable Cash shall be an amount less than $7.2 million, the Investors shall purchase on the Effective Date from the Non-Participating Lenders on a pro rata basis an amount of New High Yield Secured Notes equal to the difference between $7.2 million and the amount of Additional Distributable Cash at a price equal to the full accreted nominal value of such Notes paid in Cash.

V. Excess Distributable Cash. In the event that after the Effective Date there shall be Excess Distributable Cash as determined in accordance with the proviso for the definition of Exit Costs under this Reorganization Plan, each holder of an Allowed Class 3 Claim as of the Effective Date or its assign shall receive its Pro Rata Class Share of a Distribution consisting of any such Excess Distributable Cash in a manner consistent with the provisions of this Section 4.3 of this Reorganization Plan, as though such Excess Distributable Cash had been part of the Initial Distribution undertaken pursuant to Section 4.3(c)(I); provided, that with respect to the Distribution of Excess Distributable Cash to any Accepting Bondholder, such Excess Distributable Cash shall be subject to adjustment and modification in accordance with the provisions of the 9.25% Settlement, and payment of such holder's pro-rata share of the Settlement Distribution to the holders of Allowed Class 6 Claims as provided under this Reorganization Plan.

VI. Additional New CPIH Funded Debt. In the event that on the Determination Date there shall be an increase in the amount of New CPIH Funded Debt in accordance with the proviso set forth in the definition of New CPIH Funded Debt, then each holder of an Allowed Class 3 Claim as of the Effective

Date or its assign as permitted pursuant to the New CPIH Funded Debt agreement shall receive its Pro Rata Class Share of a Distribution consisting of any such increase in the New CPIH Funded Debt in a manner consistent with the provisions of this Section 4.3 of this Reorganization Plan, as though such additional New CPIH Funded Debt had been part of the Initial Distribution undertaken pursuant to Section 4.3(c)(I); provided, that with respect to the Distribution of such New CPIH Funded Debt to any Accepting Bondholder, such Distribution shall be subject to adjustment and modification in accordance with the provisions of the 9.25% Settlement, and payment of such holder's pro-rata share of the Settlement Distribution to the holders of Allowed Class 6 Claims as provided under this Reorganization Plan.

VII. Participation in the Class 3B Stock Offering. Additionally, as an incentive offered by the Plan Sponsor, any holder of an Allowed Class 3B Claim as of the record date established for voting in connection with this Reorganization Plan that has voted in favor of this Reorganization Plan shall have the right to participate on a pro rata basis in the Class 3B Stock Offering.

Treatment of Subclass 3C. On the Effective Date or as soon as practicable thereafter, at the option of the Reorganizing Debtors and in accordance with section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Subclass 3C will be treated pursuant to one of the following alternatives: (I) the Reorganization Plan will leave unaltered the legal, equitable and contractual rights to which each Allowed Secured Claim in Subclass 3C entitles the holder; (II) the Reorganizing Debtors or Reorganized Debtors shall cure any default that occurred before or after the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Allowed Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Secured Claim shall receive such other treatment as the Reorganizing Debtors or Reorganized Debtor and the holder of such Allowed Secured Claim shall agree; or (IV) all of the collateral for such Allowed Secured Claim will be surrendered by the Reorganizing Debtors to the holder of such Claim.

d. Voting: Class 3 Claims are Impaired, and the holders of Allowed Claims in such Class are entitled to vote to accept or reject the Reorganization Plan. The members of Subclasses 3A and 3B shall vote together as a single Class for purposes of accepting or rejecting this Reorganization Plan; provided, however that the Ballots distributed to holders of Subclass 3B Secured Claims shall permit each such holder the opportunity to elect treatment as a Rejecting Bondholder, it being understood that any such holder who does not expressly make such election by properly marking the Ballot shall be deemed an Accepting Bondholder. The members of Subclass 3C shall vote separately from the members of Subclasses 3A and 3B.

4.4 Class 4 - Allowed Operating Company Unsecured Claims.

a. Classification: Class 4 consists of all Allowed Operating Company Unsecured Claims.

b. Treatment: On the Distribution Date, each holder of an Allowed Class 4 Claim shall receive, in full settlement, release and discharge of its Class 4 Claim, a Distribution of Reorganization Plan Unsecured Notes in the aggregate principal amount equal to the amount of its Allowed Class 4 Claim. With respect to Allowed Class 4 Claims for and to the extent which insurance is available, this Reorganization Plan shall not be deemed to impair or expand the rights of holders of such Allowed Class 4 Claims to pursue any available insurance to satisfy such Claims; provided, however, that to the extent insurance is not available or is insufficient, treatment of such Allowed Class 4 Claims shall be as otherwise provided in this Section 4.4.

c. Voting: Class 4 Claims are Impaired and the holders of Allowed Class 4 Claims are entitled to vote to accept or reject the Reorganization Plan.

4.5 Class 5 - Allowed Parent and Holding Company Guarantee Claims.

a. Classification: Class 5 consists of all Allowed Parent and Holding Company Guarantee Claims.

b. Treatment: On the Effective Date, the legal, equitable and contractual rights of the holders of Allowed Class 5 Claims will be reinstated in full satisfaction, release and discharge of their respective Class 5 Claims and will remain unaltered under the Reorganization Plan, except as the Reorganizing Debtors and the holders of Allowed Class 5 Claims may otherwise agree or as such holders may otherwise consent; provided however, that notwithstanding the foregoing, (i) no contractual provisions or applicable law that would entitle the holder of an Allowed Class 5 Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim, terminate any contractual relationship or take such other enforcement action (as may be applicable) from and after the occurrence of a default that occurred prior to the Effective Date shall be enforceable against the Reorganized Debtors, and (ii) for the period through one year after the Effective Date: (a) no

contractual provisions or applicable law that would require a Reorganizing Debtor to satisfy any financial criteria or meet any financial condition measured by reference to such Debtor's most recent annual audited financial statements with respect to any such Allowed Parent and Holding Company Guarantee Claims during the pendancy of these Chapter 11 Cases shall be enforceable against such Reorganizing Debtor, and (b) the Reorganizing Debtors and Reorganized Debtors shall be deemed to be and to remain in compliance with any such contractual provision or applicable law regarding financial criteria or financial condition (other than contractual requirements to satisfy minimum ratings from ratings agencies). After such year, such financial criteria or financial condition shall be measured by reference to the applicable Debtor's most recent annual audited financial statements.

c. Voting: Class 5 Claims are Unimpaired, and the holders of Allowed Class 5 Claims are not entitled to vote to accept or reject the Reorganization Plan.

4.6 Class 6 - Allowed Parent and Holding Company Unsecured Claims.

a. Classification: Class 6 consists of all Allowed Parent and Holding Company Unsecured Claims.

b. Treatment: In consideration of the agreement by the holders of Class 6 Claims to waive any claims, including all alleged avoidance actions, that might be brought against the holders of Subclass 3A Claims and to settle the 9.25% Debentures Adversary Proceeding in accordance with the terms of the 9.25% Settlement, and to secure the support of the holders of Allowed Class 6 Claims for confirmation of this Reorganization Plan, the holders of Allowed Class 3 Claims have agreed to provide for the holders of Allowed Class 6 Claims from the value that would otherwise have been distributable to the holders of Allowed Class 3 Claims under this Reorganization Plan, such that on the Distribution Date each holder of an Allowed Class 6 Claim shall receive, in full satisfaction, release and discharge of its Class 6 Claim, Distributions consisting of (i) such holder's Pro Rata Class Share of the CPIH Participation Interest, (ii) such holders Pro Rata Class Share of the Class 6 Unsecured Notes, and (iii) such holders Pro Rata Class Share of the proceeds, if any, with respect to the Class 6 Litigation Claims. Additionally, each holder of an Allowed Class 6 Claim (a) shall receive from each Accepting Bondholder, in full satisfaction, release and discharge of its rights with respect to the 9.25% Debentures Adversary Proceeding against each Accepting Bondholder, a Distribution consisting of such holder's Pro Rata Share of the Settlement Distribution and (b) may receive a further Distribution subject to the resolution of the 9.25% Debentures Adversary Proceeding, in accordance with section 8.6(b) of this Reorganization Plan. Distributions to holders of Allowed Class 6 Claims (including any Distribution with respect to the Settlement Distribution) shall be made by the Disbursing Agent in accordance with the provisions of Section 8.7 of this Reorganization Plan. With respect to Allowed Class 6 Claims for and to the extent which insurance is available, this Reorganization Plan shall not be deemed to impair or expand the rights of holders of such Allowed Class 6 Claims to pursue any available insurance to satisfy such Claims; provided, however, that to the extent insurance is not available or is insufficient, treatment of such Allowed Class 6 Claims shall be as otherwise provided in this Section 4.6.

c. Voting: Class 6 Claims are Impaired and the holders Allowed Class 6 Claims are entitled to vote to accept or reject this Reorganization Plan.

4.7 Class 7 - Allowed Convertible Subordinated Bond Claims.

a. Classification: Class 7 consists of all Allowed Convertible Subordinated Bond Claims.

b. Treatment: On the Distribution Date, each holder of an Allowed Class 7 Claim shall not receive any Distributions from the Reorganizing Debtors or retain any property under the Reorganization Plan in respect of Class 7 Claims, on account of its Class 7 Claim.

c. Voting: Class 7 Claims are Impaired and the holders of Allowed Class 7 Claims are conclusively presumed to reject the Reorganization Plan. The votes of holders of Allowed Class 7 Claims will not be solicited.

4.8 Class 8 - Allowed Convenience Claims.

a. Classification: Class 8 consists of all Allowed Convenience Claims.

b. Treatment: On the Distribution Date, each holder of an Allowed Class 8 Claim shall receive, in full satisfaction, release and discharge of its Class 8 Claim, at the Reorganizing Debtors' option either: (i) a payment in Cash, in an amount equal to seventy five percent (75%) of the Allowed amount of such Class 8 Claim, or (ii) a Distribution of Reorganization Plan Unsecured Notes in the aggregate principal amount equal to the amount of its Allowed Class 8 Claim.

c. Voting: Class 8 Claims are Impaired and the holders of Allowed Class 8 Claims are entitled to vote to accept or reject the Reorganization Plan.

4.9 Class 9 - Intercompany Claims.

a. Classification: Class 9 consists of all Intercompany Claims. Class 9 is subdivided into three Subclasses for Distribution purposes: Subclass 9A consists of the Liquidating Debtors Intercompany Claims; Subclass 9B consists of the Reorganized Debtors Intercompany Claims; Subclass 9C consists of the Heber Debtors Intercompany Claims.

b. Treatment: On the Effective Date, Intercompany Claims shall, be treated as follows:

I. Treatment of Subclass 9A Claims: In full satisfaction, release and discharge of each Liquidating Debtors Intercompany Claim, each such Liquidating Debtors Intercompany Claim shall be deemed cancelled or waived in exchange for the Reorganizing Debtors contribution of the Liquidation Plan Funding Amount, if any.

II. Treatment of Subclass 9B Claims: In the sole discretion of the applicable Reorganizing Debtor or Reorganized Debtor, Reorganizing Debtors Intercompany Claims shall be either: (a) preserved and reinstated, (b) released, waived and discharged, (c) contributed to the capital of the obligee corporation, or (d) distributed to the obligee corporation.

III. Treatment of Subclass 9C Claims: In full satisfaction, release and discharge of each Heber Debtors Intercompany Claim, each such Heber Debtors Intercompany Claim shall be deemed released, waived and discharged.

c. Voting: Class 9 Claims are Impaired, and the holders of Allowed Class 9 Claims are conclusively presumed to reject the Reorganization Plan. The votes of the holders of Allowed Class 9 Claims will not be solicited.

4.10 Class 10 - Subordinated Claims.

a. Classification: Class 10 consists of all Allowed Subordinated Claims.

b. Treatment: As of the Effective Date, holders of Class 10 Claims shall not receive any Distributions or retain any property under the Reorganization Plan in respect of Class 10 Claims, on account of such Claims.

c. Voting: Class 10 Claims are Impaired, and the holders of Allowed Class 10 Claims are conclusively presumed to reject the Reorganization Plan. The votes of holders of Allowed Class 10 Claims will not be solicited.

4.11 Class 11 - Equity Interests in Subsidiary Debtors.

a. Classification: Class 11 consists of all Allowed Equity Interests in Subsidiary Debtors.

b. Treatment: As of the Effective Date, all holders of Equity Interests in Subsidiary Debtors shall be reinstated in full satisfaction, release and discharge of any Allowed Class 11 Claims and such Equity Interests shall be evidenced by the existing capital stock, partnership and/or membership interests.

c. Voting: Class 11 Equity Interests are Unimpaired, and the holders of Allowed Class 11 Equity Interests are conclusively presumed to accept the Reorganization Plan. The votes of holders of Allowed Class 11 Equity Interests will not be solicited.

4.12 Class 12 - Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental.

a. Classification: Class 12 consists of all Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental.

b. Treatment: As of the Effective Date, the Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental shall be reinstated, in full satisfaction, release and discharge of any Allowed Class 12 Equity Interests, and such reinstated Equity Interests shall be evidenced by the existing capital stock, partnership and/or membership interests.

c. Voting: Class 12 Equity Interests are Unimpaired, and the holders of Allowed Class 12 Equity Interests are conclusively presumed to accept this Reorganization Plan. The votes of holders of Class 12 Equity Interests will not be solicited.

4.13 Class 13 - Old Covanta Stock Equity Interests.

a. Classification: Class 13 consists of all Equity Interests of holders of Old Covanta Stock.

b. Treatment: Holders of Allowed Class 13 Equity Interests shall not receive any Distribution or retain any property under the Reorganization Plan in respect of Class 13 Equity Interests. All Class 13 Equity Interests shall be

cancelled, annulled and extinguished.

c. Voting: Class 13 Equity Interests are Impaired, and the holders of Allowed Class 13 Equity Interests are conclusively presumed to reject the Reorganization Plan. The votes of holders of Allowed Class 13 Equity Interests will not be solicited.

ARTICLE V

ACCEPTANCE OR REJECTION OF THE REORGANIZATION PLAN

5.1 Voting of Claims. Except as otherwise indicated herein or as otherwise provided by a Final Order of the Court, each holder of an Allowed Claim in an Impaired Class of Claims shall be entitled to vote to accept or reject this Reorganization Plan. For purposes of calculating the number of Allowed Claims in a Class of Claims that have voted to accept or reject this Reorganization Plan under section 1126(c) of the Bankruptcy Code, all Allowed Claims in such Class held by one entity or any affiliate thereof (as defined in the Securities Act of 1933 and the rules and regulation promulgated thereunder) shall be aggregated and treated as one Allowed Claim in such Class.

5.2 Acceptance by an Impaired Class. Consistent with section 1126(c) of the Bankruptcy Code and except as provided for in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted this Reorganization Plan if it is accepted by at least two-thirds in dollar amount, and more than one-half in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject this Reorganization Plan.

5.3 Presumed Acceptance of Plan. Holders of Claims in Classes 1, 2, 5, 11 and 12 are Unimpaired by this Reorganization Plan. In accordance with section 1126 of the Bankruptcy Code, holders of Allowed Claims in such Classes are conclusively presumed to accept this Reorganization Plan and the votes of holders of such Claims will not be solicited.

5.4 Presumed Rejection of Plan. Holders of Claims and Equity Interests in Classes 7, 9, 10 and 13 are Impaired by this Reorganization Plan and are not entitled to receive any Distribution under this Reorganization Plan on account of such Claims or Equity Interests. In accordance with section 1126 of the Bankruptcy Code, holders of Allowed Claims and Equity Interests in such Classes are conclusively presumed to reject this Reorganization Plan and are not entitled to vote. As such, the votes of such holders will not be solicited with respect to such Claims and Equity Interests.

5.5 Cramdown. To the extent that any Impaired Class rejects or is presumed to have rejected this Reorganization Plan, the Reorganizing Debtors reserve the right to (a) request that the Court confirm the Reorganization Plan in accordance with section 1129(b) of the Bankruptcy Code, or (b) modify, alter or amend this Reorganization Plan to provide treatment sufficient to assure that this Reorganization Plan does not discriminate unfairly, and is fair and equitable, with respect to the Class or Classes not accepting this Reorganization Plan, and, in particular, the treatment necessary to meet the requirements of subsections 1129(a) or (b) of the Bankruptcy Code with respect to the rejecting Classes and any other Classes affected by such modifications.

ARTICLE VI

MEANS FOR IMPLEMENTATION

6.1 Exit Financing. (a) On the Effective Date, the Reorganized Debtors are authorized to and shall enter into the Exit Financing Agreements and effect all transactions and take any actions provided for in or contemplated by the Exit Financing Agreements, including without limitation, the payment of all fees and other amounts contemplated by the Exit Financing Agreements.

(b) All Cash necessary for the Reorganized Debtors to make payments pursuant to this Reorganization Plan will be obtained from the Reorganized Debtors' cash balances and operations and borrowings under the Exit Financing Agreements, subject to the terms thereof.

6.2 Investment and Purchase Agreement. On the Effective Date, the Reorganized Debtors are authorized to and shall effect all transactions and take any actions provided for in or contemplated by the Investment and Purchase Agreement and, subject to the terms and conditions therein, shall be entitled to receive payment from the Plan Sponsor of the purchase price as set forth therein and the Plan Sponsor shall be entitled to receive one hundred percent (100%) of Reorganized Covanta Common Stock in exchange therefor.

6.3 Consummation of Heber Reorganization Plan. The implementation of this Reorganization Plan is predicated upon closing of the Geothermal Sale pursuant to the Heber Reorganization Plan.

6.4 Authorization of Reorganized Covanta Common Stock and Reorganization Plan Notes. On the Effective Date, Reorganized Covanta is authorized to and shall issue the Reorganized Covanta Common Stock and the Reorganization Plan Notes and Reorganized CPIH is authorized to and shall issue

the New CPIH Funded Debt and preferred stock, in accordance with the Investment and Purchase Agreement. With respect to the Reorganization Plan Notes, the issuance by Reorganized Covanta shall be in such denominations as necessary to insure that all creditors holding other than de minimus Allowed Claims shall receive the recovery to which they are entitled under this Reorganization Plan, and as otherwise provided under this Reorganization Plan without the need for any further corporate action.

6.5 Cancellation of Existing Securities and Agreements. Except for purposes of evidencing a right to Distributions under this Reorganization Plan or otherwise provided hereunder or in the event there are more than $10 million in Rejecting Bondholders' Claims, on the Effective Date all the agreements and other documents (including, but not limited to, the 9.25% Indenture) evidencing (i) any Claims or rights of any holder of a Claim against the applicable Reorganizing Debtor, including all indentures and notes evidencing such Claims and (ii) any options or warrants to purchase Equity Interests, obligating the applicable Reorganizing Debtor to issue, transfer or sell Equity Interests or any other capital stock of the applicable Reorganizing Debtor, shall be cancelled without the need for further action; provided, however, that notwithstanding the foregoing, the Reorganized Debtors shall remain obligated with respect to liens, security interests or encumbrances in property of the Reorganized Debtors that have been granted pursuant to any executory contracts that have been assumed in accordance with Article IX of this Reorganization Plan or pursuant to the Exit Financing Agreements; and provided, further, that notwithstanding the foregoing the Indenture Trustee may be entitled to a charging lien with respect to any Distribution to holders of Allowed Subclass 3B Claims made after the Effective Date. Notwithstanding anything to the contrary in this Reorganization Plan, the indentures, notes and all other documents or agreements with respect to Class 2 Claims shall not be cancelled. The Indenture Trustee shall be relieved of all further duties and responsibilities related to the 9.25% Indenture, which shall be discharged and terminated as of the Effective Date. Subject to a determination by Reorganized Covanta pursuant to Section 7.3(a) of this Reorganization Plan, Wells Fargo Bank Minnesota may act under the Reorganization Plan as a Disbursing Agent with respect to payments to be made to holders of Allowed 9.25% Debenture Claims. Subsequent to any such performance of its obligations as Disbursing Agent, if any, Wells Fargo Bank Minnesota, National Association and its agents shall be relieved of all further duties and responsibilities.

6.6 Board of Directors and Executive Officers.

(a) The identity of each of the nominees to serve on the Board of Directors of Reorganized Covanta and CPIH shall be announced fifteen (15) days prior to the Confirmation Hearing. In accordance with section 1129(a)(5) of the Bankruptcy Code, as part of such announcement, the Reorganizing Debtors shall disclose (i) the identity and affiliations of any individual proposed to serve, after the Effective Date, as a director or officer of the Reorganized Debtors, and (ii) the identity of any "insider" (as such term is defined in section 101(31) of the Bankruptcy Code) who shall be employed and retained by the Reorganized Debtors and the nature of any compensation for such insider.

(b) Subject to Section 6.6(a), the officers of the Reorganizing Debtors and the directors of the Reorganizing Debtors other than Covanta and CPIH that are in office immediately before the Effective Date shall continue to serve immediately after the Effective Date in their respective capacities.

(c) The Reorganizing Debtors and the Committee acknowledge, and the Confirmation Order shall confirm, the validity, priority, nonavoidability, perfection and enforceability of the Liens and Claims of (i) the Agent Banks on behalf of the Prepetition Lenders under the Prepetition Credit Agreement and the related collateral documents and guarantees and (ii) subject to payment of the Settlement Distribution to holders of Allowed Class 6 Claims, the Accepting Bondholders under the indenture for the 9.25% Debentures and the related collateral documents, and any and all rights to bring any challenge with respect thereto are hereby waived.

6.7 Deemed Consolidation of Debtors for Plan Purposes Only. Subject to the occurrence of the Effective Date, the Reorganizing Debtors shall be deemed consolidated solely for the following purposes under the Reorganization Plan: (i) as provided with respect to Class 11 Claims, no Distributions shall be made under the Reorganization Plan on account of Equity Interests in Subsidiary Debtors; and (ii) with respect to each Class hereunder (other than Classes 7 and 13), Claims against more than one Reorganizing Debtor have been grouped together into a single Class of Claims for voting and distribution purposes.

Such deemed consolidation, however, shall not affect: (i) the legal and organizational structure of the Reorganized Debtors; (ii) the ownership interest of any Reorganizing Debtor in any Subsidiary Debtor, Covanta Huntington, Covanta Onondaga and DSS Environmental and (iii) pre and post-Petition Date guarantees, Liens and security interests that are required to be maintained (a) in connection with executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed, or (b) pursuant to this Reorganization Plan or the instruments and documents issued in connection herewith (including, without limitation, the Exit Financing Agreements).

6.8 Continued Corporate Existence; Vesting of Assets in the Reorganized Debtors and Corporate Restructuring. (a) Each of the Reorganizing Debtors shall, as a Reorganized Debtor, continue to exist after the Effective Date as a separate legal entity, with all powers of a corporation, limited liability company or general or limited partnership, as the case may be, under the laws of their respective states of incorporation or organization and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under such applicable state law.

(b) The Reorganized Debtors shall be revested with their assets as provided in Section 11.1 of this Reorganization Plan, subject to the Liens granted under the applicable Exit Financing Agreements.

(c) On the Effective Date, the Reorganized Debtors shall be authorized to undertake a corporate restructuring as contemplated by the Investment and Purchase Agreement, including the issuance of preferred stock in CPIH to an investor.

6.9 Amended Organizational Documents. On the Effective Date, the Reorganized Debtors are authorized to, and shall, without the need for any further corporate action, adopt and, as applicable, file their respective amended organizational documents with the applicable Secretary of State. The amended organizational documents shall prohibit the issuance of nonvoting equity securities, as required by sections 1123(a) and (b) of the Bankruptcy Code, subject to further amendment as permitted by applicable law.

6.10 Settlements. Except to the extent the Court has entered a separate order providing for such approval, the Confirmation Order shall constitute an order (a) approving as a compromise and settlement pursuant to section 1123(b)(3)(A) of the Bankruptcy Code and Bankruptcy Rule 9019, any settlement agreements entered into by any Reorganizing Debtor or any other Person as contemplated in confirmation of this Reorganization Plan, and (b) authorizing the Reorganizing Debtors' execution and delivery of all settlement agreements entered into or to be entered into by any Reorganizing Debtor or any other Person as contemplated by this Reorganization Plan and all related agreements, instruments or documents to which any Reorganizing Debtor is a party.

6.11 Employee Benefits. Except as set forth in this Section, the Reorganizing Debtors generally intend to maintain existing employee benefit plans, subject to the Reorganizing Debtors or Reorganized Debtors' rights to amend, terminate or modify those plans at any time as permitted by such plans or applicable nonbankruptcy law.

6.12 Deemed Exercise of Put. In implementation of the resolution of the Allowed CIBC Secured Claim and the Allowed Secured Claims of the Canadian Loss Sharing Lenders and in connection with the Ogden Put/Call Agreement, on the Effective Date CIBC, as administrative agent, will be deemed to exercise, and the Reorganizing Debtors will be deemed on such date to accept, the put to the Reorganizing Debtors of the $72 million of the outstanding class B preferred shares issued by Palladium Finance Corporation II and all rights related thereto.

6.13 Funding the Operating Reserve. On the Effective Date, the Reorganizing Debtors shall perform their obligations with respect to the Liquidation Plan by transferring the Liquidation Plan Funding Amount to the Operating Reserve and the Administrative Expense Claims Reserve.

ARTICLE VII

DISTRIBUTIONS

7.1 Distribution Record Date. As of the close of business on the applicable Distribution Record Date, the applicable Reorganizing Debtor's books and records for each of the Classes of Claims or Equity Interests as maintained by such Reorganizing Debtor or its respective agent, or, in the case of the 9.25% Debentures, the Indenture Trustee therefor, shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Equity Interests. The applicable Reorganizing Debtor shall have no obligation to recognize any transfer of Claims or Equity Interests occurring on or after the applicable Distribution Record Date. The applicable Reorganizing Debtor shall be entitled to recognize and deal for all purposes hereunder only with those record holders stated in the books and records of the applicable Reorganizing Debtor or its respective agent, or, in the case of the 9.25% Debentures, the Indenture Trustee thereof, as of the close of business on the Distribution Record Date, to the extent applicable.

7.2 Date of Distributions. Unless otherwise provided herein, any Distributions and deliveries to be made hereunder shall be made on the Effective Date or as soon thereafter as is practicable. In the event that any payment or act under this Reorganization Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the initial due date.

7.3 Disbursing Agent.

(a) Reorganized Covanta and such other Person as may be selected by Reorganized Covanta and approved by the Court shall act as Disbursing Agent(s) under the Reorganization Plan. No Court approval shall be required to for using Bank of America, N.A., as a Disbursing Agent for distributions to the Prepetition Lenders or, subject to agreement with Wells Fargo Bank Minnesota, National Association, for using Wells Fargo Bank Minnesota as a Disbursing Agent for distributions to holders of 9.25% Debentures after the Effective Date.

(b) A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court, and, in the event that a Disbursing Agent is so otherwise ordered, the costs and expenses that are directly related to procuring any such bond or surety shall be borne by the Reorganized Debtors.

7.4 Rights and Powers of Disbursing Agent. The Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under this Reorganization Plan, (ii) make all Distributions contemplated hereby, (iii) employ professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Court, pursuant to this Reorganization Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

7.5 Surrender of Instruments. As a condition to receiving any Distribution under this Reorganization Plan, (x) each holder of an Allowed Claim represented by a certificated instrument or note must surrender such instrument or note held by it to the Disbursing Agent or its designee, unless such certificated instrument or note is being reinstated or being left unimpaired under this Reorganization Plan and (y) each holder of an Allowed Claim that is party to a settlement incorporated herein or otherwise implemented hereby shall have performed its obligations thereunder either immediately prior to or contemporaneous with such Distribution. Any holder of such instrument or note that fails to (i) surrender such instrument or note or (ii) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Disbursing Agent or furnish a bond in form, substance and amount reasonably satisfactory to the Disbursing Agent before the first anniversary of the Effective Date, shall be deemed to have forfeited all rights and Claims and may not participate in any Distribution under this Reorganization Plan in respect of such Claim. Any other holder of an Allowed Claim who fails to take such action as reasonably required by the Disbursing Agent or its designee to receive its Distribution hereunder before the first anniversary of the Effective Date, or such earlier time as otherwise provided for in this Reorganization Plan, may not participate in any Distribution under this Reorganization Plan in respect of such Claim. Any Distribution forfeited hereunder shall become property of the applicable Reorganized Debtor.

7.6 Delivery of Distributions. Distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Court unless superseded by the address as set forth on the proofs of claim filed by such holders or other writing notifying the applicable Reorganized Debtor of a change of address. If any holder's Distribution is returned as undeliverable, no further Distributions to such holder shall be made unless and until the applicable Reorganized Debtor is notified of such holder's then current address, at which time all missed Distributions shall be made to such holder without interest on or before one hundred and twenty (120) days after the date such undeliverable Distribution was initially made. After such date, all unclaimed property shall, in the applicable Reorganized Debtor's discretion, be used to satisfy the costs of administering and fully consummating this Reorganization Plan or become property of the applicable Reorganized Debtor, and the holder of any such Claim shall not be entitled to any other or further distribution under this Reorganization Plan on account of such Claim.

7.7 Manner of Payment Under Plan.

(a) All Distributions of Cash or Reorganization Plan Notes to the holders of Allowed Claims against each of the Reorganizing Debtors under this Reorganization Plan, shall be made by the Disbursing Agent on behalf of the applicable Reorganized Debtor. Subject to Section 4.3 (V), any Distributions that revert to the applicable Reorganized Debtor or are otherwise cancelled (such as pursuant to Section 7.5 or 7.6 of this Reorganization Plan) shall revest solely in the applicable Reorganized Debtor.

(b) At the option of the applicable Reorganized Debtor, any Cash payment to be made hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements.

7.8 De Minimis and Fractional Distributions. Unless written request addressed to the Reorganized Debtors or Disbursing Agent is received within one hundred and twenty (120) days after the Effective Date, the Disbursing Agent or such other entity designated by such Reorganized Debtor as a Disbursing Agent on or after the Effective Date will not be required to distribute Cash or Reorganization Plan Notes to the holder of an Allowed Claim in an Impaired Class

if the amount of Cash or the Estimated Recovery Value of such Reorganization Plan Notes combined to be distributed on any Distribution Date under the Reorganization Plan on account of such Claim is less than $100. Any holder of an Allowed Claim on account of which the amount of Cash or the combined Estimated Recovery Value of Reorganization Plan Notes to be distributed is less than $100 will have its Claim for such Distribution discharged and will be forever barred from asserting any such Claim against the Reorganized Debtors or their respective property. Any Cash or Reorganization Plan Notes not distributed pursuant to this Section 7.8 will become the property of the Reorganized Debtors, free of any Liens, encumbrances or restrictions thereon. Any other provision of this Reorganization Plan notwithstanding, neither the Reorganized Debtors nor the Disbursing Agent shall be required to make distributions or payments of fractions of dollars. Whenever any payment of a fraction of a dollar under this Plan would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down. Any other provision of this Reorganization Plan notwithstanding, payments of fractions of Reorganization Plan Notes will not be made and shall be rounded (up or down) to the nearest whole number, with fractions equal to or less than 1/2 being rounded down.

7.9 Exemption from Securities Laws. The issuance of the Reorganization Plan Notes and the CPIH Participation Interest pursuant to this Reorganization Plan shall be exempt from any securities laws registration requirements to the fullest extent permitted by section 1145(a)(1)(A) of the Bankruptcy Code and section (3)(a)(7) of the Securities Act of 1933.

7.10 Setoffs. Each Reorganizing Debtor may, in accordance with the provisions of the Reorganization Plan, section 553 of the Bankruptcy Code and applicable non-bankruptcy law, set off against any Allowed Claim and the Distributions to be made pursuant to this Reorganization Plan on account of such Allowed Claim (before any Distribution is made on account of such Allowed Claim), the Claims, rights and causes of action of any nature that such Reorganizing Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the applicable Reorganizing Debtor of any such Claims, rights and causes of action that the applicable Reorganizing Debtor may possess against such holder; and provided, further that any Claims of each Reorganizing Debtor arising before the applicable Petition Date shall only be setoff against Claims against such Reorganizing Debtor arising before the applicable Petition Date.

7.11 Allocation of Plan Distribution Between Principal and Interest. All Distributions in respect of any Allowed Claim shall be allocated first to the principal amount of such Allowed Claim, as determined for federal income tax purposes, and thereafter, to the remaining portion of such Allowed Claim, if any.

7.12 Withholding and Reporting Requirements. In connection with this Reorganization Plan and all instruments issued in connection therewith and distributed thereon, the applicable Reorganizing Debtor and/or Disbursing Agent shall comply with all applicable withholding and reporting requirements imposed by any federal, state or local taxing authority, and all distributions under this Reorganization Plan shall be subject to any such withholding or reporting requirements.

7.13 Time Bar to Cash Payments. Checks issued by the Reorganized Debtors in respect of Allowed Claims shall be null and void if not negotiated within one hundred and twenty (120) days after the date of issuance thereof. Requests for reissuance of any check shall be made to the applicable Reorganized Debtor by the holder of the Allowed Claim to whom such check originally was issued. Any Claim in respect of such voided check shall be made on or before thirty (30) days after the expiration of the one hundred and twenty (120) day period following the date of issuance of such check. After such date, all funds held on account of such voided check shall, in the discretion of the applicable Reorganized Debtor, be used to satisfy the costs of administering and fully consummating this Reorganization Plan or become property of the applicable Reorganized Debtor, and the holder of any such Allowed Claim shall not be entitled to any other or further Distribution under this Reorganization Plan on account of such Allowed Claim.

7.14 Closing of Chapter 11 Cases. As to each Reorganizing Debtor, when substantially all Disputed Claims have become Allowed Claims or have been disallowed by Final Order, and all Distributions in respect of Allowed Claims have been made in accordance with this Reorganization Plan, or at such earlier time as each of the Reorganized Debtors deems appropriate, the Reorganized Debtors shall seek authority from the Court to close their respective Chapter 11 Cases in accordance with the Bankruptcy Code and the Bankruptcy Rules.

ARTICLE VIII

PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS

8.1 No Distribution Pending Allowance. Notwithstanding any other provision of this Reorganization Plan, no Cash, Reorganization Plan Notes nor any other consideration shall be distributed under this Reorganization Plan on

account of any Disputed Claim, unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

8.2 Resolution of Disputed Claims and Equity Interests.

(a) Unless otherwise ordered by the Court after notice and a hearing, the Reorganizing Debtors or Reorganized Debtors, as the case may be, shall have the exclusive right to make and file objections to Claims (other than Administrative Expense Claims) and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred and twenty (120) days after the Effective Date; provided, however, that such one hundred and twenty (120) day period may be automatically extended by the Reorganizing Debtors, without any further application to, or approval by, the Court, for up to an additional thirty (30) days. The foregoing deadlines for filing objections to Claims shall not apply to Claims for tort damages and, accordingly, no such deadline shall be imposed by this Reorganization Plan. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the holder thereof if the Reorganizing Debtors effect service in any of the following manners: (i) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (ii) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto; or (iii) by first class mail, postage, on any counsel that has appeared on the holder's behalf in the Chapter 11 Cases.

(b) Except with respect to Administrative Expense Claims as to which the Administrative Expense Claim Bar Date does not apply, Administrative Expense Claims must be filed with the Court and served on counsel for the Reorganizing Debtors on or before the Administrative Expense Claim Bar Date. The Reorganizing Debtors, Reorganized Debtors, or any other party in interest permitted under the Bankruptcy Code may make and file objections to any such Administrative Expense Claim and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred and eighty (180) days after the Effective Date. In the event the Reorganizing Debtors, or Reorganized Debtors file any such objection, the Court shall determine the Allowed amount of any such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim which is paid or payable by the Reorganizing Debtors in the ordinary course of business.

8.3 Estimation of Claims and Equity Interests. The Reorganizing Debtors may at any time request that the Court estimate any contingent, unliquidated or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Reorganizing Debtors previously objected to such Claim or whether the Court has ruled on any such objection, and the Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim. In the event that the Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Reorganizing Debtors may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

8.4 Reserve Account for Disputed Claims. On and after the Distribution Date, the Disbursing Agent shall hold in one or more Disputed Claims Reserves, for each Class or Subclass in which there are any Disputed Claims, Cash or Reorganization Plan Notes in an aggregate amount sufficient to pay to each holder of a Disputed Claim the amount of Cash or Reorganization Plan Notes that such holder would have been entitled to receive pro rata under this Reorganization Plan if such Claim had been an Allowed Claim in such Class or Subclass; provided, however that with respect to Disputed Claims in Class 4, the Reorganized Debtors shall not be required to establish a Disputed Claims Reserve but instead shall issue new Reorganization Plan Unsecured Notes if and when any Disputed Claim in Class 4 becomes an Allowed Claim. Cash withheld and reserved for payments to holders of Disputed Claims in any Class or Subclass shall be held and deposited by the Disbursing Agent in one or more segregated interest-bearing reserve accounts for each Class or Subclass of Claims in which there are Disputed Claims entitled to receive Cash, to be used to satisfy the Disputed Claims if and when such Disputed Claims become Allowed Claims.

8.5 Allowance of Disputed Claims. With respect to any Disputed Claim that is subsequently deemed Allowed, on the Distribution Date for any such Claim the Reorganizing Debtors shall distribute from the Disputed Claims Reserve Account corresponding to the Class in which such Claim is classified to the holder of such Allowed Claim the amount of Cash or Reorganization Plan Notes that such holder would have been entitled to recover pro rata under this Reorganization Plan if such Claim had been an Allowed Claim on the Effective Date, together with such claimholder's Pro Rata Class Share of net interest, if any, on such Allowed Claim. For purposes of the immediately preceding sentence, such holder's Pro Rata Class Share of net interest shall be calculated by

multiplying the amount of interest on deposit in the applicable Disputed Claims Reserve account on the date immediately preceding the date on which such Allowed Claim is to be paid by a fraction, the numerator of which shall equal the amount of such Allowed Claim and the denominator of which shall equal the amount of all Claims for which deposits are being held in the applicable Disputed Claims Reserve account on the date immediately preceding the date on which such Allowed Claim is to be paid.

8.6 Reserve Account for Subclass 3B Rejecting Bondholder Recovery. (a) Any portion of the Subclass 3B Rejecting Bondholder Recovery deemed a Disputed Secured Claim pursuant to section 4.3(c)(III) of this Reorganization Plan shall be held in a reserve account in accordance with Section 8.4 of this Reorganization Plan subject to resolution of the 9.25% Debentures Adversary Proceeding.

(b) In the event of entry of a Final Order in connection with the 9.25% Debentures Adversary Proceeding establishing the validity of the Lien asserted on behalf of the holders of the 9.25% Debentures, each holder of a Subclass 3B Secured Claim that had been deemed a Disputed Secured Claim pursuant to section 4.3(c)(III) of this Reorganization Plan shall receive a Pro Rata Share of the Distribution of the Subclass 3B Rejecting Bondholder Recovery from the Subclass 3B Reserve Account. In the event of entry of a Final Order in the 9.25% Debentures Adversary Proceeding determining that the Lien asserted on behalf of the holder of the 9.25% Debentures did not exist, was invalid or otherwise avoided, then the Subclass 3B Rejecting Bondholder Recovery held in the Subclass 3B Reserve Account shall be Distributed (i) first, so that each holder of a Subclass 3B Claim that had been deemed a Disputed Secured Claim shall receive a Distribution with an Estimated Recovery Value equal to the Estimated Recovery Value that such holder would have received on the Effective Date with respect to an Allowed Class 6 Claim of the same principal amount, and (ii) second, the balance of the Subclass 3B Rejecting Bondholder Recovery that remains after making distributions in accordance with clause (i) of this sentence shall be divided as follows: (A) pro rata to each holder of an Allowed Class 6 Claim, additional distributions of Additional Distributable Cash (if any), Excess Distributable Cash (if any), New High Yield Secured Notes and New CPIH Funded Debt, in an amount such that each holder of an Allowed Class 6 Claim will receive the Pro Rata Share of the Settlement Distribution it would have received had all Rejecting Bondholders been Accepting Bondholders; (B) pro-rata to Allowed Subclass 3A Claims, any remaining Cash; and (C) pro-rata among holders of Allowed Subclass 3A Claims and holders of Allowed Class 6 Claims on a ratio of 9 to 1, the remaining balance of the Subclass 3B Rejecting Bondholder Recovery.

(c) In the event there are Rejecting Bondholders holding an aggregate amount of Subclass 3B Claims in excess of $10 million, the Reorganizing Debtors shall be obligated after the Confirmation Date to reimburse counsel for the Committee and counsel for the Bondholders Committee for fees and expenses each in an amount up to $250,000 for purposes of enabling continuation of the 9.25% Debentures Adversary Proceeding, subject to approval of such fees and expenses by order of the Court.

(d) Without regard to the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders, the $450,000 limitation on the use of cash collateral imposed on the payment of fees to counsel to the Committee in connection with the 9.25% Debentures Adversary Proceeding as set forth in the Stipulation and Consent Order Authorizing Creditors Committee to Use Cash Collateral to Investigate and Prosecute the Adversary Proceeding Filed by the Committee on Behalf of the Debtors with Respect to the Existence of the 9 1/4 Debentureholders Alleged Lien on the Debtors' Assets, Confirming the Entitlement of the Informal Committee and of the Indenture Trustee to Receive Without Risk of Disgorgement Fees and Expenses, and Certain Other Matters (Docket No. 1088) shall no longer apply, and the Confirmation Order shall provide for the Reorganizing Debtors to pay then accrued unpaid fees and expenses incurred by counsel for the Committee in prosecuting the 9.25% Debentures Adversary Proceeding without regard to such prior limitation, subject only to approval of such fees and expenses by order of the Court as part of its review of fees and expenses for all Retained Professionals in these Chapter 11 Cases.

(e) In the event there are Rejecting Bondholders holding an aggregate amount of Subclass 3B Claims less than $10 million, the 9.25% Debentures Adversary Proceeding shall be (i) withdrawn with prejudice with respect to the Accepting Bondholders and the Indenture Trustee, and (ii) provided that no holder of a Class 6 Unsecured Claim, or representative thereof, shall file with the Bankruptcy Court a motion for the entry of a scheduling order in connection with the resumption of the 9.25% Debentures Adversary Proceeding within 120 days after the Effective Date, withdrawn without prejudice with respect to the rights, if any, of any holder of an Unsecured Claim to challenge the validity of the Allowed Secured Claims of any such Rejecting Bondholders in their individual capacities; provided, however, that in the event any holder of a Class 6 Unsecured Claim, or representative thereof, challenges the validity of the Allowed Secured Claims of any such Rejecting Bondholders holding an aggregate amount of Subclass 3B Claims of less than $10 million subsequent to the Effective Date, either in the 9.25% Debentures Adversary Proceeding or otherwise, the Reorganized Debtors shall not be obligated to reimburse counsel

for such holder of a Class 6 Unsecured Claim, or representative thereof, for any fees or expenses incurred in connection with such challenge; and provided, further, that neither the Bondholders Committee or the Indenture Trustee shall have an obligation to defend or otherwise intervene in any action against any such Rejecting Bondholders (all such obligations of the Indenture Trustee, if any did so exist, being terminated along with the 9.25% Indenture pursuant to Section 6.5 of this Reorganization Plan), and provided that such termination shall not prejudice the prosecution of the 9.25% Debentures Adversary Proceeding against any such Rejecting Bondholders. In connection with any such resumption of the 9.25% Debentures Adversary Proceeding by any holder or holders of Class 6 Unsecured Claims, as herein contemplated, such holder or holders shall be deemed to be the successor in interest to the Committee in all respects, acting on behalf of the Debtors for purposes of prosecuting such 9.25% Debentures Adversary Proceeding.

8.7 Distributions to Allowed Class 6 Claims After the Effective Date.

(a) The Disbursing Agent shall have the option, subject to consultation with the Class 6 Representative, to make an interim Distribution (including any Distributions with respect to the Settlement Distribution) to holders of Allowed Class 6 Claims before final resolution with respect to the allowance of all Class 6 Claims, subject to retaining sufficient reserves with respect to any still Disputed Class 6 Claims in accordance with Section 8.4 of this Reorganization Plan. From time to time, the Class 6 Representative shall advise the Disbursing Agent as to the appropriateness of making any such interim Distribution to the holders of Allowed Class 6 Claims.

(b) The Class 6 Representative shall designate an escrow agent or depository for the purposes of holding Cash, the CPIH Participation Interest and any proceeds thereof and the interest in the New CPIH Funded Debt for the benefit of holders of Allowed Class 6 Claims prior to such time as the Disbursing Agent makes an interim or final Distribution to holders of Allowed Class 6 Claims. All costs of implementing and maintaining any such depository or escrow arrangement shall be paid for from the proceeds of the Distribution to holders of Allowed Class 6 Claims.

8.8 Release of Funds from Disputed Claims Reserve. If at any time or from time to time after the Effective Date, there shall be Cash or Reorganization Plan Notes in the Disputed Claims Reserve account with respect to Class 6 Claims in an amount in excess of the Reorganizing Debtors' maximum remaining payment obligations to the then existing holders of Disputed Class 6 Claims under this Reorganization Plan, such excess funds, and the Pro Rata Class Share of net interest in respect thereof, shall become available for Distribution to the holders of Allowed Class 6 Claims in accordance with this Reorganization Plan.

ARTICLE IX

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

9.1 General Treatment. (a) On the Effective Date, and subject to the provisions of Section 4.5 of this Reorganization Plan, all executory contracts and unexpired leases to which each Reorganizing Debtor listed on Exhibit 9.1A (collectively, the "Rejecting Debtors") is a party shall be deemed rejected, except for any executory contract or unexpired lease of the Rejecting Debtors that (i) has been previously assumed or rejected pursuant to a Final Order of the Court, (ii) is specifically designated as a contract or lease on the Rejecting Debtors' Schedule of Assumed Contracts and Leases, filed as Exhibit 9.1A hereto, as may be amended, (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors prior to the Confirmation Hearing, or (iv) is an executory contract or lease to which any other Reorganizing Debtor is counterparty. The Rejecting Debtors expressly reserve the right to add or remove executory contracts and unexpired leases to or from the Rejecting Debtors' Schedule of Assumed Contracts and Leases at any time prior to the Effective Date.

(b) On the Effective Date, all executory contracts and unexpired leases to which each Reorganizing Debtor listed on Exhibit 9.1B (collectively, the "Assuming Debtors") is a party shall be deemed assumed, except for any executory contract or unexpired lease of the Assuming Debtors that (i) has been previously assumed or rejected pursuant to a Final Order of the Court, (ii) is specifically designated as a contract or lease on the Assuming Debtors' Schedule of Rejected Contracts and Leases, filed as Exhibit 9.1B hereto, as may be amended, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors prior to the Confirmation Hearing. The Assuming Debtors expressly reserve the right to add or remove executory contracts and unexpired leases to or from the Assuming Debtors' Schedule of Rejected Contracts and Leases at any time prior to the Effective Date.

(c) Each executory contract and unexpired lease listed or to be listed on the Rejecting Debtors' Schedule of Assumed Contracts and Leases or the Assuming Debtors' Schedule of Rejected Contracts and Leases (collectively, the "Contract Schedules") shall include modifications, amendments, supplements,

restatements or other agreements, including guarantees thereof, made directly or indirectly by any Reorganizing Debtor in any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on the Contract Schedules. The mere listing of a document on the Contract Schedules shall not constitute an admission by the Reorganizing Debtors that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

9.2 Cure of Defaults. Except to the extent that (i) a different treatment has been agreed to by the nondebtor party or parties to any executory contract or unexpired lease to be assumed pursuant to Section 9.1 of this Reorganization Plan or, (ii) any executory contract or unexpired lease shall have been assumed pursuant to an order of the Court which order shall have approved the cure amounts with respect thereto, the applicable Reorganizing Debtor shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, no later than thirty (30) days after the Confirmation Date, file with the Court and serve one or more pleadings listing the cure amounts of all executory contracts or unexpired leases to be assumed, subject to the Reorganizing Debtors right to amend such pleading or pleadings any time prior to thirty (30) days after the Confirmation Date. The parties to such executory contracts or unexpired leases to be assumed by the applicable Reorganizing Debtor shall have fifteen (15) days from service of any such pleading to object to the cure amounts listed by the applicable Reorganizing Debtor. Service of such pleading shall be sufficient if served on the other party to the contract or lease at the address indicated on (i) the contract or lease, (ii) any proof of claim filed by such other party in respect of such contract or lease, or (iii) the Reorganizing Debtors' books and records, including the Schedules; provided, however, that if a pleading served by a Reorganizing Debtor to one of the foregoing addresses is promptly returned as undeliverable, the Reorganizing Debtor shall attempt reservice of the pleading on an alternative address, if any, from the above listed sources. If any objections are filed, the Court shall hold a hearing. Any party failing to object to the proposed cure amount fifteen days following service of the proposed cure amount by the Debtors shall be forever barred from asserting, collecting, or seeking to collect any amounts in excess of the proposed cure amount against the Reorganizing Debtors or Reorganized Debtors. Notwithstanding the foregoing or anything in Section 9.3 of this Reorganization Plan, at all times through the date that is five (5) Business Days after the Court enters an order resolving and fixing the amount of a disputed cure amount, the Reorganizing Debtors shall have the right to reject such executory contract or unexpired lease.

9.3 Approval of Assumption of Certain Executory Contracts. Subject to Sections 9.1 and 9.2 of this Reorganization Plan, the executory contracts and unexpired leases on the Rejecting Debtors' Schedule of Assumed Contracts and the executory contracts and unexpired leases of the Assuming Debtors other than those listed on the Assuming Debtors' Schedule of Rejected Contracts and Leases shall be assumed by the respective Reorganizing Debtors as of the Effective Date. Except as may otherwise be ordered by the Court, the Reorganizing Debtors shall have the right to cause any assumed executory contract or unexpired lease to vest in the Reorganized Debtor designated for such purpose by the Reorganizing Debtors.

9.4 Approval of Rejection of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall constitute the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of any executory contracts and unexpired leases to be rejected as and to the extent provided in Section 9.1 of this Reorganization Plan.

9.5 Deemed Consents and Deemed Compliance. (a) Unless a counterparty to an executory contract, unexpired lease, license or permit objects to the applicable Debtor's assumption thereof in writing on or before seven (7) days prior to the Confirmation Hearing, then, unless such executory contract, unexpired lease, license or permit has been rejected by the applicable Debtor or will be rejected by operation of this Reorganization Plan, the Reorganized Debtors shall enjoy all the rights and benefits under each such executory contract, unexpired lease, license and permit without the necessity of obtaining such counterparty's written consent to assumption or retention of such rights and benefits.

(b) To the extent that any executory contract or unexpired lease contains a contractual provisions that would require a Reorganizing Debtor or Reorganized Debtor to satisfy any financial criteria or meet any financial condition measured by reference to such Debtor's most recent annual audited financial statements, then upon the assumption of any such executory contract or unexpired lease the Reorganizing Debtors and Reorganized Debtors shall be deemed to be and to remain in compliance with any such contractual provision regarding financial criteria or financial condition (other than contractual requirements to satisfy minimum ratings from ratings agencies) for the period through one year after the Effective Date, and thereafter such financial criteria or financial condition shall be measured by reference to the applicable Debtor's most recent annual audited financial statements.

9.6 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Reorganization Plan. Claims arising out of the rejection of an executory contract or unexpired lease pursuant to Section 9.1 of this Reorganization Plan must be filed with the Court no later than the later of (i) twenty (20) days after the Effective Date, and (ii) thirty (30) days after entry of an order rejecting such executory contract or lease. Any Claims not filed within such time period will be forever barred from assertion against any of the applicable Reorganizing Debtors and/or the Estates.

9.7 Survival of Debtors' Corporate Indemnities. Any obligations of any of the Reorganizing Debtors pursuant to the applicable Reorganizing Debtor's corporate charters and bylaws or agreements entered into any time prior to the Effective Date, to indemnify the Specified Personnel, with respect to all present and future actions, suits and proceedings against such Reorganizing Debtor or such Specified Personnel, based upon any act or omission for or on behalf of such Reorganizing Debtor, shall not be discharged or impaired by confirmation of this Reorganization Plan. Such obligations shall be deemed and treated as executory contracts to be assumed by the applicable Reorganizing Debtor pursuant to this Reorganization Plan and deemed to be included on the Rejecting Debtors' Schedule of Assumed Contracts and Leases (to the extent not otherwise assumed), and shall continue as obligations of the applicable Reorganizing Debtor. To the extent a Reorganizing Debtor is entitled to assert a Claim against Specified Personnel (whether directly or derivatively) and such Specified Personnel is entitled to indemnification, such Claim against Specified Personnel is released, waived and discharged.

9.8 Reservation of Rights Under Insurance Policies and Bonds. Nothing in this Reorganization Plan, including the discharge and release of the Reorganizing Debtors as provided in this Reorganization Plan, shall diminish, impair or otherwise affect the enforceability by beneficiaries of (i) any insurance policies that may cover Claims against any Reorganizing Debtors, or (ii) any bonds issued to assure the performance of any Reorganizing Debtors, nor shall anything contained herein constitute or be deemed to constitute a waiver of any cause of action that the Reorganizing Debtors or any entity may hold against any insurers or issuers of bonds under any such policies of insurance or bonds. To the extent any insurance policy or bond is deemed to be an executory contract, such insurance policy or bond shall be deemed assumed in accordance with Article IX of the Reorganization Plan. Notwithstanding the foregoing, the Reorganizing Debtors do not assume any payment or other obligations to any insurers or issuers or bonds, and any agreements or provisions of policies or bonds imposing payment or other obligations upon the Reorganizing Debtors shall only be assumed as provided pursuant to a separate order of the Court.

ARTICLE X

CONDITIONS PRECEDENT TO THE CONFIRMATION DATE AND THE EFFECTIVE DATE

10.1 Conditions to Confirmation. Each of the following is a condition to the Confirmation Date:

(a) the entry of a Final Order finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code;

(b) the proposed Confirmation Order shall be in form and substance, reasonably acceptable to the Reorganizing Debtors and the Plan Sponsor;

(c) all provisions, terms and conditions hereof are approved in the Confirmation Order;

(d) the Confirmation Order shall contain a finding that any Intercompany Claim held by a Reorganizing Debtor, Liquidating Debtor or Heber Debtor is the exclusive property of such Reorganizing Debtor, Liquidating Debtor or Heber Debtor pursuant to section 541 of the Bankruptcy Code;

(e) the Confirmation Order shall contain a ruling that each of the Liquidating Debtors Intercompany Claims against (i) the Reorganizing Debtors and any of their respective present or former officers, directors, employees, attorneys, accountants, financial advisors, investment bankers or agents and (ii) the other persons or entities identified in Section 11.10 of this Reorganization Plan will be fully settled and released as of the Effective Date;

(f) the Confirmation Order shall contain a ruling that each of the Heber Debtors Intercompany Claims against (i) the Reorganizing Debtors and any of their respective present or former officers, directors, employees, attorneys, accountants, financial advisors, investment bankers or agents and (ii) the other persons or entities identified in Section 11.10 of this Reorganization Plan will be fully settled and released as of the Effective Date;

(g) the Confirmation Order shall contain a ruling that each of the Reorganizing Debtors Claims against (i) the other Reorganizing Debtors and any of their respective present or former officers, directors, employees, attorneys, accountants, financial advisors, investment bankers or agents and (ii) the other persons or entities identified in Section 11.10 of this Reorganization Plan, to the extent and only for the periods provided for in Section 11.10 of this

Reorganization Plan, will be fully settled and released or, with respect to Claims against the Reorganizing Debtors, treated in accordance with Sections 4.9(b)(II) of this Reorganization Plan; and

(g) the confirmation order with respect to the Heber Reorganization Plan shall have become a Final Order in form and substance satisfactory to the Reorganizing Debtors.

10.2 Conditions Precedent to the Effective Date. Each of the following is a condition precedent to the Effective Date of this Reorganization Plan:

(a) The Confirmation Order shall: (i) have been entered by the Court and become a Final Order, (ii) be in form and substance satisfactory to the Reorganizing Debtors and the Plan Sponsor, and (iii) provide that the Liquidating Debtors, the Reorganizing Debtors and the Reorganized Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases, indentures and other agreements or documents created in connection with the Liquidation Plan and the Reorganization Plan;

(b) The conditions precedent to the Effective Date of the Liquidation Plan shall have been satisfied or waived in accordance with the terms and provisions of the Liquidation Plan including, but not limited to the transfer of the Liquidation Assets to the Liquidating Trust (as such terms are defined in the Liquidation Plan);

(c) The conditions precedent to the Effective Date of the Heber Reorganization Plan shall have been satisfied or waived in accordance with the terms and provisions of the Heber Reorganization Plan. All conditions precedent to the closing of the Geothermal Sale or an alternative sale of some or all of the Heber Debtors or their assets shall have been satisfied;

(d) The conditions precedent to closing under the Investment and Purchase Agreement shall have been satisfied or waived in accordance with the terms and provisions thereof;

(e) All regulatory approval necessary or desirable to effectuate the Reorganization Plan and the transactions contemplated hereunder shall have been obtained;

(f) Subject to Section 6.8(c), the equity securities of all the Reorganized Debtors other than Reorganized Covanta shall have been deemed to revert to ownership by the same entity by which they were held prior to the applicable Petition Date;

(g) The Exit Financing Agreements shall (i) be substantially in the form attached to the Investment and Purchase Agreement and (ii) have been executed and delivered by the parties thereto, and shall be in full force and effect in accordance with the terms thereof;

(h) The Reorganized Debtors shall have sufficient Cash to make payment or establish reserves with respect to Exit Costs in accordance with the definition for such term in this Reorganization Plan;

(i) All documents, instruments and agreements provided for under, or necessary to implement, this Reorganization Plan shall have been executed and delivered by the parties thereto, in form and substance satisfactory to the Reorganizing Debtors and the Plan Sponsor, unless such execution or delivery has been waived by the parties benefited thereby.

10.3 Waiver of Conditions. The Reorganizing Debtors, with the prior written consent of the Plan Sponsor, may waive any of the foregoing conditions set forth in Section 10.1 or Section 10.2 of this Reorganization Plan without leave of or notice to the Court and without any formal action other than proceeding with confirmation of this Reorganization Plan or emergence from bankruptcy.

10.4 Failure to Satisfy or Waiver of Conditions Precedent. In the event that any or all of the conditions specified in Section 10.1 or 10.2 of this Reorganization Plan have not been satisfied or waived in accordance with the provisions of this Article X on or before June 30, 2004 (which date may be extended by the Reorganizing Debtors with the prior written consent of the Plan Sponsor, and upon notification submitted by the Reorganizing Debtors to the Court), (a) the Confirmation Order shall be vacated, (b) no distributions under the Reorganization Plan shall be made, (c) the Reorganizing Debtors and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though such date never occurred, and (d) all the Reorganizing Debtors' respective obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained herein or in the Disclosure Statement shall be deemed an admission or statement against interest or to constitute a waiver or release of any claims by or against any Reorganizing Debtor or any other Person or to prejudice in any manner the rights of any Reorganizing Debtor or any Person in any further proceedings involving any Reorganizing Debtor or Person.

ARTICLE XI

EFFECT OF CONFIRMATION

11.1 Revesting of Assets. Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, except for leases and executory contracts that have not yet been assumed or rejected (which leases and contracts shall be deemed vested when and if assumed), all property of each Reorganizing Debtor's Estate shall vest in the applicable Reorganized Debtor free and clear of all Claims, Liens, encumbrances, charges and other interests, except as provided herein or pursuant to any of the Plan Documents. Each Reorganized Debtor may operate its businesses and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as provided herein.

11.2 Discharge of Claims and Cancellation of Equity Interests. Except as otherwise provided herein or in the Confirmation Order, the rights afforded in this Reorganization Plan and the entitlement to receive payments and distributions to be made hereunder shall discharge all existing Claims and Interests, of any kind, nature or description whatsoever against or in each of the Reorganizing Debtors or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as provided in this Reorganization Plan, on the Effective Date, all existing Claims against each of the Reorganizing Debtors and Equity Interests in the Reorganizing Debtors shall be, and shall be deemed to be, discharged or canceled and each holder (as well as trustees and agents on behalf of all such holders) of a Claim or Equity Interest shall be precluded and enjoined from asserting against the Reorganized Debtors, or any of their assets or properties, any Claim or Equity Interest based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date, whether or not (i) such holder has filed a Proof of Claim or Equity Interest, (ii) a Claim based on such Claim or Equity Interest is Allowed, or (iii) the holder of the Claim or Equity Interest has accepted the Reorganization Plan.

11.3 Discharge of Reorganizing Debtors. Upon the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise expressly provided herein, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or Equity Interest of such holder shall be deemed to have forever waived, released and discharged each of the Reorganizing Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Equity Interests, rights and liabilities (other than the right to enforce the Reorganizing Debtors' or Reorganized Debtors' obligations hereunder or under the Plan Documents) that arose prior to the Confirmation Date, whether existing in law or equity, whether based on fraud, contract or otherwise, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, whether based in whole or in part on any act, omission or occurrence taking place on or before the Confirmation Date; provided, that such discharge shall not affect the liability of any other entity to, or the property of any other entity encumbered to secure payment to, the holder of any such Claim or Equity Interest, except as otherwise provided in the Reorganization Plan; and provided, further, that such discharge shall not encompass the Heber Debtors' or the Reorganizing Debtors obligations under the Heber Reorganization Plan or the Liquidating Trustee's obligations under the Liquidating Plan. Upon the Effective Date, all such persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or canceled Equity Interest in each of the Reorganizing Debtors.

11.4 Binding Effect. Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, and subject to the Effective Date, the provisions of this Reorganization Plan shall bind all present and former holders of a Claim against, or Equity Interest in, the applicable Reorganizing Debtor and its respective successors and assigns, whether or not the Claim or Equity Interest of such holder is Impaired under this Reorganization Plan and whether or not such holder has filed a Proof of Claim or Equity Interest or accepted this Reorganization Plan.

11.5 Term of Injunctions or Stays. Unless otherwise provided herein, all injunctions or stays arising under section 105 or 362 of the Bankruptcy Code, any order entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in such order.

11.6 Injunction Against Interference with Plan. Upon the entry of the Confirmation Order, all holders of Claims and Equity Interests and other parties in interest, along with their respective present and former employees, agents, officers, directors and principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of this Reorganization Plan.

11.7 Exculpation. (a) Notwithstanding anything herein to the contrary, as of the Effective Date, none of (i) the Reorganizing Debtors, Reorganized Debtors, or their respective officers, directors and employees, (ii) the

Specified Personnel, (iii) the Committee and any subcommittee thereof, (iv) the Agent Banks, the DIP Agents, the steering committee for the holders of the Secured Bank Claims and the Bondholders Committee, (v) the accountants, financial advisors, investment bankers, and attorneys for the Reorganizing Debtors or Reorganized Debtors, (vi) the Plan Sponsor, (vii) the Investors and (viii) the directors, officers, employees, partners, members, agents, representatives, accountants, financial advisors, investment bankers, attorneys or affiliates for any of the persons or entities described in (i), (iii), (iv),(v), (vi) or (vii) of this Section 11.7 shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the commencement or conduct of the Chapter 11 Cases; the liquidations of the Liquidating Debtors listed on Exhibit 2 hereto; formulating, negotiating or implementing the Reorganization Plan and the Heber Reorganization Plan; formulating, negotiating, consummation or implementing the Investment and Purchase Agreement (except, with respect to the Plan Sponsor and the Investors, as explicitly provided pursuant to the Investment and Purchase Agreement); formulating, negotiating or implementing the Geothermal Sale under the Heber Reorganization Plan; the solicitation of acceptances of the Reorganization Plan and the Heber Reorganization Plan; the pursuit of confirmation of the Reorganization Plan and the Heber Reorganization Plan; the confirmation, consummation or administration of the Reorganization Plan and the Heber Reorganization Plan or the property to be distributed under the Reorganization Plan and the Heber Reorganization Plan, except for their gross negligence or willful misconduct, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Reorganization Plan. Nothing in this Section 11.7 shall limit the liability or obligation of an issuer of a letter of credit to the beneficiary of such letter of credit or obligations of the Plan Sponsor under the Investment and Purchase Agreement.

(b) Notwithstanding any other provision of this Reorganization Plan, no holder of a Claim or Interest, no other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, and no successors or assigns of the foregoing, shall have any right of action against any Debtor, Reorganizing Debtor, Reorganized Debtor, Liquidating Debtor, Heber Debtor, Specified Personnel, the Creditors' Committee and any subcommittee thereof, the Agent Banks, the DIP Agents and the steering committee for the holders of the Secured Bank Claims, the Bondholders Committee, the Plan Sponsor, the Investors, nor any statutory committee, nor any of their respective present or former members, officers, directors, employees, advisors or attorneys, for any or omission in the connection with, related to, or arising out of, the Chapter 11 Cases, formulating, negotiating or implementing this Reorganization Plan, formulating negotiating, consummating or implementing the Investment and Purchase Agreement (except, with respect to the Plan Sponsor and the Investors, as explicitly provided pursuant to the Investment and Purchase Agreement), solicitation of acceptances or this Reorganization Plan, the pursuit of confirmation of this Reorganization Plan, the confirmation, consummation or administration of this Reorganization Plan or the property to be distributed hereunder, except for gross negligence or willful misconduct.

11.8 Rights of Action. (a) On and after the Effective Date, and except as may otherwise be agreed to by the Reorganizing Debtors or as provided in this Reorganization Plan, the Reorganized Debtors will retain and have the exclusive right to enforce any and all present or future rights, claims or causes of action against any Person (other than holders of Unsecured Claims against the Reorganizing Debtors, the Agent Banks, the Prepetition Lenders, the DIP Lenders, the DIP Agents and the holders of the 9.25% Debentures) and rights of the Reorganizing Debtors that arose before or after the applicable Petition Date, and asserting any rights of counterclaim and set-off, as discussed further below, including, but not limited to, rights, claims, causes of action, avoiding powers, suits and proceedings arising under sections 544, 545, 548, 549, 550 and 553 of the Bankruptcy Code. The Reorganized Debtors may pursue, abandon, settle or release any or all such rights of action, as they deem appropriate, without the need to obtain approval or any other or further relief from the Court. The Reorganized Debtors may, in their discretion, offset any such claim held against a Person against any payment due such Person under this Reorganization Plan; provided, however, that any claims of any of the Reorganizing Debtors arising before the applicable Petition Date shall first be offset against Claims against any of the Reorganized Debtors arising before the applicable Petition Date.

(b) On and after the Effective Date, the counsel for the Committee shall serve as Class 6 Counsel for purpose of evaluating the Class 6 Litigation Claims. The Class 6 Counsel shall have the exclusive right to enforce any such Class 6 Litigation Claim as it deems appropriate to be brought, subject only to the written consent of the Plan Sponsor, which shall not be unreasonably withheld. On and after the Effective Date, the Reorganizing Debtors shall be responsible for payment of reasonable legal fees and expenses to the Class 6 Counsel incurred in connection with the evaluation and enforcement of any such Class 6 Litigation Claims in an amount up to $150,000, subject to order of the Court; provided, however, that reasonable fees and expenses incurred by the Class 6 Counsel in excess of $150,000 may be recovered, subject to order of the Court, from the proceeds of any settlement or recoveries received in connection with any such Class 6 Litigation Claim.

11.9 Injunction. Upon the Effective Date with respect to the Reorganization Plan and except as otherwise provided herein or in the Confirmation Order, all persons who have held, hold, or may hold Claims against or Equity Interests in the Reorganizing Debtors, Heber Debtors or Liquidating Debtors, and all other parties in interest in the Chapter 11 Cases, along with their respective present or former employees, agents, officers, directors or principals, shall be permanently enjoined on and after the Effective Date from directly or indirectly (i) commencing or continuing in any manner any action or other proceeding of any kind to collect or recover any property on account of any such Claim or Equity Interest against any such Reorganizing Debtor, Reorganized Debtors, or Person entitled to exculpation under Section 11.7 hereof, (ii) enforcing, attaching, collecting or recovering by any manner or means of any judgment, award, decree, or order to collect or recover any property on account of any such Claim or Equity Interest against any such Reorganizing Debtor or Reorganized Debtors, the Plan Sponsor or the Investors, (iii) creating, perfecting, or enforcing any encumbrance of any kind against any such Reorganizing Debtor or Reorganized Debtor, the Plan Sponsor or the Investors on account of such Claim or Equity Interest, (iv) except for recoupment, asserting any right of setoff or subrogation of any kind against any obligation due any such Reorganizing Debtor or Reorganized Debtor or against the property or interests in property of any such Reorganizing Debtor or Reorganized Debtor on account of any such Claim or Equity Interest, (v) commencing or continuing any action against the Reorganized Debtors, the Plan Sponsor or the Investors in any manner or forum in respect of such Claim or Equity Interest that does not comply or is inconsistent with the Reorganization Plan, and (vi) taking any actions to interfere with the implementation or consummation of this Reorganization Plan; provided that nothing herein shall prohibit any holder of a Claim from prosecuting a properly completed and filed proof of claim in the Chapter 11 Cases; further, provided, that nothing in this Section 11.9 shall prevent any beneficiary under a letter of credit issued in connection with claims against or obligations of the Reorganizing Debtors or the Liquidating Debtors from taking the actions necessary to make a demand or draw under such letter of credit and nothing in this Section 11.9 shall limit the liability or obligation of the issuer of such letter of credit. In no event shall the Reorganized Debtors or any Person entitled to exculpation under Section 11.7 hereof have any liability or obligation for any Claim against or Equity Interest in any of the Reorganizing Debtors arising prior to the Effective Date, other than in accordance with the provisions of this Reorganization Plan. In addition, except as otherwise provided in this Reorganization Plan or the Confirmation Order, on and after the Effective Date, any individual, firm, corporation, limited liability company, partnership, company, trust or other entity, including any successor of such entity, shall be permanently enjoined from commencing or continuing in any manner, any litigation against the Reorganized Debtors or any Person entitled to exculpation under Section 11.7 hereof on account of or in respect of any matter subject to the exculpation provision set forth in Section 11.7 hereof, including, without limitation, in respect of the Reorganizing Debtors' prepetition liabilities or other liabilities satisfied pursuant to this Reorganization Plan. By directly or indirectly accepting Distributions pursuant to this Reorganization Plan, each holder of an Allowed Claim or Allowed Equity Interest receiving Distributions pursuant to the Reorganization Plan will be deemed to have specifically consented to the injunctions set forth in this Section 11.9.

11.10 Release. As of the Effective Date, the Reorganizing Debtors, on behalf of themselves and their Estates, shall be deemed to release unconditionally all claims, obligations, suits, judgments, damages, rights, causes of action, and liabilities whatsoever, against the Liquidating Debtors, the Heber Debtors, the Plan Sponsor, the Investors and the Liquidating Debtors', Heber Debtors', Plan Sponsors' and Reorganizing Debtors' respective present or former officers, directors, employees, partners, members, advisors, attorneys, financial advisors, accountants, investment bankers and other professionals, and the Committee's, the steering committee for the holders of the Secured Bank Claims and the Bondholders Committee's members, advisors, attorneys, financial advisors, investment bankers, accountants and other professionals, in each case whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken with respect to any omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Reorganizing Debtors, the Liquidating Debtors, the Heber Debtors, and the Plan Sponsor, the Investors, the Chapter 11 Cases, the Heber Reorganization Plan, the Liquidation Plan, the Investment and Purchase Agreement or the Reorganization Plan; provided that, with respect to the Plan Sponsor and the Investors, nothing herein shall release the Plan Sponsor or the Investors with respect to obligations pursuant to their contractual obligations under the Investment and Purchase Agreement and the documents executed in connection therewith or as specifically provided pursuant to this Reorganization Plan; and further provided that, with respect to the members of the steering committee for the holders of the Secured Bank Claims and the members of the Bondholders Committee, nothing herein shall release any such parties with respect to obligations pursuant to their contractual obligations, if any, under the Exit Financing Agreements or as otherwise provided pursuant to this Reorganization Plan.

ARTICLE XII

RETENTION OF JURISDICTION

12.1 Jurisdiction of Court. The Court shall retain exclusive jurisdiction of all matters arising under, arising out of, or related to, the Chapter 11 Cases and this Reorganization Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following non-exclusive purposes:

(a) to determine the allowance or classification of Claims and to hear and determine any objections thereto;

(b) to hear and determine any motions for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases, and the allowance of any Claims resulting therefrom;

(c) to determine any and all motions, adversary proceedings, applications, contested matters and other litigated matters in connection with the Chapter 11 Cases that may be pending in the Court on, or initiated after, the Effective Date;

(d) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(e) to issue such orders in aid of the execution, implementation and consummation of this Reorganization Plan to the extent authorized by section 1142 of the Bankruptcy Code or otherwise;

(f) to construe and take any action to enforce this Reorganization Plan;

(g) to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order;

(h) to modify the Reorganization Plan pursuant to section 1127 of the Bankruptcy Code, or to remedy any apparent non-material defect or omission in this Reorganization Plan, or to reconcile any non-material inconsistency in the Reorganization Plan so as to carry out its intent and purposes;

(i) to hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

(j) to determine any other requests for payment of Priority Tax Claims, Priority Non-Tax Claims or Administrative Expense Claims;

(k) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Reorganization Plan;

(l) to hear and determine all matters relating to the 9.25% Debentures Adversary Proceeding, including any disputes arising in connection with the interpretation, implementation or enforcement of any settlement agreement related thereto;

(m) to consider and act on the compromise and settlement or payment of any Claim against the Reorganizing Debtors;

(n) to recover all assets of Reorganizing Debtors and property of the Estates, wherever located;

(o) to determine all questions and disputes regarding title to the assets of the Reorganizing Debtors or their Estates;

(p) to issue injunctions, enter and implement other orders or to take such other actions as may be necessary or appropriate to restrain interference by any entity with the consummation, implementation or enforcement of the Reorganization Plan or the Confirmation Order;

(q) to remedy any breach or default occurring under this Reorganization Plan;

(r) to resolve and finally determine all disputes that may relate to, impact on or arise in connection with, this Reorganization Plan;

(s) to hear and determine matters concerning state, local, and federal taxes for any period of time, including, without limitation, pursuant to sections 346, 505, 1129 and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after each of the applicable Petition Dates through, and including, the final Distribution Date);

(t) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(u) to hear any other matter consistent with the provisions of the Bankruptcy Code; and

(v) to enter a final decree closing the Chapter 11 Cases.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 Deletion of Classes and Subclasses. Any class or subclass of Claims that does not contain as an element thereof an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 as of the date of the commencement of the Confirmation Hearing shall be deemed deleted from this Reorganization Plan for purposes of voting to accept or reject this Reorganization Plan and for purposes of determining acceptance or rejection of this Reorganization Plan by such class or subclass under section 1129(a)(8) of the Bankruptcy Code.

13.2 Dissolution of the Committee. On the Effective Date, the Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities, and obligations related to and arising from and in connection with the Chapter 11 Cases, and the retention or employment of the Committee's attorneys, accountants, and other agents, shall terminate except as otherwise expressly authorized pursuant to this Reorganization Plan.

13.3 Effectuating Documents and Further Transactions. The chief executive officer of each of the Reorganizing Debtors, or his or her designee, shall be authorized to execute, deliver, file, or record such contracts, instruments, releases and other agreements or documents and take such actions on behalf of the Reorganizing Debtors as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Reorganization Plan, without any further action by or approval of the Board of Directors or other governing body of the Reorganizing Debtors.

13.4 Payment of Statutory Fees. All fees payable pursuant to section 1930 of Title 28 of the United States Code shall be paid through the entry of a final decree closing these cases. Unless relieved of any of the obligation to pay the United States Trustee Fees by further order of the Court, the Reorganizing Debtors or Reorganized Debtors shall timely pay the United States Trustee Fees, and after the Confirmation Date, the Reorganized Debtors shall file with the Court and serve on the United States Trustee a quarterly disbursement report for each quarter, or portion thereof, until a final decree closing the Chapter 11 Cases has been entered, or the Chapter 11 Cases dismissed or converted to another chapter, in a format prescribed by and provided by the United States Trustee.

13.5 Modification of Plan. Subject to the provisions of the DIP Financing Agreement and Section 5.5 of this Reorganization Plan, the Reorganizing Debtors reserve the right: (i) in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Reorganization Plan at any time prior to the entry of the Confirmation Order; provided, however, that any such amendment or modification shall require the prior written consent of the Plan Sponsor, (ii) to alter, amend, modify, revoke or withdraw the Reorganization Plan as it applies to any particular Reorganizing Debtor on or prior to the Confirmation Date; and (iii) to seek confirmation of the Reorganization Plan or a separate reorganization plan with substantially similar terms with respect to only certain of the Reorganized Debtors, and to alter, amend, modify, revoke or withdraw the Reorganization Plan, in whole or in part, for such purpose.

Addtionally, the Reorganizing Debtors reserve their rights to redesignate Debtors as Reorganizing Debtors or Liquidating Debtors at any time prior to ten (10) days prior to the Confirmation Hearing. Holders of Claims or Equity Interests who are entitled to vote on the Reorganization Plan or Liquidation Plan and who are affected by any such redesignation shall have five (5) days from the notice of such redesignation to vote to accept or reject the Reorganization Plan or the Liquidation Plan, as the case may be. The Reorganizing Debtors also reserve the right to withdraw prior to the Confirmation Hearing one or more Reorganizing Debtors from the Reorganization Plan, and to thereafter file a plan solely with respect to such Debtor or Debtors.

After the entry of the Confirmation Order, the Reorganizing Debtors may, upon order of the Court, amend or modify this Reorganization Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in this Reorganization Plan in such manner as may be necessary to carry out the purpose and intent of this Reorganization Plan. A holder of an Allowed Claim or Allowed Equity Interest that is deemed to have accepted this Reorganization Plan shall be deemed to have accepted this Reorganization Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim or Equity Interest of such holder.

13.6 Courts of Competent Jurisdiction. If the Court abstains from

exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of this Reorganization Plan, such abstention, refusal or failure of jurisdiction shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other Court having competent jurisdiction with respect to such matter.

13.7 Exemption From Transfer Taxes. Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of notes or equity securities under or in connection with the Reorganization Plan, the creation of any mortgage, deed of trust or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or other instrument of transfer under, in furtherance of, or in connection with the Reorganization Plan, including any merger agreements or agreements of consolidation, deeds, bills of sale or assignments executed in connection with any of the transactions contemplated under the Reorganization Plan, shall not be subject to any stamp, real estate transfer, mortgage recording or other similar tax.

13.8 Rules of Construction. For purposes of this Reorganization Plan, the following rules of interpretation apply:

(a) The words "herein," "hereof," "hereto," "hereunder" and others of similar import refer to this Reorganization Plan as a whole and not to any particular Section, subsection, or clause contained in this Reorganization Plan;

(b) Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter;

(c) Any reference in this Reorganization Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions;

(d) Any reference in this Reorganization Plan to an existing document or exhibit filed or to be filed means such document or exhibit, as it may have been or may be amended, modified or supplemented;

(e) Unless otherwise specified, all references in this Reorganization Plan to Sections, Articles, Schedules and Exhibits are references to Sections, Articles, Schedules and Exhibits of or to this Reorganization Plan;

(f) Captions and headings to Articles and Sections are inserted for convenience of reference only are not intended to be a part of or to affect the interpretation of this Reorganization Plan; and

(g) Unless otherwise expressly provided, the rules of construction set forth in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply to this Reorganization Plan.

13.9 Computation of Time. In computing any period of time prescribed or allowed by this Reorganization Plan, unless otherwise expressly provided, the provisions of Bankruptcy Rule 9006 shall apply.

13.10 Successors and Assigns. The rights, benefits and obligations of any entity named or referred to in the Reorganization Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such entity.

13.11 Notices. Any notices to or requests of the Reorganizing Debtors by parties in interest under or in connection with this Reorganization Plan shall be in writing and served either by (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery, or (c) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

(a) if to the Reorganizing Debtors:

Covanta Energy Corporation
c/o CLEARY GOTTLIEB STEEN & HAMLTON
One Liberty Plaza
New York, New York 10006

Attn: Deborah M. Buell, Esq.
James L. Bromley, Esq.

And

Covanta Energy Corporation
c/o JENNER & BLOCK, LLC
One IBM Plaza
Chicago, Illinois 60611-7603

Attn: Vincent E. Lazar, Esq

(b) if to the Plan Sponsor:

Danielson Holding Corporation
2 North Riverside Plaza
Suite 600
Chicago, Illinois 60606
Attn: Philip Tinkler

And

Skadden, Arps, Slate, Meagher & Flom (Illinois)
333 W. Wacker Drive
Suite 2100
Chicago, Illinois 60606
Attn: Timothy R. Pohl, Esq.

13.12 Severability. If, prior to the Confirmation Date, any term or provision of this Reorganization Plan is determined by the Court to be invalid, void or unenforceable, the Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Reorganization Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding alteration or interpretation. The Confirmation Order will constitute a judicial interpretation that each term and provision of this Reorganization Plan, as it may have been altered or interpreted in accordance with the forgoing, is valid and enforceable pursuant to its terms. Additionally, if the Court determines that the Reorganization Plan, as it applies to any particular Reorganizing Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code (and cannot be altered or interpreted in a way that makes it confirmable), such determination shall not limit or affect (a) the confirmability of the Reorganization Plan as it applies to any other Reorganizing Debtor or (b) the Reorganizing Debtors' ability to modify the Reorganization Plan, as it applies to any particular Reorganizing Debtor, to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code.

13.13 Governing Law. Except to the extent the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under this Reorganization Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

13.14 Exhibits. All Exhibits and Schedules to this Reorganization Plan are incorporated into and are a part of this Reorganization Plan as if set forth in full herein.

13.15 Counterparts. This Reorganization Plan may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

Dated: January 14, 2004

COVANTA ENERGY CORPORATION

By: /s/ Anthony J. Orlando

COVANTA ACQUISITION, INC.

By: /s/ Anthony J. Orlando

COVANTA ALEXANDRIA/ARLINGTON, INC.

By: /s/ Anthony J. Orlando

COVANTA BABYLON, INC.

By: /s/ Anthony J. Orlando

COVANTA BESSEMER, INC.

By: /s/ Anthony J. Orlando

COVANTA BRISTOL, INC.

By: /s/ Anthony J. Orlando

COVANTA CUNNINGHAM ENVIRONMENTAL SUPPORT SERVICES, INC.

By: /s/ Anthony J. Orlando

COVANTA ENERGY AMERICAS, INC.

By: /s/ Anthony J. Orlando

COVANTA ENERGY CONSTRUCTION, INC.

By: /s/ Anthony J. Orlando

COVANTA ENERGY GROUP, INC.

By: /s/ Anthony J. Orlando

COVANTA ENERGY INTERNATIONAL, INC.

By: /s/ Anthony J. Orlando

COVANTA ENERGY RESOURCE CORP.

By: /s/ Anthony J. Orlando

COVANTA ENERGY SERVICES OF NEW JERSEY, INC.

By: /s/ Anthony J. Orlando

COVANTA ENERGY SERVICES, INC.

By: /s/ Anthony J. Orlando

COVANTA ENERGY WEST, INC.

By: /s/ Anthony J. Orlando

COVANTA ENGINEERING SERVICES, INC.

By: /s/ Anthony J. Orlando

COVANTA EQUITY OF ALEXANDRIA/ARLINGTON, INC.

By: /s/ Anthony J. Orlando

COVANTA EQUITY OF STANISLAUS, INC.

By: /s/ Anthony J. Orlando

COVANTA FAIRFAX, INC.

By: /s/ Anthony J. Orlando

COVANTA GEOTHERMAL OPERATIONS HOLDINGS, INC.

By: /s/ Anthony J. Orlando

COVANTA GEOTHERMAL OPERATIONS, INC.

By: /s/ Anthony J. Orlando

COVANTA HEBER FIELD ENERGY, INC.

By: /s/ Anthony J. Orlando

COVANTA HENNEPIN ENERGY RESOURCE CO., L.P.

By: /s/ Anthony J. Orlando

COVANTA HILLSBOROUGH, INC.

By: /s/ Anthony J. Orlando

COVANTA HONOLULU RESOURCE RECOVERY VENTURE

By: /s/ Anthony J. Orlando

COVANTA HUNTINGTON LIMITED PARTNERSHIP

By: /s/ Anthony J. Orlando

COVANTA HUNTINGTON RESOURCE RECOVERY ONE CORP.

By: /s/ Anthony J. Orlando

COVANTA HUNTINGTON RESOURCE RECOVERY SEVEN CORP.

By: /s/ Anthony J. Orlando

COVANTA HUNTSVILLE, INC.

By: /s/ Anthony J. Orlando

COVANTA HYDRO ENERGY, INC.

By: /s/ Anthony J. Orlando

COVANTA HYDRO OPERATIONS WEST, INC.

By: /s/ Anthony J. Orlando

COVANTA HYDRO OPERATIONS, INC.

By: /s/ Anthony J. Orlando

COVANTA IMPERIAL POWER SERVICES, INC.

By: /s/ Anthony J. Orlando

COVANTA INDIANAPOLIS, INC.

By: /s/ Anthony J. Orlando

COVANTA KENT, INC.

By: /s/ Anthony J. Orlando

COVANTA LAKE, INC.

By: /s/ Anthony J. Orlando

COVANTA LANCASTER, INC.

By: /s/ Anthony J. Orlando

COVANTA LEE, INC.

By: /s/ Anthony J. Orlando

COVANTA LONG ISLAND, INC.

By: /s/ Anthony J. Orlando

COVANTA MARION LAND CORP.

By: /s/ Anthony J. Orlando

COVANTA MARION, INC.

By: /s/ Anthony J. Orlando

COVANTA MID-CONN, INC.

By: /s/ Anthony J. Orlando

COVANTA MONTGOMERY, INC.

By: /s/ Anthony J. Orlando

COVANTA NEW MARTINSVILLE HYDRO-OPERATIONS CORP.

By: /s/ Anthony J. Orlando

COVANTA OAHU WASTE ENERGY RECOVERY, INC.

By: /s/ Anthony J. Orlando

COVANTA ONONDAGA FIVE CORP.

By: /s/ Anthony J. Orlando

COVANTA ONONDAGA FOUR CORP.

By: /s/ Anthony J. Orlando

COVANTA ONONDAGA LIMITED PARTNERSHIP

By: /s/ Anthony J. Orlando

COVANTA ONONDAGA OPERATIONS, INC.

By: /s/ Anthony J. Orlando

COVANTA ONONDAGA THREE CORP.

By: /s/ Anthony J. Orlando

COVANTA ONONDAGA TWO CORP.

By: /s/ Anthony J. Orlando

COVANTA ONONDAGA, INC.

By: /s/ Anthony J. Orlando

COVANTA OPERATIONS OF UNION, LLC

By: /s/ Anthony J. Orlando

COVANTA OPW ASSOCIATES, INC.

By: /s/ Anthony J. Orlando

COVANTA OPWH, INC.

By: /s/ Anthony J. Orlando

COVANTA PASCO, INC.

By: /s/ Anthony J. Orlando

COVANTA POWER DEVELOPMENT OF BOLIVIA, INC.

By: /s/ Anthony J. Orlando

COVANTA POWER DEVELOPMENT, INC.

By: /s/ Anthony J. Orlando

COVANTA POWER EQUITY CORP.

By: /s/ Anthony J. Orlando

COVANTA POWER INTERNATIONAL HOLDINGS, INC.

By: /s/ Anthony J. Orlando

COVANTA PROJECTS, INC.

By: /s/ Anthony J. Orlando

COVANTA PROJECTS OF HAWAII, INC.

By: /s/ Anthony J. Orlando

COVANTA PROJECTS OF WALLINGFORD, L.P.

By: /s/ Anthony J. Orlando

COVANTA RRS HOLDINGS, INC.

By: /s/ Anthony J. Orlando

COVANTA SECURE SERVICES, INC.

By: /s/ Anthony J. Orlando

COVANTA SIGC GEOTHERMAL OPERATIONS, INC.

By: /s/ Anthony J. Orlando

COVANTA STANISLAUS, INC.

By: /s/ Anthony J. Orlando

COVANTA SYSTEMS, INC.

By: /s/ Anthony J. Orlando

COVANTA UNION, INC.

By: /s/ Anthony J. Orlando

COVANTA WALLINGFORD ASSOCIATES, INC.

By: /s/ Anthony J. Orlando

COVANTA WASTE TO ENERGY OF ITALY, INC.

By: /s/ Anthony J. Orlando

COVANTA WASTE TO ENERGY, INC.

By: /s/ Anthony J. Orlando

COVANTA WATER HOLDINGS, INC.

By: /s/ Anthony J. Orlando

COVANTA WATER SYSTEMS, INC.

By: /s/ Anthony J. Orlando

COVANTA WATER TREATMENT SERVICES, INC.

By: /s/ Anthony J. Orlando

DSS ENVIRONMENTAL, INC.

By: /s/ Anthony J. Orlando

ERC ENERGY II, INC.

By: /s/ Anthony J. Orlando

ERC ENERGY, INC.

By: /s/ Anthony J. Orlando

HEBER FIELD ENERGY II, INC.

By: /s/ Anthony J. Orlando

HEBER LOAN PARTNERS

By: /s/ Anthony J. Orlando

OPI QUEZON INC.

By: /s/ Anthony J. Orlando

THREE MOUNTAIN OPERATIONS, INC.

By: /s/ Anthony J. Orlando

THREE MOUNTAIN POWER, LLC

By: /s/ Anthony J. Orlando

EXHIBIT 1 TO REORGANIZATION PLAN

SCHEDULE OF REORGANIZING DEBTORS

Operating Company Debtors

Debtor	Case Number
Covanta Alexandria/Arlington, Inc.	02-40929 (CB)
Covanta Babylon, Inc.	02-40928 (CB)
Covanta Bessemer, Inc.	02-40862 (CB)
Covanta Bristol, Inc.	02-40930 (CB)
Covanta Cunningham Environmental Support Services, Inc.	02-40863 (CB)
Covanta Energy Americas, Inc.	02-40881 (CB)
Covanta Energy Construction, Inc.	02-40870 (CB)
Covanta Energy Resource Corp.	02-40915 (CB)
Covanta Engineering Services, Inc.	02-40898 (CB)
Covanta Fairfax, Inc.	02-40931 (CB)
Covanta Geothermal Operations, Inc.	02-40872 (CB)

Covanta Heber Field Energy, Inc.	02-40893 (CB)
Covanta Hennepin Energy Resource Co., L.P.	02-40906 (CB)
Covanta Hillsborough, Inc.	02-40932 (CB)
Covanta Honolulu Resource Recovery Venture	02-40905 (CB)
Covanta Huntington Limited Partnership	02-40916 (CB)
Covanta Huntington Resource Recovery One Corp.	02-40919 (CB)
Covanta Huntington Resource Recovery Seven Corp.	02-40920 (CB)
Covanta Huntsville, Inc.	02-40933 (CB)
Covanta Hydro Energy, Inc.	02-40894 (CB)
Covanta Hydro Operations West, Inc.	02-40875 (CB)
Covanta Hydro Operations, Inc.	02-40874 (CB)
Covanta Imperial Power Services, Inc.	02-40876 (CB)
Covanta Indianapolis, Inc.	02-40934 (CB)
Covanta Kent, Inc.	02-40935 (CB)
Covanta Lake, Inc.	02-40936 (CB)
Covanta Lancaster, Inc.	02-40937 (CB)
Covanta Lee, Inc.	02-40938 (CB)
Covanta Long Island, Inc.	02-40917 (CB)
Covanta Marion Land Corp.	02-40940 (CB)
Covanta Marion, Inc.	02-40939 (CB)
Covanta Mid-Conn, Inc.	02-40911 (CB)
Covanta Montgomery, Inc.	02-40941 (CB)
Covanta New Martinsville Hydro-Operations Corp.	02-40877 (CB)
Covanta Oahu Waste Energy Recovery, Inc.	02-40912 (CB)
Covanta Onondaga Five Corp.	02-40926 (CB)
Covanta Onondaga Four Corp.	02-40925 (CB)
Covanta Onondaga Limited Partnership	02-40921 (CB)
Covanta Onondaga Operations, Inc.	02-40927 (CB)
Covanta Onondaga Three Corp.	02-40924 (CB)
Covanta Onondaga Two Corp.	02-40923 (CB)
Covanta Onondaga, Inc.	02-40922 (CB)
Covanta Operations of Union, LLC	02-40909 (CB)
Covanta OPW Associates, Inc.	02-40908 (CB)
Covanta OPWH, Inc.	02-40907 (CB)
Covanta Pasco, Inc.	02-40943 (CB)
Covanta Projects of Hawaii, Inc.	02-40913 (CB)
Covanta Projects of Wallingford, L.P.	02-40903 (CB)
Covanta Secure Services, Inc.	02-40901 (CB)
Covanta SIGC Geothermal Operations, Inc.	02-40883 (CB)
Covanta Stanislaus, Inc.	02-40944 (CB)
Covanta Union, Inc.	02-40946 (CB)
Covanta Wallingford Associates, Inc.	02-40914 (CB)
Covanta Waste to Energy of Italy, Inc.	02-40902 (CB)
Covanta Water Treatment Services, Inc.	02-40868 (CB)
DSS Environmental, Inc.	02-40869 (CB)
ERC Energy II, Inc.	02-40890 (CB)
ERC Energy, Inc.	02-40891 (CB)
Heber Field Energy II, Inc.	02-40892 (CB)
Heber Loan Partners	02-40889 (CB)
OPI Quezon, Inc.	02-40860 (CB)
Three Mountain Operations, Inc.	02-40879 (CB)
Three Mountain Power, LLC	02-40880 (CB)

Covanta and Intermediate Holding Company Debtors

Debtor	Case Number
Covanta Acquisition, Inc.	02-40861(CB)
Covanta Energy Corporation	02-40841(CB)
Covanta Energy Group, Inc.	03-13707(CB)
Covanta Energy International, Inc.	03-13706(CB)
Covanta Energy West, Inc.	02-40871(CB)
Covanta Equity of Alexandria/Arlington, Inc.	03-13682(CB)
Covanta Equity of Stanislaus, Inc.	03-13683(CB)
Covanta Power Development of Bolivia, Inc.	02-40856(CB)
Covanta Power Development, Inc.	02-40855(CB)
Covanta Power Equity Corp.	02-40895(CB)
Covanta Power International Holdings, Inc.	03-13708(CB)
Covanta Projects, Inc.	03-13709(CB)
Covanta Systems, Inc.	02-40948(CB)
Covanta Waste to Energy, Inc.	02-40949(CB)
Covanta Water Holdings, Inc.	02-40866(CB)
Covanta Water Systems, Inc.	02-40867(CB)
Covanta Geothermal Operations Holdings, Inc.	02-40873(CB)
Covanta RRS Holdings, Inc.	02-40910(CB)
Covanta Energy Services, Inc.	02-40899(CB)
Covanta Energy Services of New Jersey, Inc.	02-40900(CB)

EXHIBIT 2 TO REORGANIZATION PLAN

LIST OF LIQUIDATING DEBTORS

Liquidating Debtor	Case Number
Alpine Food Products, Inc.	03-13679 (CB)
BDC Liquidating Corp.	03-13681 (CB)
Bouldin Development Corp.	03-13680 (CB)
Covanta Concerts Holdings, Inc.	02-16322 (CB)
Covanta Energy Sao Jeronimo, Inc.	02-40854 (CB)
Covanta Financial Services, Inc.	02-40947 (CB)
Covanta Huntington, Inc.	02-40918 (CB)
Covanta Key Largo, Inc.	02-40864 (CB)
Covanta Northwest Puerto Rico, Inc.	02-40942 (CB)
Covanta Oil & Gas, Inc.	02-40878 (CB)
Covanta Secure Services USA, Inc.	02-40896 (CB)
Covanta Tulsa, Inc.	02-40945 (CB)
Covanta Waste Solutions, Inc.	02-40897 (CB)
Doggie Diner, Inc.	03-13684 (CB)
Gulf Coast Catering Company, Inc.	03-13685 (CB)
J.R. Jack's Construction Corporation	02-40857 (CB)
Lenzar Electro-Optics, Inc.	02-40832 (CB)
Logistics Operations, Inc.	03-13688 (CB)
Offshore Food Service, Inc.	03-13694 (CB)
OFS Equity of Alexandria/Arlington, Inc.	03-13687 (CB)
OFS Equity of Babylon, Inc.	03-13690 (CB)
OFS Equity of Delaware, Inc.	03-13689 (CB)
OFS Equity of Huntington, Inc.	03-13691 (CB)
OFS Equity of Indianapolis, Inc.	03-13693 (CB)
OFS Equity of Stanislaus, Inc.	03-13692 (CB)
Ogden Allied Abatement & Decontamination Service, Inc.	02-40827 (CB)
Ogden Allied Maintenance Corp.	02-40828 (CB)
Ogden Allied Payroll Services, Inc.	02-40835 (CB)
Ogden Attractions, Inc.	02-40836 (CB)
Ogden Aviation Distributing Corp.	02-40829 (CB)
Ogden Aviation Fueling Company of Virginia, Inc.	02-40837 (CB)
Ogden Aviation Security Services of Indiana, Inc.	03-13695 (CB)
Ogden Aviation Service Company of Colorado, Inc.	02-40839 (CB)
Ogden Aviation Service Company of Pennsylvania, Inc.	02-40834 (CB)
Ogden Aviation Service International Corporation	02-40830 (CB)
Ogden Aviation Terminal Services, Inc.	03-13696 (CB)
Ogden Aviation, Inc.	02-40838 (CB)
Ogden Cargo Spain, Inc.	02-40843 (CB)
Ogden Central and South America, Inc.	02-40844 (CB)
Ogden Cisco, Inc.	03-13698 (CB)
Ogden Communications, Inc.	03-13697 (CB)
Ogden Constructors, Inc.	02-40858 (CB)
Ogden Environmental & Energy Services Co., Inc.	02-40859 (CB)
Ogden Facility Holdings, Inc.	02-40845 (CB)
Ogden Facility Management Corporation of Anaheim	02-40846 (CB)
Ogden Facility Management Corporation of West Virginia	03-13699 (CB)
Ogden Film and Theatre, Inc.	02-40847 (CB)
Ogden Firehole Entertainment Corp.	02-40848 (CB)
Ogden Food Service Corporation of Milwaukee, Inc.	03-13701 (CB)
Ogden International Europe, Inc.	02-40849 (CB)
Ogden Leisure, Inc.	03-13700 (CB)
Ogden Management Services, Inc.	03-13702 (CB)
Ogden New York Services, Inc.	02-40826 (CB)
Ogden Pipeline Service Corporation	03-13704 (CB)
Ogden Services Corporation	02-40850 (CB)
Ogden Support Services, Inc.	02-40851 (CB)
Ogden Technology Services Corporation	03-13703 (CB)
Ogden Transition Corporation	03-13705 (CB)
PA Aviation Fuel Holdings, Inc.	02-40852 (CB)
Philadelphia Fuel Facilities Corporation	02-40853 (CB)

EXHIBIT 3 TO REORGANIZATION PLAN

LIST OF REORGANIZING DEBTORS FILING ON
INITIAL PETITION DATE AND SUBSEQUENT PETITION DATE

SCHEDULE OF REORGANIZING DEBTORS FILING ON APRIL 1, 2002
(THE INITIAL PETITION DATE)

Reorganizing Debtor	Case Number
Covanta Acquisition, Inc.	02-40861 (CB)
Covanta Alexandria/Arlington, Inc.	02-40929 (CB)
Covanta Babylon, Inc.	02-40928 (CB)
Covanta Bessemer, Inc.	02-40862 (CB)
Covanta Bristol, Inc.	02-40930 (CB)
Covanta Cunningham Environmental Support Services, Inc.	02-40863 (CB)
Covanta Energy Americas, Inc.	02-40881 (CB)
Covanta Energy Construction, Inc.	02-40870 (CB)
Covanta Energy Corporation	02-40841 (CB)

Covanta Energy Resource Corp.	02-40915 (CB)
Covanta Energy Services of New Jersey, Inc.	02-40900 (CB)
Covanta Energy Services, Inc.	02-40899 (CB)
Covanta Energy West, Inc.	02-40871 (CB)
Covanta Engineering Services, Inc.	02-40898 (CB)
Covanta Fairfax, Inc.	02-40931 (CB)
Covanta Geothermal Operations Holdings, Inc.	02-40873 (CB)
Covanta Geothermal Operations, Inc.	02-40872 (CB)
Covanta Heber Field Energy, Inc.	02-40893 (CB)
Covanta Hennepin Energy Resource Co., L.P.	02-40906 (CB)
Covanta Hillsborough, Inc.	02-40932 (CB)
Covanta Honolulu Resource Recovery Venture	02-40905 (CB)
Covanta Huntington Limited Partnership	02-40916 (CB)
Covanta Huntington Resource Recovery One Corp.	02-40919 (CB)
Covanta Huntington Resource Recovery Seven Corp.	02-40920 (CB)
Covanta Huntsville, Inc.	02-40933 (CB)
Covanta Hydro Energy, Inc.	02-40894 (CB)
Covanta Hydro Operations West, Inc.	02-40875 (CB)
Covanta Hydro Operations, Inc.	02-40874 (CB)
Covanta Imperial Power Services, Inc.	02-40876 (CB)
Covanta Indianapolis, Inc.	02-40934 (CB)
Covanta Kent, Inc.	02-40935 (CB)
Covanta Lake, Inc.	02-40936 (CB)
Covanta Lancaster, Inc.	02-40937 (CB)
Covanta Lee, Inc.	02-40938 (CB)
Covanta Long Island, Inc.	02-40917 (CB)
Covanta Marion Land Corp.	02-40940 (CB)
Covanta Marion, Inc.	02-40939 (CB)
Covanta Mid-Conn, Inc.	02-40911 (CB)
Covanta Montgomery, Inc.	02-40941 (CB)
Covanta New Martinsville Hydro-Operations Corp.	02-40877 (CB)
Covanta Oahu Waste Energy Recovery, Inc.	02-40912 (CB)
Covanta Onondaga Five Corp.	02-40926 (CB)
Covanta Onondaga Four Corp.	02-40925 (CB)
Covanta Onondaga Limited Partnership	02-40921 (CB)
Covanta Onondaga Operations, Inc.	02-40927 (CB)
Covanta Onondaga Three Corp.	02-40924 (CB)
Covanta Onondaga Two Corp.	02-40923 (CB)
Covanta Onondaga, Inc.	02-40922 (CB)
Covanta Operations of Union, LLC	02-40909 (CB)
Covanta OPW Associates, Inc.	02-40908 (CB)
Covanta OPWH, Inc.	02-40907 (CB)
Covanta Pasco, Inc.	02-40943 (CB)
Covanta Power Development of Bolivia, Inc.	02-40856 (CB)
Covanta Power Development, Inc.	02-40855 (CB)
Covanta Power Equity Corp.	02-40895 (CB)
Covanta Projects of Hawaii, Inc.	02-40913 (CB)
Covanta Projects of Wallingford, L.P.	02-40903 (CB)
Covanta RRS Holdings, Inc.	02-40910 (CB)
Covanta Secure Services, Inc.	02-40901 (CB)
Covanta SIGC Geothermal Operations, Inc.	02-40883 (CB)
Covanta Stanislaus, Inc.	02-40944 (CB)
Covanta Systems, Inc.	02-40948 (CB)
Covanta Union, Inc.	02-40946 (CB)
Covanta Wallingford Associates, Inc.	02-40914 (CB)
Covanta Waste to Energy of Italy, Inc.	02-40902 (CB)
Covanta Waste to Energy, Inc.	02-40949 (CB)
Covanta Water Holdings, Inc.	02-40866 (CB)
Covanta Water Systems, Inc.	02-40867 (CB)
Covanta Water Treatment Services, Inc.	02-40868 (CB)
DSS Environmental, Inc.	02-40869 (CB)
ERC Energy II, Inc.	02-40890 (CB)
ERC Energy, Inc.	02-40891 (CB)
Heber Field Energy II, Inc.	02-40892 (CB)
Heber Loan Partners	02-40889 (CB)
OPI Quezon, Inc.	02-40860 (CB)
Three Mountain Operations, Inc.	02-40879 (CB)
Three Mountain Power, LLC	02-40880 (CB)

SCHEDULE OF REORGANIZING DEBTORS FILING ON JUNE 6, 2003
(THE SUBSEQUENT PETITION DATE)

Reorganizing Debtor	Case Number
Covanta Energy International, Inc.	03-13706 (CB)
Covanta Equity of Alexandria/Arlington, Inc.	03-13682 (CB)
Covanta Equity of Stanislaus, Inc.	03-13683 (CB)
Covanta Power International Holdings, Inc.	03-13708 (CB)
Covanta Energy Group, Inc.	03-13707 (CB)
Covanta Projects, Inc.	03-13709 (CB)

EXHIBIT 5

TERMS OF THE 9.25% SETTLEMENT

The following are terms of the 9.25% Settlement that apply to Accepting Bondholders under this Reorganization Plan with respect to the Adversary Proceeding No. 02-03004 (the "Adversary Proceeding"), commenced by the Official Committee of Unsecured Creditors of Covanta Energy Corporation, et al. (the "Official Committee") against Wells Fargo Bank Minnesota, National Association, in its capacity as Indenture Trustee (the "Indenture Trustee"), as Defendant, and the Informal Committee of Secured Debenture Holders (the "Informal Committee"), as Defendant-Intervenor, now pending in the Chapter 11 proceedings of Covanta Energy Corp. and its subsidiaries (the "Debtors"). Unless otherwise indicated herein, capitalized terms used herein shall have the meanings set forth in the Reorganization Plan.

1. Upon the entry of a Final Order confirming the Reorganization Plan in which the 9.25% Settlement has been accepted by Accepting Bondholders, the Official Committee shall be deemed to have acknowledged, for those Accepting Bondholders, the validity, priority, non-avoidability, perfection and enforceability of the liens and claims of the Indenture Trustee for the benefit of the Indenture Trustee and with respect to each such Accepting Bondholder shall be deemed to have been fully released from any right to challenge such liens.

2. Upon confirmation of the Reorganization Plan, holders of Allowed Parent and Holding Company Unsecured Claims shall be entitled to receive 12.5% of the first $84 million of each component of value distributable to the Accepting Bondholders pursuant to the Reorganization Plan (the "Settlement Distribution" as defined in the Reorganization Plan), which entitlement shall be effectuated under the Reorganization Plan.

3. Pursuant to the Reorganization Plan, all fees and expenses incurred by the Official Committee relating to the Adversary Proceeding through the Confirmation Date shall be paid by Covanta (subject to the ordinary fee approval process of the Bankruptcy Court), notwithstanding any prior order limiting the amount of cash collateral authorized to be used for such fees and expenses.

4. Pursuant to the Reorganization Plan, the holders of Allowed Parent and Holding Company Unsecured Claims shall receive (A) a waiver by the Indenture Trustee and by the Accepting Bondholders of (i) any deficiency claim on account of the Allowed Subclass 3B Secured Claims held by them, and (ii) the benefits of the subordination provisions contained in the Convertible Subordinated Bonds, and (B) the treatment and distributions set forth in Section 4.6(b) of the Reorganization Plan.

5. The Accepting Bondholders agree not to file, sponsor, support or vote for any plan of reorganization or other transaction in these Chapter 11 proceedings which does not contain all of the substantive terms set forth herein which are designated to be included in the Reorganization Plan, or which is in any way substantively inconsistent with any such terms.

EXHIBIT 6

[TO COME]

EXHIBIT 9.1A TO THE REORGANIZATION PLAN

LIST OF REJECTING DEBTORS

Rejecting Debtor	Case Number
Covanta Energy Americas, Inc.	02-40881 (CB)
Covanta Energy Corporation	02-40841 (CB)
Covanta Energy International, Inc.	03-13706 (CB)
Covanta Power International Holdings, Inc.	03-13708 (CB)
Covanta Energy Group, Inc.	03-13707 (CB)
Covanta Projects, Inc.	03-13709 (CB)

EXHIBIT 9.1A(s) TO THE REORGANIZATION PLAN

REJECTING DEBTORS' SCHEDULE OF ASSUMED CONTRACTS AND LEASES

As of the Effective Date, all executory contracts and unexpired leases to which each Rejecting Debtor is a party shall be deemed rejected except for any executory contract or unexpired lease that (i) has been previously assumed or rejected pursuant to a Final Order of the Bankruptcy Court, (ii) is specifically designated as a contract or lease on this schedule, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors prior to the Effective Date. The Rejecting Debtors reserve the right to add or remove executory contracts and unexpired leases to or from this schedule at any time prior to the Effective Date.

<TABLE>

	Name of Rejecting Debtor that is the Party to the Contract	Name and Address of the Counterparty (or Other Party) to the Contract	Description of Contract
<S>		<C>	<C>
1.	Covanta Energy Americas, Inc.	Allegheny Energy Supply Co. 10435 Downsville Pike Hagerstown, MD 21740-1766	Confidentiality and Nondisclosure Agreement, dated October 12, 2001.
2.	Covanta Energy Americas, Inc.	Barclays Capital 5 the North Colonnade Canary Wharf London E14 4BB	Confidentiality Agreement, dated as of March 14, 2001.
3.	Covanta Energy Americas, Inc.	Black Hills Energy Capital P.O. Box 14000 Rapid City, SD 57709	Confidentiality and Nondisclosure Agreement, dated 2001.
4.	Covanta Energy Americas, Inc.	BP Energy Company 501 Westlake Park Boulevard Houston, TX 77079	Confidentiality Agreement, dated October 17, 2001.
5.	Covanta Energy Americas, Inc.	Calpine Corporation 4160 Dublin Blvd. Dublin, CA 94568-3139	Confidentiality and Nondisclosure Agreement, dated October 4, 2001.
6.	Covanta Energy Americas, Inc.	CES Acquisition Corp. 76 Greene Street, 4th Floor New York, NY 10012	Confidentiality and Nondisclosure Agreement, dated October 4, 2001.
7.	Covanta Energy Americas, Inc.	CMS Marketing Serv & Trading 330 Town Center Drive Suite 1100 Dearborn, MI 48126	Confidentiality and Nondisclosure Agreement, dated October 25, 2001.
8.	Covanta Energy Americas, Inc.	Conoco Global Power Conoco Center P.O. Box 2197 Houston, TX 77252-2197	Confidentiality and Nondisclosure Agreement, dated October 17, 2001.
9.	Covanta Energy Americas, Inc.	Coral Energy, L.P. 700 Fanin, Suite 700 Houston, TX 77010	Confidentiality and Nondisclosure Agreement.
10.	Covanta Energy Americas, Inc.	Edison Mission Energy 18101 Von Karma Ave., Suite 200 Irvine, CA 92612	Confidentiality and Nondisclosure Agreement, dated October 16, 2001.
11.	Covanta Energy Americas, Inc.	EPCOR Power Development Corporation 10065 Jasper Avenue, 18 Fl Edmonton, Alberta Canada T5J 3B1	Confidentiality and Nondisclosure Agreement, dated September 19, 2001.
12.	Covanta Energy Americas, Inc.	Ernst & Young LLP 1133 Avenue of the Americas New York, NY 10036	Confidentiality Agreement, dated October 11, 2001.
13.	Covanta Energy Americas, Inc.	FPL Energy LLC 700 Universe Boulevard Juno Beach, FL 33408	Confidentiality and Nondisclosure Agreement, dated January 11, 2002.

14.	Covanta Energy Americas, Inc.	GE Capital Services Structured Finance Group, Inc. 120 Long Ridge Road, 3rd Fl. Stamford, CT 06927	Confidentiality and Nondisclosure Agreement, dated October 18, 2001.
15.	Covanta Energy Americas, Inc.	Global Tradelinks 451 Pebble Beach Place Fullerton, CA 92835	Confidentiality and Nondisclosure Agreement, dated February 25, 2001.
16.	Covanta Energy Americas, Inc.	Horizon Power, Inc. 10 Lafayette Square Buffalo, NY 14203	Confidentiality and Nondisclosure Agreement, dated October 12, 2001.
17.	Covanta Energy Americas, Inc.	Innogy America LLC 303 East Wacker Drive Suite 1200 Chicago, IL 60601	Confidentiality and Nondisclosure Agreement, dated October 8, 2001.
18.	Covanta Energy Americas, Inc.	Mt. Wheeler Power, Inc. P.O. Box 1110 Ely, NV 89301	Confidentiality Agreement, dated as of June 28, 2000.
19.	Covanta Energy Americas, Inc.	National Energy Systems Co. 335 Parkplace, Suite 110 Kirkland, WA 98033	Confidentiality and Nondisclosure Agreement, dated October 29, 2001.
20.	Covanta Energy Americas, Inc.	Unions Signatory- Project Labor c/o Mark Joseph, Esq. 651 Gateway Blvd., #900 South San Francisco, CA 96002	Ogden Power Corporation Guaranty for the Project Labor Agreement, dated July 13, 2000.
21.	Covanta Energy Americas, Inc.	Wartsila North America, Inc. 201 Defense Hwy., Suite 100 1, Annapolis, MD 21401-7052	PRI Premium, True-Up Agreement dated February 1, 2002.
22.	Covanta Energy Corporation	Aelita Jill Mastroianni 6500 Emerald Parkway, Ste. 400 Dublin, OH 43016	Network Management Agreement, dated April 2003.
23.	Covanta Energy Corporation	Aircraft Services Corporation 120 Long Ridge Road Stamford, CT 06927	Agreement, dated January 8, 1993, among Aircraft Services Corporation, Resource Recovery Business Trust 1991-B, Covanta Projects, Inc, Covanta Energy Corporation, and Michigan Waste Energy, Inc., as amended.
24.	Covanta Energy Corporation	Alexandria Sanitation Auth. 835 South Payne Street P.O. Box 1205 Alexandria, VA 22313	Guaranty, dated as of October 1, 1985, by Covanta Energy Corporation in favor of the City of Alexandria, VA, Arlington County, VA, the Alexandria Sanitation Authority, Arlington Solid Waste Authority, as amended.
25.	Covanta Energy Corporation	Alexandria Sanitation Auth. 835 South Payne Street P.O. Box 1205 Alexandria, VA 22313	Retrofit Guaranty, dated as of November 10, 1998, by Covanta Energy Corporation to and for the benefit of the City of Alexandria, VA, Arlington County, VA, the Industrial Development Authority of Arlington.
26.	Covanta Energy Corporation	Allstate Insurance Company Attn: Financial Law Division Allstate Plaza South - G5D Northbrook, IL 60062	Guaranty Agreement, dated January 30, 1992.
27.	Covanta Energy Corporation	American Home Assurance Co. American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 5, 1985 through August 5, 1986.(1)
28.	Covanta Energy Corporation	American Home Assurance Co. American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 5, 1986 through August 5, 1987.(1)
29.	Covanta Energy Corporation	American Home Assurance Co. American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 5, 1987 through August 5, 1988.(1)
30.	Covanta Energy Corporation	American Home Assurance Co. American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 5, 1988 through August 5, 1989.(1)
31.	Covanta Energy Corporation	American Home Assurance Co. American International Group	Indemnity Agreement for Risk Management Program, from August 5, 1989 through August 5,

		70 Pine Street New York, NY 10004	1990.(1)
32.	Covanta Energy Corporation	American Home Assurance Co. American International Group 70 Pine Street New York, NY 10004	Schedule of Policies and Payments (Paid Loss Payment Plan) Payment Agreement for Risk Management Program, from August 31, 1998 through August 31, 1999.(1)

---

(1) Assumption or rejection of this contract is to be decided by debtor at a later date.

33.	Covanta Energy Corporation	American Int. South Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedule of Policies and Payments (Paid Loss Payment Plan) Payment Agreement for Risk Management Program, from August 31, 1998 through August 31, 1999.(1)
34.	Covanta Energy Corporation	AIU Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedule of Policies and Payments (Paid Loss Payment Plan) Payment Agreement for Risk Management Program, from August 31, 1998 through August 31, 1999. (1)
35.	Covanta Energy Corporation	Arlington County, VA 1400 North Courthouse Road Attn: County Manager Arlington, VA 22201	Retrofit Guaranty, dated as of November 10, 1998, by Covanta Energy Corporation to and for the benefit of the City of Alexandria, VA, Arlington County, VA, the Industrial Development Authority of Arlington.
36.	Covanta Energy Corporation	Arlington County, VA Attn: County Manager 1400 North Courthouse Road Arlington, VA 22201	Guaranty, dated as of October 1, 1985, by Covanta Energy Corporation in favor of the City of Alexandria, VA, Arlington County, VA, the Alexandria Sanitation Authority, Arlington Solid Waste Authority, as amended.
37.	Covanta Energy Corporation	Arlington Solid Waste Auth. 1400 North Courthouse Road Arlington, VA 22201	Guaranty, dated as of October 1, 1985, by Covanta Energy Corporation in favor of the City of Alexandria, VA, Arlington County, VA, the Alexandria Sanitation Authority, Arlington Solid Waste Authority, as amended.
38.	Covanta Energy Corporation	Arlington Solid Waste Auth. 1400 North Courthouse Road Arlington, VA 22201	Retrofit Guaranty, dated as of November 10, 1998, by Covanta Energy Corporation to and for the benefit of the City of Alexandria, VA, Arlington County, VA, the Industrial Development Authority of Arlington.
39.	Covanta Energy Corporation	Avondale Industries, Inc. P.O. Box 22 Boston, MA 02128	Letter Agreement, dated August 11, 1986, regarding settlement of insurance claims and insurance premium adjustments.(2)

---

(2) Assumption or rejection of this contract will be determined by the Debtors at a later date.

40.	Covanta Energy Corporation	Balaji Power Corp. Private Ltd n/k/a Madurai Power Corp. Pvt. Ltd. Flat G-1, Seshadri Manor Sestradri Road Alwarpet, Chennai 600 018 India	O&M Guarantee, dated April 25, 2000 relating to Balaji Project n/k/a Madurai Project.
41.	Covanta Energy Corporation	Birmingham Fire Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedule of Policies and Payments (Paid Loss Payment Plan) Payment Agreement for Risk Management Program, from August 31, 1998 through August 31, 1999.(3)
42.	Covanta Energy Corporation	Ceridian Corporation 120 Eagle Rock Ave. East Hanover, NJ 07936	Time and attendance annual support.
43.	Covanta Energy Corporation	Ceridian 4345 Security Parkway New Albany, IN 47150	HR/Payroll Service and Support Agreement, dated January 2000.
44.	Covanta Energy Corporation	City and County of Honolulu 530 South King Street Honolulu, HI 96813	Operating Guaranty Agreement, dated December 21, 1992, by Covanta Energy Corporation for the benefit of The City and County of Honolulu.
45.	Covanta Energy Corporation	City of Alexandria City Hall 301 King Street Alexandria, VA 22313	Guaranty, dated as of October 1, 1985, by Covanta Energy Corporation in favor of the City of Alexandria, Arlington County, VA, the Alexandria Sanitation Authority, Arlington Solid Waste Authority, as amended.
46.	Covanta Energy Corporation	City of Alexandria City Hall 301 King Street	Retrofit Guaranty, dated as of November 10, 1998, by Covanta Energy Corporation to and for the benefit of the City of Alexandria, Arlington County, VA the Industrial Development

		Alexandria, VA 22313	Authority of Arlington.
47.	Covanta Energy Corporation	City of Bristol 111 North Main Street Bristol, CT 06010	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.

---

(3) Assumption or rejection of this contract is to be decided by debtor at a later date.

48.	Covanta Energy Corporation	City of Bristol 111 North Main Street Bristol, CT 06010	Confirmation of Guaranty, dated August 1, 1985.
49.	Covanta Energy Corporation	City of Huntsville Attn: Executive Director P.O. Box 308 Huntsville, AL 35804-0308	Guaranty, dated June 1, 1988, by Covanta Energy Corporation for the benefit of The Solid Waste Disposal Authority of the City of Huntsville, as amended.
50.	Covanta Energy Corporation	City of Indianapolis Department of Public Works 2460 City-County Building Indianapolis, IN 46204	Guaranty, dated as of December 1, 1985, by Covanta Energy Corporation to and for the benefit of the City of Indianapolis made in connection with the Amended and Restated Service Agreement, dated as of September 23, 1985, as amended.
51.	Covanta Energy Corporation	City of Modesto 801 11th Street Modesto, CA 95354	Guaranty Agreement, dated May 1, 1990, by Covanta Energy Corporation to and for the benefit of the County of Stanislaus and the City of Modesto of the obligations of Covanta Stanislaus, Inc. under the Service Agreement, dated June 30, 1986, as amended.
52.	Covanta Energy Corporation	City of New Britain City Hall 21 West Main Street New Hartford, CT 06057	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
53.	Covanta Energy Corporation	City of New Britain City Hall 21 West Main Street New Hartford, CT 06057	Confirmation of Guaranty, dated August 1, 1985.
54.	Covanta Energy Corporation	CLP Power International Ltd CMG Asia Tower, 22nd Fl. 15 Canton Rd. Kowloon, Hong Kong	Confidentiality Agreement, dated August 15, 2001.
55.	Covanta Energy Corporation	Commerce and Industry Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedule of Policies and Payments (Paid Loss Payment Plan) Payment Agreement for Risk Management Program, from August 31, 1998 through August 31, 1999.(4)

---

(4) Assumption or rejection of this contract is to be decided by debtor at a later date.

56.	Covanta Energy Corporation	Connecticut Light & Power Co. c/o NE Utilities Service Co. P.O. Box 270 Hartford, CT 06141	Electricity Guarantee, dated as of August 1, 1985, and Confirmation of Guarantee dated December 1, 1993, by Covanta Energy Corporation to and for the benefit of the Connecticut Light and Power Company.
57.	Covanta Energy Corporation	Connecticut Resource Recovery Authority Attn: President 100 Constitution Plaza, 17th Fl. Hartford, CT 06103	Guaranty, dated as of February 1, 1990, guaranteeing the performance of the Wallingford Resource Recovery Associates, L.P. for the benefit of Connecticut Resources Recovery Authority.
58.	Covanta Energy Corporation	Copyright Clearance Center Inc Attn: Bruce Funkhouser 222 Rosewood Drive Danvers, MA 01923	Annual Authorizations Service Repertory License Agreement.
59.	Covanta Energy Corporation	County of Fairfax 12000 Government Center Pkwy., Ste. 552 Fairfax, VA 22035	Covanta Energy Corporation Guaranty, dated February 1, 1998, made by Covanta Energy Corporation to and for the benefit of Fairfax County and the Authority.

60.	Covanta Energy Corporation	County of Hennepin A-2307 Government Center Minneapolis, MN 55487 Attention: County Administrator	Parent Company Guarantee, dated July 8, 2003, with the County of Hennepin.
61.	Covanta Energy Corporation	County of Kent 300 Monroe Avenue, N.W. Grand Rapids, MI 49503	Guaranty Agreement, dated as October 1, 1987, by Covanta Energy Corporation for the benefit of the County of Kent made in connection with the Amended and Restated Construction and Service Agreement with Covanta Kent, Inc., dated October 1, 1987, as amended.
62.	Covanta Energy Corporation	County of Stanislaus 1100 H. Street Modesto, CA 95354	Guaranty Agreement, dated May 1, 1990, by Covanta Energy Corporation to and for the benefit of the County of Stanislaus and the City of Modesto of the obligations of Covanta Stanislaus, Inc. under the Service Agreement, dated June 30, 1986, as amended.
63.	Covanta Energy Corporation	County of Stanislaus 1100 H. Street Modesto, CA 95354	Guaranty Agreement, dated July 1, 1986 by Covanta Energy Corporation to and for the benefit of the City of Modesto, and the County of Stanislaus. Debtor guarantees performance of the obligations of Stanislaus Waste Energy Company, as amended.
64.	Covanta Energy Corporation	Detroit Edison Company 2000 Second Avenue Detroit, Ml 48226	Guarantee Agreement, dated as of December 12, 1992, between Covanta Energy Corporation and Detroit Edison Company.
65.	Covanta Energy Corporation	Doble Engineering Company 85 Walnut Street Watertown, MA 02472	Service & Engineering Agreement, dated September 27, 1995, as amended.
66.	Covanta Energy Corporation	F. Brown Gregg 1616 S. 14th Street Leesburg, FL 327480	Guaranty, dated November 10, 1988, by Covanta Energy Corporation for the benefit of F. Browne Gregg. Covanta Energy Corporation guarantees the performance of Covanta Systems, Inc.(5)
67.	Covanta Energy Corporation	Fairfax County Solid Waste Authority c/o Director of Public Works 3930 Pender Drive Fairfax, VA 22030	Covanta Energy Corporation Guaranty, dated February 1, 1998, made by Covanta Energy Corporation to and for the benefit of Fairfax County and the Authority.
68.	Covanta Energy Corporation	Fox Paine & Company LLC 90 Tower Lane Suite 1150 Foster City, CA 94409	Confidentiality Agreement.
69.	Covanta Energy Corporation	GE Capital Com. Fin. Inc. Attn: Cyntra Trani 335 Madison Ave., 12th Fl. New York, NY 10017	Confidentiality Agreement.
70.	Covanta Energy Corporation	Greater Detroit Res. Rec. Auth 5700 Russell Street, Bld. A Detroit, MI 48226	Guarantee Agreement, dated as of July 1, 1996, by Covanta Energy Corporation to and for the benefit of the Greater Detroit Resource Recovery Authority.
71.	Covanta Energy Corporation	Hillsborough County 925 E. Twiggs Street P.O. Box 1110 Tampa, FL 33601	Guaranty, dated as of January 9, 1985, by Covanta Energy Corporation for the benefit of Hillsborough County (the "1985 Guaranty").
72.	Covanta Energy Corporation	Hillsborough County 925 E. Twiggs Street P.O. Box 1110 Tampa, FL 33601	Letter Agreement, dated May 13, 1998, by Covanta Energy Corporation, ratifying and confirming Covanta Energy Corporation's continuing obligation under the 1985 Guaranty.

---

(5) The assumption or rejection of this contract will be determined by the Debtors at a later date.

73.	Covanta Energy Corporation	Houlihan, Lockey, Howard & Zukin Attn: Eric Seigert 225 S. Sixth St., Suite. 4950 Minneapolis, MN 55402	Confidentiality Agreement, dated March 14, 2002.
74.	Covanta Energy Corporation	ICICI Limited ICICI Towers 5th Fl., Bandra Kurla Complex Mumbai 400-051, India	Share Retention and Financial Support Agreement, dated April 25, 2000.
75.	Covanta Energy Corporation	Insurance Co. of the State of Pennsylvania American International Group 70 Pine Street	Schedule of Policies and Payments (Paid Loss Payment Plan) Payment Agreement for Risk Management Program, from August 31, 1998 through August 31, 1999.(6)

		New York, NY 10004	
76.	Covanta Energy Corporation	Illinois Nat. Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedule of Policies and Payments (Paid Loss Payment Plan) Payment Agreement for Risk Management Program, from August 31, 1998 through August 31, 1999.(6)
77.	Covanta Energy Corporation	Industrial Development Auth. of the City of Alexandria #1 Courthouse Plaza 2100 Clarendon Blvd., Ste 302 Arlington, VA 22201	Guaranty, dated as of December 1, 1986, by Covanta Energy Corporation in favor of the Industrial Development Authority of the City of Alexandria.
78.	Covanta Energy Corporation	Kekst & Company, Inc. Attn: Eric Berman 437 Madison Ave., 19th Fl. New York, NY 10022	Confidentiality Agreement.
79.	Covanta Energy Corporation	Lake County Lake County Courthouse 315 West Main Street Tavares, FL 32778	Guaranty, dated as of November 1, 1988, by Covanta Energy Corporation for the benefit of Lake County.(7)
80.	Covanta Energy Corporation	Lancaster County SWMA 1299 Old Harrisburg Pike P.O. Box 4425 Lancaster, PA 17604	Guaranty, dated as of September 25, 1987, guaranteeing the performance of Covanta Lancaster, Inc. under the Design and Construction Agreement and Service Agreement, as amended.

---

(6) Assumption or rejection of this contract is to be decided by debtor at a later date.

(7) The assumption or rejection of this contract is the subject of negotiations and/or litigation, and will be determined by the Debtors at a later date.

81.	Covanta Energy Corporation	Lee County 2178 McGregor Blvd. Fort Myers, FL 33901	Guaranty, dated as of July 16, 1990, to and for the benefit of Lee County, as amended.
82.	Covanta Energy Corporation	Marion County Marion County Courthouse 555 Court Street NE Salem, OR 97309	Guaranty, dated September 19, 1984, to and for the benefit of Marion County, as amended.
83.	Covanta Energy Corporation	Michigan Waste Energy, Inc. 40 Lane Road, CN-2615 Fairfield, NJ 07007-2615	Agreement, dated January 8, 1993, among Aircraft Services Corporation, Resource Recovery Business Trust 1991-B, Covanta Projects, Inc, Covanta Energy Corporation, and Michigan Waste Energy, Inc., as amended.
84.	Covanta Energy Corporation	Michigan Waste Energy, Inc. 40 Lane Road, CN-2615 Fairfield, NJ 07007-2615	Agreement among PMCC, Resource Recovery Business Trust 1991-A, Covanta Projects, Inc., Covanta Energy Corporation, and Michigan Waste to Energy, Inc., as amended.
85.	Covanta Energy Corporation	Mission Funding Zeta 1801 Von Kerman Avenue Suite 1700 Irvine, CA 92715-1046	First Amended and Restated Guaranty, dated January 30, 1992, by Covanta Energy Corporation for the benefit of Mission Funding Zeta and Pitney Bowes, in connection with Covanta Huntington Resource Recovery Nine Corporation.
86.	Covanta Energy Corporation	NE Maryland Waste Disp. Auth. 25 South Charles Street Suite 2105 Baltimore, MD 21201 Montgomery County DEP Attn: Director 101 Monroe Street Rockville, Maryland 20850	Guaranty Agreement, dated as of November 16, 1990, guaranteeing the performance of Covanta Montgomery, Inc. under the Service Agreement, dated as of November 16, 1990, as amended.
87.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 5, 1985 through August 5, 1986.(8)

---

(8) Assumption or rejection of this contract is to be decided by debtor at a later date.

88.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA	Indemnity Agreement for Risk Management Program, from August 5, 1986 through August 5, 1987.(8)

		American International Group 70 Pine Street New York, NY 10004	
89.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 5, 1987 through August 5, 1988.(8)
90.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 5, 1989 through August 5, 1990.(8)
91.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 31, 1991 through August 31, 1992.(8)
92.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 31, 1992 through August 31, 1993. (8)
93.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 31, 1994 through August 31, 1995.(8)
94.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 5, 1995 through August 5, 1996.(8)
95.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 31, 1996 through August 31, 1997.(8)
96.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from August 31, 1997 through August 31, 1998.(8)
97.	Covanta Energy Corporation	National Union Fire Insurance Company of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Schedule of Policies and Payments (Paid Loss Payment Plan) Payment Agreement for Risk Management Program, from August 31, 1998 through August 31, 1999.(8)
98.	Covanta Energy Corporation	New England Power Company U.S. Gen New England, Inc. 25 Research Drive Westborough, MA 01582	Covanta Energy Corporation Guarantee, dated as of December 23, 1986, by Covanta Energy Corporation in favor of New England Power Company (now USGen New England, Inc., as assignee), in connection with agreement with Ogden Haverhill Associates.
99.	Covanta Energy Corporation	Norex 15815 Franklin Tr. Prior Lake, MN 55372	Professional Information Services Contract.
100.	Covanta Energy Corporation	Onondaga County Resource Recovery Agency Attn: Executive Director 100 Elmwood Davis Road Syracuse, NY 13212	Second Amended and Restated Guaranty Agreement, dated October 10, 2003.
101.	Covanta Energy Corporation	Pasco County County Administrator 7530 Little Road New Port Richey, FL 33553	Guaranty, dated April 19, 1989, by Debtor of the obligations of Covanta Pasco, Inc. under the Construction Agreement and Service Agreement, dated March 28, 1989, as amended.
102.	Covanta Energy Corporation	PC Helps One Bala Plaza Bala Cynwyd, PA 19004	Software Support from Desktop Applications Contract.
103.	Covanta Energy Corporation	Pitney Bowes Credit Corp. 201 Merritt Seven	First Amended and Restated Guaranty, dated January 30, 1992, by Covanta Energy Corporation for the

	Norwalk, CT 06865-5151	benefit of Mission Funding Zeta and Pitney Bowes, in connection with Covanta Huntington Resource Recovery Nine Corporation.
104. Covanta Energy Corporation	PMCC Leasing Corporation 200 First Stamford Place Stamford, CT 06902	Agreement among PMCC, Resource Recovery Business Trust 1991-A, Covanta Projects, Inc., Covanta Energy Corporation, and Michigan Waste to Energy, Inc., as amended.
105. Covanta Energy Corporation	Portland General Electric Co. 121 S.W. Salmon Street Portland, OR 97204	Guaranty, dated as of September 10, 1984, by Covanta Energy Corporation and Covanta Systems, Inc. of the obligations of Trans-Energy-Oregon, Inc. under the Agreement for the Sale of Electrical Energy.
106. Covanta Energy Corporation	Resource Recovery Business Trust 1991-B Wilmington Trust Company Rodney Square North 1100 N. Market Street Wilmington, DE 19899	Agreement, dated January 8, 1993, among Aircraft Services Corporation, Resource Recovery Business Trust 1991-B, Covanta Projects, Inc, Covanta Energy Corporation, and Michigan Waste Energy, Inc., as amended.
107. Covanta Energy Corporation	Resource Recovery Business Trust 1991-A Wilmington Trust Company Rodney Square North 1100 N. Market Street Wilmington, DE 19899	Agreement among PMCC, Resource Recovery Business Trust 1991-A, Covanta Projects, Inc., Covanta Energy Corporation, and Michigan Waste to Energy, Inc., as amended.
108. Covanta Energy Corporation	Salomon Smith Barney Attn: Damien Mitchell 388 Greenwich Street New York, NY 10013	Confidentiality Agreement and Engagement Letter.
109. Covanta Energy Corporation	Salomon Smith Barney Attn: Greg Dalvito 7 World Trade Ct. 31st Fl. New York, NY 10048	Confidentiality Agreement.
110. Covanta Energy Corporation	Samayanallur Power Inv. Pvt. Ltd. Mr. Shivkumar Reddy 1 Ramakrishna St. T-Nagar Chennai 600017 India	Share Retention and Financial Support Agreement, dated April 25, 2000.
111. Covanta Energy Corporation	SG Securities (HK) Ltd. 41/F Edinburgh Tower 15 Queen's Road Central Hong Kong	Confidentiality Agreement between Covanta Energy Corporation and SG Securities (HK) Ltd. dated August 16, 2001.
112. Covanta Energy Corporation	State Street Bank (fka CT Bank and Trust Co. N.A.) Corporate Trust Dept. One Constitution Plaza Hartford, CT 06115	Liquidated Damages Guarantee, dated July 7, 1993.
113. Covanta Energy Corporation	Summit Bank Attn: Corporate Trust Dept. 210 Main Street Hackensack, NJ 07602	Subordinated Rent Guaranty Agreement, dated June 1, 1998, in connection with the Facility Lease Agreement, dated as of June 15, 1998.
114. Covanta Energy Corporation	SWDA of Huntsville 5251 Triana Blvd. Huntsville, AL 35805	Guaranty Agreement, dated as of June 1, 1988 by Covanta Energy Corporation for the benefit of the Solid Waste Disposal Authority of the City of Huntsville, as amended.
115. Covanta Energy Corporation	Tenaska, Inc. 1044 North 115th Street Suite 400 Omaha, NE 68154	Confidentiality Agreement between Covanta Energy Corporation and Tenaska, Inc., dated October 11, 2001.
116. Covanta Energy Corporation	Town of Babylon Town Hall 200 East Sunrise Highway Lindenhurst, NY 11757	Guarantee of the performance of Covanta Babylon, Inc. under the Service Agreement for the benefit of the Town of Babylon, Town of Babylon Industrial Development Agency, dated December 20, 1985.(9)
117. Covanta Energy Corporation	Town of Babylon Ind. Dev. Agency 400 West Main Street Babylon, NY 11702	Guarantee of the performance of Covanta Babylon, Inc. under the Service Agreement for the benefit of the Town of Babylon, Town of Babylon Industrial Development Agency, dated December 20, 1985.(9)
118. Covanta Energy Corporation	Town of Berlin Town Hall 240 Kensington Road Berlin, CT 06037	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of

		October 1, 1991, as amended.

---

(9) The Debtors and The Town of Babylon are engaged in settlement negotiations related to the amendment of the Guarantee and underlying Service Agreement. As such, the assumption or rejection of these agreements is subject to the outcome of those negotiations and/or litigation.

119. Covanta Energy Corporation	Town of Berlin Town Hall 240 Kensington Road Berlin, CT 06037	Confirmation of Guaranty, dated August 1, 1985.
120. Covanta Energy Corporation	Town of Branford Branford Town Hall 1019 Main Street P.O. Box 150 Branford, CT 06405	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
121. Covanta Energy Corporation	Town of Branford Branford Town Hall 1019 Main Street P.O. Box 150 Branford, CT 06405	Confirmation of Guaranty, dated August 1, 1985.
122. Covanta Energy Corporation	Town of Burlington 200 Spielman Highway Burlington, CT 06013	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
123. Covanta Energy Corporation	Town of Burlington 200 Spielman Highway Burlington, CT 06013	Confirmation of Guaranty, dated August 1, 1985.
124. Covanta Energy Corporation	Town of Harltand 22 South Road Hartland, CT 062027	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
125. Covanta Energy Corporation	Town of Harltand 22 South Road Hartland, CT 062027	Confirmation of Guaranty, dated August 1, 1985.
126. Covanta Energy Corporation	Town of Huntington Town Hall 100 Main Street Huntington, NY 11743	Amended and Restated Guaranty Agreement, dated as of June 29, 1989 by Covanta Energy Corporation for the Town of Huntington.
127. Covanta Energy Corporation	Town of Plainville Municipal Center 1 Central Square Plainville, CT 06062	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
128. Covanta Energy Corporation	Town of Plainville Municipal Center 1 Central Square Plainville, CT 06062	Confirmation of Guaranty, dated August 1, 1985.
129. Covanta Energy Corporation	Town of Plymouth Town Hall 19 East Main Street Terryville, CT 06786	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
130. Covanta Energy Corporation	Town of Plainville Municipal Center 1 Central Square Plainville, CT 06062	Confirmation of Guaranty, dated August 1, 1985.
131. Covanta Energy Corporation	Town of Prospect 36 Center Street	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August

	Prospect, CT 06712 Attention: Mayor	1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
132. Covanta Energy Corporation	Town of Prospect 36 Center Street Prospect, CT 06712 Attention: Mayor	Confirmation of Guaranty, dated August 1, 1985.
133. Covanta Energy Corporation	Town of Prospect 36 Center Street Prospect, CT 06712 Attention: Mayor	Agreement, dated December 17, 1987, Respecting Guarantee for the Town of Wolcott, the Town of Prospect and the Town of Warren.
134. Covanta Energy Corporation	Town of Seymour One First Street Seymour, CT 06483	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
135. Covanta Energy Corporation	Town of Seymour One First Street Seymour, CT 06483	Confirmation of Guaranty, dated August 1, 1985.
136. Covanta Energy Corporation	Town of Southington Town Hall 75 Main Street Southington, CT 06489	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
137. Covanta Energy Corporation	Town of Southington Town Hall 75 Main Street Southington, CT 06489	Confirmation of Guaranty, dated August 1, 1985.
138. Covanta Energy Corporation	Town of Warren c/o David Miles, Esq. P.O. Box 25 Warren, CT 06754	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
139. Covanta Energy Corporation	Town of Warren c/o David Miles, Esq. P.O. Box 25 Warren, CT 06754	Confirmation of Guaranty, dated August 1, 1985.
140. Covanta Energy Corporation	Town of Warren c/o David Miles, Esq. P.O. Box 25 Warren, CT 06754	Agreement, dated December 17, 1987, Respecting Guarantee for the Town of Wolcott, the Town of Prospect and the Town of Warren.
141. Covanta Energy Corporation	Town of Washington Town Hall Washington Depot Washington Depot, CT 06794	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
142. Covanta Energy Corporation	Town of Washington Town Hall Washington Depot Washington Depot, CT 06794	Confirmation of Guaranty, dated August 1, 1985.
143. Covanta Energy Corporation	Town of Wolcott Town Hall 10 Kenea Avenue Wolcott, CT 06716	Guaranty, dated as of August 1, 1985, under the Project Agreement and Service Agreement, dated August 1, 1985, by Debtor of obligations of Covanta Bristol, Inc., as amended by the Agreement Respecting Guarantee for the Town of Branford, CT, the Town of Hartland, CT and the Town of Seymour, CT, dated as of October 1, 1991, as amended.
144. Covanta Energy Corporation	Town of Wolcott Town Hall 10 Kenea Avenue Wolcott, CT 06716	Confirmation of Guaranty, dated August 1, 1985.
145. Covanta Energy Corporation	Town of Wolcott	Agreement, dated December 17, 1987, Respecting

	Town Hall 10 Kenea Avenue Wolcott, CT 06716	Guarantee for the Town of Wolcott, the Town of Prospect and the Town of Warren.
146. Covanta Energy Corporation	Transcanada Energy Ltd. 450-1st Street SW Calgary Alberta, Canada T2P 5H1	Confidentiality Agreement between Covanta Energy Corporation and Transcanada Energy Ltd. dated August 23, 2001.
147. Covanta Energy Corporation	Union County Utilities Authority Routes 1 & 9 North Rahway, N.J. 07065	Guaranty Agreement, dated June 1, 1998 from Covanta Energy Corporation for the benefit of Covanta Union, Inc.
148. Covanta Energy Corporation	Union County Utilities Authority Routes 1 & 9 North Rahway, NJ 07085	Subordinated Rent Guaranty Agreement, dated June 1, 1998, in connection with the Facility Lease Agreement, dated as of June 15, 1998.
149. Covanta Energy Corporation	United American Energy Corp. 50 Tice Boulevard Woodcliff Lake, NJ 07677	Confidentiality and Engagement Letter.
150. Covanta Energy Corporation	Wisvest Corporation NI6 W23217 Stone Ridge Drive Suite 100 Waukesha, WI 53188	Confidentiality Agreement, dated December 14, 2001.
151. Covanta Energy Group, Inc.	ACR 185-1 Industrial Pkwy S. Branchburg, NJ 08876	Lucent Brick LSMS Support Agreement.
152. Covanta Energy Group, Inc.	ACR 185-1 Industrial Pkwy. Branchburg, NJ 08876	Netscreen Support; Hardware and Technical Support (Fairfield, NJ) Agreement No. 23096.
153. Covanta Energy Group, Inc.	ACR 185-1 Industrial Pkwy. Branchburg, NJ 08876	Netscreen Support; Hardware and Technical Support (remote locations) Agreement No. 23798.
154. Covanta Energy Group, Inc.	Adobe Systems Incorporated 345 Park Avenue San Jose, CA 95110-2704	Bi-Annual Support Agreement, dated July 2003, for PDF Creator for 29 people.
155. Covanta Energy Group, Inc.	AIU Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 1999 through October 20, 2000.(10)
156. Covanta Energy Group, Inc.	AIU Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2000 through October 20, 2001.(10)
157. Covanta Energy Group, Inc.	AIU Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2001 through October 20, 2002.(10)

---

(10) Assumption or rejection of this contract is to be decided by debtor at a later date.

158. Covanta Energy Group, Inc.	Allan Industries, Inc. 270 Roackaway Rockaway, NJ 07866	Contract Services Agreement, Janitorial Services.
159. Covanta Energy Group, Inc.	American Ash Recycling Corp. 6622 Southport Drive S. Suite 310 Jacksonville, FL 32216	Nondisclosure Agreement, dated October 30, 1997.
160. Covanta Energy Group, Inc.	American Home Assurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 1999 through October 20, 2000.(11)
161. Covanta Energy Group, Inc.	American Home Assurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2000 through October 20, 2001.(11)
162. Covanta Energy Group, Inc.	American Home Assurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2001 through October 20, 2002.(11)

163. Covanta Energy Group, Inc.	American Int. South Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 1999 through October 20, 2000.(11)
164. Covanta Energy Group, Inc.	American Int. South Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2000 through October 20, 2001.(11)
165. Covanta Energy Group, Inc.	American Int. South Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2001 through October 20, 2002.(11)
166. Covanta Energy Group, Inc.	Archives Systems, Inc. 25 Commerce Road Fairfield, NJ 07004	Records Storage Services Contract.

---

(11) Assumption or rejection of this contract is to be decided by debtor at a later date.

167. Covanta Energy Group, Inc.	AT&T Wireless Services P.O. Box 97061 Redmond, WA 98073	Cellular Phone Volume Discount Agreement.
168. Covanta Energy Group, Inc.	AT&T 25 Corporate Drive Room 32B15 Bridgewater, NJ 08807	Frame/Relay (GA # NCS2295) and Internet Services Agreement.
169. Covanta Energy Group, Inc.	Barlow Projects, Inc. 2000 Vermont Drive Suite 200 Fort Collins, CO 80525	Confidentiality Agreement, dated February 5, 2002.
170. Covanta Energy Group, Inc.	Barlow Projects, Inc. 2000 Vermont Drive Suite 200 Fort Collins, CO 80525	Confidentiality Agreement, dated August 28, 2001.
171. Covanta Energy Group, Inc.	Birmingham Fire Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 1999 through October 20, 2000.(12)
172. Covanta Energy Group, Inc.	Birmingham Fire Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2000 through October 20, 2001.(12)
173. Covanta Energy Group, Inc.	Birmingham Fire Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2001 through October 20, 2002.(12)
174. Covanta Energy Group, Inc.	Cable Express 5404 South Bay Road Syracuse, NY 13221	Cisco Smartnet Hardware Support Contract.
175. Covanta Energy Group, Inc.	Carrier Commercial Service 1095 Cranbury-So. River Rd #23 Jamesburg, NJ 08831	Service on HVAC Equipment.
176. Covanta Energy Group, Inc.	Cingular Wireless 10 Woodbridge Center Drive Woodbridge, NJ 07095	Handheld Wireless Monthly Service Contract.

---

(12) Assumption or rejection of this contract is to be decided by debtor at a later date.

177. Covanta Energy Group, Inc.	Citibank, N.A. 111 Wall Street, 5th Floor Zone 2 New York, NY 10005	Reserves Guarantee Agreement, dated June 15, 2001.
178. Covanta Energy Group, Inc.	Citicorp Vendor Finance c/o Xerox Corporation	Lease of Xerox Fax Machines.

	201 Littleton Road Morris Plains, NJ 07950	
179. Covanta Energy Group, Inc.	Citrix 6400 NW 6th Way Fort Lauderdale, FL 33322	Preferred Support Services Agreement.
180. Covanta Energy Group, Inc.	Commerce and Industry Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 1999 through October 20, 2000.(13)
181. Covanta Energy Group, Inc.	Commerce and Industry Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2000 through October 20, 2001.(13)
182. Covanta Energy Group, Inc.	Commerce and Industry Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2001 through October 20, 2002.(13)
183. Covanta Energy Group, Inc.	Connected 100 Pennsylvania Ave. Framingham, MA 01701	Computer Asset Management Agreement.
184. Covanta Energy Group, Inc.	Connecticut Resources Recovery 100 Constitution Plaza 17th Floor Hartford, CT 06103	Guarantee, dated December 22, 2000, from Covanta Energy Croup, Inc. to the Connecticut Resources Recovery Authority.
185. Covanta Energy Group, Inc.	Control Environmental Services 737 Now Durham Road Edison, NJ 08817	Landscaping Service Contract (Customer No. 10077).

---

(13) Assumption or rejection of this contract is to be decided by debtor at a later date.

186. Covanta Energy Group, Inc.	Doble Engineering Company 85 Walnut St. Watertown, MA 02172	Service and Equipment Agreement, dated September 30, 1997, as amended.
187. Covanta Energy Group, Inc.	eEye Digital One Columbia, Ste. 100 Aliso Viejo, CA 92656	Retina Enterprise Intrusion Testing Contract.
188. Covanta Energy Group, Inc.	Elron Software 7 New England Exec. Park Burlington, MA 01803	Message Inspector Annual Maintenance Contract.
189. Covanta Energy Group, Inc.	Energy Answers Corp. 79 N. Pearl St. Albany, NY 12207	Confidentiality Agreement, dated December 1, 2000.
190. Covanta Energy Group, Inc.	Ethical Equations, Inc. Attn: John Porcelli, Pres. Cassville Station, P.O. Box 88 Jackson, NJ 08527	Consulting Agreement, dated May 19, 2000.
191. Covanta Energy Group, Inc.	Exxon Mobil Rsch & Dev. Co. Attn: Legal Department 1545 Route 22 East Annandale, NJ 08801	Settlement Agreement re: Thermal DeNOx Process License and Engineering Agreements.
192. Covanta Energy Group, Inc.	Front Range/HEAT Dept. 1027 Denver, CO 80263	Annual Maintenance and Support Contract for HEAT System.
193. Covanta Energy Group, Inc.	IBM 4800 Falls of the Beuse Road Raleigh, NC 27609	RISC 6000 Software Maintenance Contract.
194. Covanta Energy Group, Inc.	IBM 4800 Falls of the Beuse Road Raleigh, NC 27609	RISC 6000 Hardware Maintenance Contract.
195. Covanta Energy Group, Inc.	Illinois National Insurance Co. American International Group 70 Pine Street	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 1999 through October 20, 2000.(14)

	New York, NY 10004	

---

(14) Assumption or rejection of this contract is to be decided by debtor at a later date.

196. Covanta Energy Group, Inc.	Illinois National Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2000 through October 20, 2001.(14)
197. Covanta Energy Group, Inc.	Illinois National Insurance Co. American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2001 through October 20, 2002.(14)
198. Covanta Energy Group, Inc.	Ind. Development Bank of India IDBI Tower, WTC Complex Cuffe Parade Mumbai 400 005 India	Undertaking to Maintain Controlling Interest, dated January 5, 2001, related to the Samalpatti, India project.
199. Covanta Energy Group, Inc.	Ind. Development Bank of India IDBI Tower, WTC Complex Cuffe Parade Mumbai 400 005 India	Undertaking to Maintain Controlling Interest in Ogden Energy India (Samalpatti) Limited, dated December 16, 1999.
200. Covanta Energy Group, Inc.	Ind. Development Bank of India IDBI Tower, WTC Complex Cuffe Parade Mumbai 400 005 India	Undertaking for Overrun/Shortfall, dated December 16, 1999.
201. Covanta Energy Group, Inc.	Ind. Development Bank of India IDBI Tower, WTC Complex Cuffe Parade Mumbai 400 005 India	Undertaking for Overrun/Shortfall, dated January 5, 2001.
202. Covanta Energy Group, Inc.	Ind. Development Bank of India IDBI Tower, WTC Complex Cuffe Parade Mumbai 400 005 India Samalpatti Power Company Third Cross Road, 1st Floor Raja Annamalaipuram Chennai 600 028 India	O&M Guarantee, dated December 16, 1999, by Covanta Energy Group, Inc. for the benefit of Samalpatti Power Company Private Limited.
203. Covanta Energy Group, Inc.	Ind. Fin. Corp. of India, Ltd 142, Mahatma Ghandi Road Post Box 3318 Chennai 600 034 India	Undertaking to Maintain Controlling Interest in Ogden Energy India (Samalpatti) Limited, dated December 16, 1999.
204. Covanta Energy Group, Inc.	Ind. Fin. Corp. of India, Ltd 142, Mahatma Ghandi Road Post Box 3318 Chennai 600 034 India	Undertaking for Overrun/Shortfall, dated December 16, 1999.
205. Covanta Energy Group, Inc.	Ind. Fin. Corp. of India, Ltd 142, Mahatma Ghandi Road Post Box 3318 Chennai 600 034 India	Undertaking for Overrun/Shortfall, dated January 5, 2001.
206. Covanta Energy Group, Inc.	Infrastructure Development Fin 2nd Fl., Ramon House 169, Backbay Reclamation Mumbai 400 020 India	Undertaking to Maintain Controlling Interest in Ogden Energy India (Samalpatti) Limited, dated January 5, 2001.
207. Covanta Energy Group, Inc.	Infrastructure Development Fin 2nd Fl., Ramon House 169, Backbay Reclamation Mumbai 400 020 India	Undertaking for Overrun/Shortfall, dated December 16, 1999.
208. Covanta Energy Group, Inc.	Infrastructure Development Fin 2nd Fl., Ramon House 169, Backbay Reclamation Mumbai 400 020 India Samalpatti Power Company Third Cross Road, 1st Floor Raja Annamalaipuram Chennai 600 028 India	O&M Guarantee, dated December 16, 1999, by Covanta Energy Group. Inc. for the benefit of Samalpatti Power Company Private Limited.
209. Covanta Energy Group, Inc.	Infrastructure Development Fin	Undertaking for Overrun/Shortfall, dated January 5,

	2nd Fl., Ramon House 169, Backbay Reclamation Mumbai 400 020 India	2001.
210. Covanta Energy Group, Inc.	Insurance Co. of the State of Pennsylvania American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 1999 through October 20, 2000.(15)

---

(15) Assumption or rejection of this contract is to be decided by debtor at a later date.

211. Covanta Energy Group, Inc.	Insurance Co. of the State of Pennsylvania American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2000 through October 20, 2001.(15)
212. Covanta Energy Group, Inc.	Insurance Co. of the State of Pennsylvania American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2001 through October 20, 2002.(15)
213. Covanta Energy Group, Inc.	iPass Inc. Mark Cooper 30 Greenvale Rd. Cherry Hill, NJ 08034	Dial-up Internet Access Service Agreement, signed May 2003.
214. Covanta Energy Group, Inc.	John Hancock Life Insurance Co. 200 Claredon Street T-57-09 Boston, MA 02117	Confidentiality and Nondisclosure Agreement, dated December 11, 2001.
215. Covanta Energy Group, Inc.	Liebert Global Services 610 Executive Campus Drive Westerville, OH 43082	Computer Center LIPS Maintenance Contract.
216. Covanta Energy Group, Inc.	Lucent Mark McKenna 100 Eagle Rock Ave. East Hanover, NJ 07936	Yearly Remote Network to ASIA, dated August 2002.
217. Covanta Energy Group, Inc.	Maintech Sun Service 39 Paterson Ave. Wallington. NJ 07057-1160	Sun Service/Maintenance on Hardware and Software Agreement.
218. Covanta Energy Group, Inc.	Mckeon-Grano Associates Elmwood Park Plaza 475 Market Street Elmwood Park, NJ 07407	Temporary Engineering Support.
219. Covanta Energy Group, Inc.	Mettler Toledo 912 Langdon Court Annapolis, MD 21403	Scalehouse Software Support Agreement.
220. Covanta Energy Group, Inc.	Micro Focus Corporate Offices 9420 Key West Avenue Rockville, MD 20850	PSoft Cobol Compiler Annual Contract, dated November 2002.
221. Covanta Energy Group, Inc.	Microsoft SA Denise Bevard 6100 Neil Rd., Ste. 210 Reno, NV 89511-1137	Desktop and Network Software Agreement, signed June 2002.
222. Covanta Energy Group, Inc.	Morgan Stanley & Co., Inc. Attn.: Peter J. Marquis 1585 Broadway New York, NY 10036	Confidentiality Agreement, dated December 7, 1999.
223. Covanta Energy Group, Inc.	MRO Software 600 Worcester St. Natick, MA 01760-2072	Maximo Maintenance Management Software and Support Agreement.
224. Covanta Energy Group, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from October 20, 1997 through October 20, 1998.(16)
225. Covanta Energy Group, Inc.	National Union Fire Insurance Co.	Schedules of Policies and Payments (Paid Loss Plan)

	of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Payment Agreement for Risk Management Program, from October 20, 1998 through October 20, 1999.(16)
226. Covanta Energy Group, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 1999 through October 20, 2000.(16)
227. Covanta Energy Group, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2000 through October 20, 2001.(16)
228. Covanta Energy Group, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Schedules of Policies and Payments (Paid Loss Plan) Payment Agreement for Risk Management Program, from October 20, 2001 through October 20, 2002.(16)

---

(16) Assumption or rejection of this contract is to be decided by debtor at a later date.

229. Covanta Energy Group, Inc.	Ncoteris Headquarters 940 Stewart Drive Sunnyvale, CA 94085	Yearly Support for Remote Access, dated May 2003.
230. Covanta Energy Group, Inc.	NEPC Consortium Power, Ltd. 11th Fl. 1/8 A Rokega Sharani Sher-E-Bangla Nagar Dhaka 1207 Bangladesh Citibank N.A. Attn: Global Agency & Trust Services 111 Wall Street, 5th Floor Zone 2 New York, N.Y. 10005 El Paso Energy Company Attn: General Counsel 1001 Louisianna Street Houston, TX 77002 Overseas Private Investment Attn: President, Finance 1100 New York Ave., N.W. Washington, D.C. 20527 Pillsbury Winthrop Attn: Barton D. Ford, Esq. One Battery Park Plaza New York, N.Y. 10004-1409	Guarantee, dated as of April 2, 1999, by Covanta Energy Group, Inc. with respect to obligations of Ogden Bangladesh Operating, Inc. under the Plant Operation and Maintenance Agreement, dated April 2, 1999, as amended.
231. Covanta Energy Group, Inc.	NEPC Consortium Power, Ltd. 11th Fl. 1/8 A Rokega Sharani Sher-E-Bangla Nagar Dhaka 1207 Bangladesh Citibank N.A. Attn: Global Agency & Trust Services 111 Wall Street, 5th Floor Zone 2 New York, N.Y. 10005 El Paso Energy Company Attn: General Counsel 1001 Louisianna Street Houston, TX 77002 Overseas Private Investment Attn: President, Finance 1100 New York Ave., N.W. Washington, D.C. 20527 Pillsbury Winthrop Attn: Barton D. Ford, Esq. One Battery Park Plaza	Reserves Guarantee Agreement, dated June 15, 2001.

	New York, N.Y. 10004-1409	
232. Covanta Energy Group, Inc.	Nextel Paul Gamel 3 E. 54th St. New York, NY 10022	Monthly Phone Service Contract.
233. Covanta Energy Group, Inc.	Nortel 8200 Dixie Road, Ste. 100 Brampton, Ontario L6T 5P6 Canada	Hardware Maintenance Agreement.
234. Covanta Energy Group, Inc.	NSI-Doubletake Yvonne Parkins 2 Hudon Pl., 4th Floor Hoboken, NJ 07030	Backup Software Maintenance and Support Agreement, dated July 2003.
235. Covanta Energy Group, Inc.	Omtool 8 Industrial Way Salem, NH 03079	NT Fax Sr. Server Agreement.
236. Covanta Energy Group, Inc.	Oracle 12320 Oracle Blvd. Colorado Springs, CO 80921	Support and Software Maintenance Contract.
237. Covanta Energy Group, Inc.	Overseas Private Investment Corporation 1100 New York Avenue, NW Washington, D.C. 20527 Attn: V.P. Finance	Project Completion Agreement dated as of December 8, 1999, among NEPC Consortium Power Ltd., El Paso Energy International Company, Ogden Energy Group, Inc., Wartsila NSD North America Inc. and Overseas Private Investment Corporation.
238. Covanta Energy Group, Inc.	Overseas Private Investment Corporation 1100 New York Avenue, NW Washington, D.C. 20527 Attn: V.P. Finance	Reserves Guarantee Agreement, dated June 15, 2001.
239. Covanta Energy Group, Inc.	Palm Inc. Mail Stop 12116 5470 Great American Parkway Santa Clara, CA 95052-8145	Monthly Remote Access for Palm Users.
240. Covanta Energy Group, Inc.	Panurgy 100 Ford Road Denville, NJ 07834	Net Reality - FDD WAN Network Monitoring System Agreement.
241. Covanta Energy Group, Inc.	People Soft 2600 Campus Drive San Mateo, CA 94403	Annual Software Maintenance and Support Agreement.
242. Covanta Energy Group, Inc.	People Soft 2600 Campus Drive San Mateo, CA 94403	Extended Enterprise License Agreement, covering June 30, 2001 to June 30, 2002.
243. Covanta Energy Group, Inc.	PG&E National Energy Group Attn: Legal Department 7600 Wisconsin Avenue Bethesda, MD 20814	Guarantee, dated September 1, 1998, by Covanta Energy Group, Inc. with respect to the Power Purchase Agreement (Covanta Haverhill, Inc.)
244. Covanta Energy Group, Inc.	Prima S.r.l. via Ge Falck, 63 20099 Sesto San Giovanni (MI) Italy	Service and Maintenance Guarantee, dated February 9, 2001.
245. Covanta Energy Group, Inc.	Prima S.r.l. via GE Falck, 63 20099 Sesto San Giovanni (MI) Italy	Base Equity Contribution Agreement, dated February 9, 2001.
246. Covanta Energy Group, Inc.	Prima S.r.l. via GE Falck, 63 20099 Sesto San Giovanni (Ml) Italy	Standby Equity Contribution Agreement, dated February 8, 2001.
247. Covanta Energy Group, Inc.	Primavera Software 3 Bala Plaza Bala Cynwyd, PA 19004	Expedition and Project Planner Software for Project Management.
248. Covanta Energy Group, Inc.	R.H. Company, L.P. c/o West Essex Management 333 Route 46 West Fairfield, NJ 07004	Lease Agreement for Warehouse Space at 24J Commerce Road, Fairfield, NJ.
249. Covanta Energy Group, Inc.	Roxio 455 El Camnio Real	CD-Burning Agreement, dated April 2002.

	Santa Clara, CA 95050	
250. Covanta Energy Group, Inc.	SONDEL Energia Pulita Viale ltalia, 592 20099 Sesto San Giovanni (MI) Italy	Confidentiality Agreement, dated November 14, 2000.
251. Covanta Energy Group, Inc.	SpectaGuard Acquisition LLC 1275 Valley Brook Avenue Lyndhurst, NJ 07071	Security Officer Service Contract.
252. Covanta Energy Group, Inc.	Sprint (United Tel. Co. of NJ) 97 Spencer Lane Annandale, NJ 08801	Service Contract-Phone System Centurium Service Agmt. Maintenance Contract #M03AXC05L7KYH.
253. Covanta Energy Group, Inc.	State Bank of Hyderabad Attn: Chief Mgr (Credit) Head Office, Gunfoundry Hyderabad 500 001 India	Undertaking to Maintain Controlling Interest in Ogden Energy India (Samalpatti)-Limited, dated December 16, 1999.
254. Covanta Energy Group, Inc.	State Bank of Hyderabad Attn: Chief Mgr (Credit) Head Office, Gunfoundry Hyderabad 500 001 India	Undertaking for Overrun/Shortfall, dated December 16, 1999.
255. Covanta Energy Group, Inc.	State Bank of Hyderabad Attn: Chief Mgr (Credit) Head Office, Gunfoundry Hyderabad 500 001 India	Undertaking for Overrun/Shortfall, dated January 5, 2001.
256. Covanta Energy Group, Inc.	State Bank of India Express Towers, 20th Fl. Nariman Point Mumbai 400 Q21 India	Undertaking to Maintain Controlling interest in Ogden Energy India (Samalpatti) Limited, dated December 16, 1999.
257. Covanta Energy Group, Inc.	State Bank of India Express Towers, 20th Fl. Nariman Point Mumbai 400 Q21 India	Undertaking for Overrun/Shortfall, dated December 16, 1999.
258. Covanta Energy Group, Inc.	State Bank of India Express Towers, 20th Fl. Nariman Point Mumbai 400 Q21 India	Undertaking for Overrun/Shortfall, dated January 5, 2001.
259. Covanta Energy Group, Inc.	State Street Bank and Trust Co. 225 Franklin St. Boston, MA 02110	Data Access Services Agreement, dated March 8, 2000.
260. Covanta Energy Group, Inc.	Symantec 2400 Research Blvd. Rockville, MD 20850	Firewall, Webnot and VPN Protection Agreement.
261. Covanta Energy Group, Inc.	Symantec 2400 Research Blvd. Rockville, MD 20850	Norton Antivirus/Ghost Agreement.
262. Covanta Energy Group, Inc.	The Vysya Bank, Ltd. 210 Mittal Tower A Wing Nariman Pt., Mumbai 400 021 India	Undertaking to Maintain Controlling Interest In Ogden Energy India (Samalpatti) Limited, dated December 16, 1999.
263. Covanta Energy Group, Inc.	The Vysya Bank, Ltd. 210 Mittal Tower A Wing Nariman Point, Mumbai 400 021 India	Undertaking for Overrun/Shortfall, dated December 16, 1999.
264. Covanta Energy Group, Inc.	Track-IT/Intuit, Inc. 2202 North West Shore Blvd. Ste. 650 Tampa, FL 33607	P.C. Inventory Agreement, dated August 2002.
265. Covanta Energy Group, Inc.	Travel Forum, Inc. 590 Union Blvd. Totowa, NJ 07512	Travel Services Agreement, as amended by letter dated April 4, 2002.
266. Covanta Energy Group, Inc.	United Infrastructure Co., LLC P.O. Box 193965 San Francisco, CA 94119-3965	Letter Agreement, dated October 16, 2001.
267. Covanta Energy Group, Inc.	United Parcel Service 799 Jefferson Road Parsippany, NJ 07054	UPS Contract Carrier Agreement P640005349.

268. Covanta Energy Group, Inc.	Veritas 400 International Pkwy. Heathrow, FL 32746-5037	Back-up Software Contract.
269. Covanta Energy Group, Inc.	Vijaya Bank EMCA House 289 Shahid Bhagat Singh Rd. Fon, Mumbai 400 001, India	Undertaking to Maintain Controlling Interest in Ogden Energy India (Samalpatti) Limited, dated December 16, 1999.
270. Covanta Energy Group, Inc.	Vijaya Bank EMCA House 289 Shahid Bhagat Singh Rd. Fon, Mumbai 400 001, India	Undertaking for Overrun/Shortfall, dated December 16, 1999.
271. Covanta Energy Group, Inc.	Webtrends NetIQ Corporation 3553 N. First St. San Jose, CA 95134	Yearly Maintenance Agreement, dated June 2003.
272. Covanta Energy Group, Inc.	Wireless Knowledge 5012 Waterridge Vista Dr. San Diego, CA 92121	Server Software for Handheld Email Access Contract.
273. Covanta Energy Group, Inc.	Xerox Corporation 201 Littleton Road Morris Plains, NJ 07950	Lease of Various Pooled Copiers Lease of 2 -DC460 Copiers.
274. Covanta Energy Group, Inc.	Xerox Corporation 201 Littleton Road Morris Plains, NJ 07950	Lease Agreement for Color Copier.
275. Covanta Energy Group, Inc.	Xerox Corporation 300 Tice Boulevard Woodcliff Lake, NJ 07675	Lease Agreement for Engineering 8830 Copier.
276. Covanta Power International Holdings, Inc.	Chase Manhattan Bank 450 West 33rd Street 15th Floor New York, NY 10001-2697	Pledge Agreement, dated as of December 10, 1996, related to the pledge of shares of OPI Quezon, Inc.
277. Covanta Power International Holdings, Inc.	Alliant Energy Int'l, Inc. Town Center, Ste. 210 201 Third Avenue SE Cedar Rapids, IA 52401	Confidentiality Agreement, dated January 9, 2002.
278. Covanta Power International Holdings, Inc.	CLC Ingenieros Asoc. Cia Ltd c/o Energia Global de CR Apartado 1957-1000 San Jose, Costa Rica	Shareholders' Agreement (P.H. Don Pedro S.A.), dated May 31, 1995.(17)
279. Covanta Power International Holdings, Inc.	CLC Ingenieros Asoc. Cia Ltd c/o Energia Global de CR Apartado 1957-1000 San Jose, Costa Rica	Shareholders' Agreement (P.H. Rio Volcan S.A.).(17)
280. Covanta Power International Holdings, Inc.	EIF Costa Rica, L.L.C. 200 Berkeley, 20th FI. Boston, MA 02116	Shareholders' Agreement (P.H. Don Pedro S.A.), dated May 31, 1995.(17)
281. Covanta Power International Holdings, Inc.	EIF Costa Rica, LLC. 200 Berkeley Street, 20th Fl. Boston, MA 02116	Shareholders' Agreement (P.H. Rio Volcan S.A.).(17)
282. Covanta Power International Holdings, Inc.	Energia Global de Costa Rica Apartado 1957-1000 San Jose, Costa Rica	Shareholders' Agreement (P.H. Rio Volcan S.A.).(17)
283. Covanta Power International Holdings, Inc.	Energia Global de Costa Rica Apartado 1957-1000 San Jose, Costs Rica	Shareholders' Agreement (P.H. Don Pedro S.A.), dated May 31, 1995. 17
284. Covanta Power International Holdings, Inc.	Energia Global, Inc. 101 Edgewater Drive Wakefield, MA 01680	Shareholders' Agreement (P.H. Rio Volcan S.A.).(17)
285. Covanta Power International Holdings, Inc.	Energia Global, Inc. 101 Edgewater Drive Wakefield, MA 01880	Shareholders' Agreement (P.H. Don Pedro S.A.), dated May 31, 1995.(17)
286. Covanta Power International Holdings, Inc.	General Electric Capital Corp. Long Ridge Road Stamford, CT 06927	Shareholders' Agreement (RH. Rio Volcan S.A.).(17)

---

(17) The Debtors believe that this contract was transferred pre-petition to

		Enereurope Holdings III, an affiliate of the Debtors. Certain parties are contesting that the transfer was effective. To the extent the transfer was ineffective, this Debtor is treating the contract (if executory) as an executory contract of this Debtor and is assuming the contract.	
287.	Covanta Power International Holdings, Inc.	General Electric Capital Corp. 120 Long Ridge Road Stamford, CT 06927	Pledge Agreement (P.H. Rio Volcan S.A.).(17)
288.	Covanta Power International Holdings, Inc.	General Electric Capital Corp. 120 Long Ridge Road Stamford, CT 06927	Pledge Agreement (P.H. Don Pedro S.A.), dated May 31,1995.(17)
289.	Covanta Power International Holdings, Inc.	General Electric Capital Corp. 120 Long Ridge Road Stamford, CT 06927	Shareholders' Agreement (P.H. Don Pedro S.A.), dated May 31, 1995.(17)
290.	Covanta Projects Inc.	City and County of Honolulu 530 South King Street Honolulu, HI 96813	Consent and Release Agreement, dated as of December 21, 1992, among the City and County of Honolulu, Combustion Engineering, Inc., and Covanta Projects, Inc.
291.	Covanta Projects, Inc.	ABB, Inc/Combustion Engineering 501 Merritt 7 P.O. Box 5308 Norwalk, CT 06851	Assignment and Assumption Agreement, dated December 21, 1992, between Combustion Engineering, Inc. and Covanta Projects, Inc.
292.	Covanta Projects, Inc.	ABB, Inc/Combustion Engineering 501 Merritt 7 P.O. Box 5308 Norwalk, CT 06851	Consent Guarantee and Release Agreement, dated December 17, 1992, among Connecticut Resources Recovery Authority, Combustion Engineering. Inc, and Covanta Projects, Inc.
293.	Covanta Projects, Inc.	Aircraft Services Corporation 120 Long Ridge Road Stamford, CT 06927	Consent and Release Agreement, dated as of December 31, 1992, among Aircraft Services Corporation, Resource Recovery Business Trust 1991-B, Combustion Engineering, Inc., and Covanta Projects, Inc.
294.	Covanta Projects, Inc.	Aircraft Services Corporation 120 Long Ridge Road Stamford, CT 06927	Agreement, dated January 8, 1993, among Aircraft Services Corporation, Resource Recovery Business Trust 1991-B, Covanta Projects, Inc, Covanta Energy Corporation, and Michigan Waste Energy, Inc.
295.	Covanta Projects, Inc.	Alstom Power Inc. Turbine Generator Division 2800 Waterford Lakes Drive Midlothian, VA 23122	Confidentiality Agreement, dated October 31, 2001.
296.	Covanta Projects, Inc.	Babcock & Wilcox Company 20 S. Van Buren Avenue Barberton, OH, U.S.A 44203-0351 Babcock & Wilcox Company c/o Loeb & Loeb LLP 345 Park Avenue New York, NY 10154	Agreement between Joy Environmental Technologies, Inc. and Ogden Projects, Inc., dated April 24, 1995 and May 22, 1995, as assigned to The Babcock & Wilcox Company pursuant to an Assignment and Assumption Agreement by and among Joy Environmental Technologies, Inc., Ogden Projects, Inc. and The Babcock & Wilcox Company dated December 22, 1995.
297.	Covanta Projects, Inc.	Brazos Asset Management, Inc. 600 E. Las Colinas Blvd, 4th Fl LB 178 Irving, TX 75039	Confidentiality Agreement, dated April 21, 1994.
298.	Covanta Projects, Inc.	Chase Manhattan Bank 450 West 33rd Street 15th Floor New York, NY 10001-2697	Acknowledgment and Consent Agreement, dated as of December 10, 1996, related to the collateral assignment of the Operator Guarantee.
299.	Covanta Projects, Inc.	Combustion Engineering, Inc. 501 Merritt 7 P.O. Box 5308 Norwalk, CT 06851	Consent and Release Agreement, dated as of December 31, 1992, among PMCC, Resource Recovery Business Trust 1991-A, Combustion Engineering, Inc., and Covanta Projects, Inc.
300.	Covanta Projects, Inc.	Combustion Engineering, Inc. 501 Merritt 7 P.O. Box 5308 Norwalk, CT 06851	Consent, Guaranty and Release Agreement, dated as of December 17, 1992, among Connecticut Resource Recovery Authority, Combustion Engineering, Inc., and Covanta Projects, Inc.
301.	Covanta Projects, Inc.	Combustion Engineering, Inc. 501 Merritt 7 P.O., Box 5308 Norwalk, CT 06851	Consent and Release Agreement, dated as of December 21, 1992, among The Detroit Edison Company, Combustion Engineering, Inc., and Covanta Projects, Inc.
302.	Covanta Projects, Inc.	Connecticut Resource Recovery Authority	Consent, Guaranty and Release Agreement, dated as of December 17, 1992, among Connecticut Resource

	100 Constitution Plaza 17th Floor Hartford, CT 06103	Recovery Authority, Combustion Engineering, Inc., and Covanta Projects, Inc.
303. Covanta Projects, Inc.	Detroit Edison Company 2000 Second Avenue Detroit, MI 48226	Consent and Release Agreement, dated as of December 21, 1992, among The Detroit Edison Company, Combustion Engineering, Inc., and Covanta Projects, Inc.
304. Covanta Projects, Inc.	Enercon America, Ltd. 540 Tansy Lane Westerville, OH 43081	Confidentiality Agreement, dated October 31, 1996.
305. Covanta Projects, Inc.	ESI Energy 1400 Centrepark Blvd. Suite 600 West Palm Beach, FL 33401	Confidentiality Agreement, dated November 11, 1993.
306. Covanta Projects, Inc.	Governmental Utility Svcs Corp. 1825 Third Ave. North Bessemer, AL 35020	Guarantee, dated June 1, 1998, by Covanta Projects, Inc. for the benefit of the Governmental Utility Services Corporation of the City of Bessemer, Alabama.
307. Covanta Projects, Inc.	Greater Detroit Res. Recovery Attn: Michael Brinker, Director 5700 Russell St Detroit, MI 48211	Guarantee, dated October 21, 1991, and amended July 1, 1996, between Covanta Energy Corporation and Ogden Projects, Inc., Michigan Water-to-Energy, Inc., and the Greater Detroit Resource Recovery Authority.
308. Covanta Projects, Inc.	Herb Druckman 56F Beacon Hill Road West Milford, NJ 07460	Consulting Agreement.
309. Covanta Projects, Inc.	Hoffman Environmental Systems 125 S. Jefferson St. Suite 201 Green Bay, WI 54301	Confidentiality Agreement, dated October 28, 1993.
310. Covanta Projects, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from October 20, 1990 through October 20, 1991.(18)
311. Covanta Projects, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from October 20, 1991 through October 20, 1992.(18)

---

(18) Assumption or rejection of this contract is to be decided by debtor at a later date.

312. Covanta Projects, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from October 20, 1992 through October 20, 1993.(18)
313. Covanta Projects, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from October 20, 1994 through October 20, 1995.(18)
314. Covanta Projects, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from October 20, 1995 through October 20, 1996.(18)
315. Covanta Projects, Inc.	National Union Fire Insurance Co. of Pittsburgh, PA American International Group 70 Pine Street New York, NY 10004	Indemnity Agreement for Risk Management Program, from October 20, 1996 through October 20, 1997.(18)
316. Covanta Projects, Inc.	PMCC Leasing Corporation 200 First Stamford Place Stamford, CT 06902	Consent and Release Agreement, dated as of December 31, 1992, among PMCC, Resource Recovery Business Trust 1991-A, Combustion Engineering, Inc., and Covanta Projects, Inc.
317. Covanta Projects, Inc.	PMCC Leasing Corporation 200 First Stamford Place	Agreement among PMCC, Resource Recovery Business Trust 1991-A, Covanta Projects, Inc., Covanta Energy

	Stamford, CT 06902	Corporation, and Michigan Waste to Energy, Inc.
318. Covanta Projects, Inc.	Quezon Power (Philippines) Ltd. 26/F Orient Square Bldg. Emerald Ave. Ortigas Ctr. 1206 Pasig City, Philippines The Chase Manhattan Bank Attn: David G. Safer 540 W. 33rd Street, 15th Floor New York, N.Y. 10101	Operator Guarantee, dated as of December 10, 1996, by Covanta Projects, Inc. in favor of Quezon Power (Philippines), Limited Co.
319. Covanta Projects, Inc.	Resource Recovery Business Trust 1991-B Wilmington Trust Company Rodney Square North 1100 N. Market Street Wilmington, DE 19899	Consent and Release Agreement, dated as of December 31, 1992, among Aircraft Services Corporation, Resource Recovery Business Trust 1991-B, Combustion Engineering, Inc., and Covanta Projects, Inc.
320. Covanta Projects, Inc.	Resource Recovery Business Trust 1991-B Wilmington Trust Company Rodney Square North 1100 N. Market Street Wilmington, DE 19899	Agreement, dated January 8, 1993, among Aircraft Services Corporation, Resource Recovery Business Trust 1991-B, Covanta Projects, Inc, Covanta Energy Corporation, and Michigan Waste Energy, Inc.
321. Covanta Projects, Inc.	Resource Recovery Business Trust 1991-B Wilmington Trust Company Rodney Square North 1100 N. Market Street Wilmington, DE 19899	Consent and Release Agreement, dated as of December 31, 1992, among PMCC, Resource Recovery Business Trust 1991-A, Combustion Engineering, Inc., and Covanta Projects, Inc.
322. Covanta Projects, Inc.	Resource Recovery Business Trust 1991-B Wilmington Trust Company Rodney Square North 1100 N. Market Street Wilmington, DE 19899	Agreement among PMCC, Resource Recovery Business Trust 1991-A, Covanta Projects, Inc., Covanta Energy Corporation, and Michigan Waste to Energy, Inc.
323. Covanta Projects, Inc.	Sunguard Recovery Svc. 680 E. Swedesford Road Wayne, PA 19087	Recovery Services Agreement.
324. Covanta Projects, Inc.	Task Associates 414 Fairfield Road Fairfield, NJ 07006	Lease for warehouse space at 4 Commerce Road, Fairfield, NJ.
325. Covanta Projects, Inc.	The Blackstone Group 345 Park Ave. New York, NY 10154	Confidentiality Agreement, dated June 8, 1993.
326. Covanta Projects, Inc.	Thermoselect Incorporated 201 West Big Beaver Road Suite 230 Troy, Ml 48084	Confidentiality Agreement, dated March 15, 1995.
327. Covanta Projects, Inc.	UBS Securities, Inc. 299 Park Ave. New York NY 10171	Confidentiality Agreement, dated March 1, 1996.
328. Covanta Projects, Inc.	Wheelabrator Environmental Sys. Liberty Lane Hampton, NH 03842	Confidentiality Agreement in regard to WES-Phix, dated June 14, 1994.

</TABLE>

EXHIBIT 9.1B TO THE REORGANIZATION PLAN

LIST OF ASSUMING DEBTORS

Assuming Debtor	Case Number
Covanta Acquisition, Inc.	02-40861 (CB)
Covanta Alexandria/Arlington, Inc.	02-40929 (CB)
Covanta Babylon, Inc.	02-40928 (CB)
Covanta Bessemer, Inc.	02-40862 (CB)
Covanta Bristol, Inc.	02-40930 (CB)
Covanta Cunningham Environmental Support Services, Inc.	02-40863 (CB)
Covanta Energy Construction, Inc.	02-40870 (CB)
Covanta Energy Resource Corp.	02-40915 (CB)
Covanta Energy Services of New Jersey, Inc.	02-40900 (CB)
Covanta Energy Services, Inc.	02-40899 (CB)
Covanta Energy West, Inc.	02-40871 (CB)

Covanta Engineering Services, Inc.	02-40898 (CB)
Covanta Equity of Alexandria/Arlington, Inc.	03-13682 (CB)
Covanta Equity of Stanislaus, Inc.	03-13683 (CB)
Covanta Fairfax, Inc.	02-40931 (CB)
Covanta Geothermal Operations Holdings, Inc.	02-40873 (CB)
Covanta Geothermal Operations, Inc.	02-40872 (CB)
Covanta Heber Field Energy, Inc.	02-40893 (CB)
Covanta Hennepin Energy Resource Co., L.P.	02-40906 (CB)
Covanta Hillsborough, Inc.	02-40932 (CB)
Covanta Honolulu Resource Recovery Venture	02-40905 (CB)
Covanta Huntington Limited Partnership	02-40916 (CB)
Covanta Huntington Resource Recovery One Corp.	02-40919 (CB)
Covanta Huntington Resource Recovery Seven Corp.	02-40920 (CB)
Covanta Huntsville, Inc.	02-40933 (CB)
Covanta Hydro Energy, Inc.	02-40894 (CB)
Covanta Hydro Operations West, Inc.	02-40875 (CB)
Covanta Hydro Operations, Inc.	02-40874 (CB)
Covanta Imperial Power Services, Inc.	02-40876 (CB)
Covanta Indianapolis, Inc.	02-40934 (CB)
Covanta Kent, Inc.	02-40935 (CB)
Covanta Lake, Inc.	02-40936 (CB)
Covanta Lancaster, Inc.	02-40937 (CB)
Covanta Lee, Inc.	02-40938 (CB)
Covanta Long Island, Inc.	02-40917 (CB)
Covanta Marion Land Corp.	02-40940 (CB)
Covanta Marion, Inc.	02-40939 (CB)
Covanta Mid-Conn, Inc.	02-40911 (CB)
Covanta Montgomery, Inc.	02-40941 (CB)
Covanta New Martinsville Hydro-Operations Corp.	02-40877 (CB)
Covanta Oahu Waste Energy Recovery, Inc.	02-40912 (CB)
Covanta Onondaga Five Corp.	02-40926 (CB)
Covanta Onondaga Four Corp.	02-40925 (CB)
Covanta Onondaga Limited Partnership	02-40921 (CB)
Covanta Onondaga Operations, Inc.	02-40927 (CB)
Covanta Onondaga Three Corp.	02-40924 (CB)
Covanta Onondaga Two Corp.	02-40923 (CB)
Covanta Onondaga, Inc.	02-40922 (CB)
Covanta Operations of Union, LLC	02-40909 (CB)
Covanta OPW Associates, Inc.	02-40908 (CB)
Covanta OPWH, Inc.	02-40907 (CB)
Covanta Pasco, Inc.	02-40943 (CB)
Covanta Power Development of Bolivia, Inc.	02-40856 (CB)
Covanta Power Development, Inc.	02-40855 (CB)
Covanta Power Equity Corp.	02-40895 (CB)
Covanta Projects of Hawaii, Inc.	02-40913 (CB)
Covanta Projects of Wallingford, L.P.	02-40903 (CB)
Covanta RRS Holdings, Inc.	02-40910 (CB)
Covanta Secure Services, Inc.	02-40901 (CB)
Covanta SIGC Geothermal Operations, Inc.	02-40883 (CB)
Covanta Stanislaus, Inc.	02-40944 (CB)
Covanta Systems, Inc.	02-40948 (CB)
Covanta Union, Inc.	02-40946 (CB)
Covanta Wallingford Associates, Inc.	02-40914 (CB)
Covanta Waste to Energy of Italy, Inc.	02-40902 (CB)
Covanta Waste to Energy, Inc.	02-40949 (CB)
Covanta Water Holdings, Inc.	02-40866 (CB)
Covanta Water Systems, Inc.	02-40867 (CB)
Covanta Water Treatment Services, Inc.	02-40868 (CB)
DSS Environmental, Inc.	02-40869 (CB)
ERC Energy II, Inc.	02-40890 (CB)
ERC Energy, Inc.	02-40891 (CB)
Heber Field Energy II, Inc.	02-40892 (CB)
Heber Loan Partners	02-40889 (CB)
OPI Quezon, Inc.	02-40860 (CB)
Three Mountain Operations, Inc.	02-40879 (CB)
Three Mountain Power, LLC	02-40880 (CB)

EXHIBIT 9.1B(s) TO THE REORGANIZATION PLAN

ASSUMING DEBTORS' SCHEDULE OF REJECTED CONTRACTS AND LEASES

As of the Effective Date, all executory contracts and unexpired leases to which each Assuming Debtor is a party shall be deemed assumed except for any executory contract or unexpired lease that (i) has been previously assumed or rejected pursuant to a Final Order of the Bankruptcy Court, (ii) is specifically designated as a contract or lease on this schedule, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors prior to the Effective Date. The Assuming Debtors reserve the right to add or remove executory contracts and unexpired leases to or

from this schedule at any time prior to the Effective Date.

<TABLE>

Name of Assuming Debtor that is the Party to the Contract	Name and Address of the Counterparty (or Other Party) to the Contract	Description of Contract
<S>	<C>	<C>
1. Covanta Acquisition, Inc.		No executory contract or unexpired lease will be rejected.
2. Covanta Alexandria/Arlington, Inc.		No executory contract or unexpired lease will be rejected.
3. Covanta Babylon, Inc.		No executory contract or unexpired lease will be rejected.
4. Covanta Bessemer, Inc.		No executory contract or unexpired lease will be rejected.
5. Covanta Bristol, Inc.		No executory contract or unexpired lease will be rejected.
6. Covanta Cunnigham Environmental Support Services, Inc.		No executory contract or unexpired lease will be rejected.
7. Covanta Energy Construction, Inc.		No executory contract or unexpired lease will be rejected.
8. Covanta Energy Resource Corporation		No executory contract or unexpired lease will be rejected.
9. Covanta Energy Services of New Jersey, Inc.		No executory contract or unexpired lease will be rejected.
10. Covanta Energy Services, Inc.		No executory contract or unexpired lease will be rejected.
11. Covanta Energy West, Inc.	Cakmak Ortak Avukat Buroso Piyade Sokak No. 18 Portakal Cicegi Apt C BlokKat2 06550 Cankaya, Ankara Turkey	Engagement Letter signed June 6, 2000.
12. Covanta Energy West, Inc.	Elektrocieplownia Bialystok SA Towarzystwo Doradztwa Inwestcycyjnego Al.Jerozlimske 47/4, 00-697 Warszawa, 00-698 POLAND	EC Bialystok Privatization: Information Memorandum, dated April 11, 2000.
13. Covanta Energy West, Inc.	ERG Construction Co. Iran Caddesi, 57 06700 Cankaya, Ankara Turkey	Confidentiality Agreement, dated October 16, 1999.
14. Covanta Energy West, Inc.	Pricewaterhouse Coopers Securities LLC 630 Fifth Avenue New York, NY 10111	Engagement Letter dated October 26, 2000.
15. Covanta Energy West, Inc.	Pricewaterhouse Coopers 1 Embarkment Place London WC2N 6NN United Kingdom	Consulting Agreement signed June 15, 2000.
16. Covanta Energy West, Inc.	Pricewaterhouse Coopers 1 Embarkment Place London WC2N 6NN United Kingdom	Consulting Agreement signed December 13, 1999.
17. Covanta Energy West, Inc.	White & Case Musavirlik Ltd. Pivade Sokak No. 18 Portakal Cicegi Apt C BlokKat2 06550 Cankaya, Ankara Turkey	Engagement Letter signed June 6, 2000.
18. Covanta Engineering Services, Inc.		No executory contract or unexpired lease will be rejected.
19. Covanta Equity of Alexandria/Arlington, Inc.		No executory contract or unexpired lease will be assumed.
20. Covanta Equity of Stanislaus, Inc.		No executory contract or unexpired lease will be assumed.

21. Covanta Fairfax, Inc.		No executory contract or unexpired lease will be rejected.
22. Covanta Geothermal Operations Holdings, Inc.		No executory contract or unexpired lease will be rejected.
23. Covanta Geothermal Operations, Inc.		Assumption and Rejection of Executory Contracts and Unexpired Leases are handled on Schedules to the Heber Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as amended.
24. Covanta Heber Field Energy, Inc.		Assumption and Rejection of Executory Contracts and Unexpired Leases are handled on Schedules to the Heber Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as amended.
25. Covanta Hennepin Energy Resource, Co., L.P.		No executory contract or unexpired lease will be rejected.
26. Covanta Hillsborough, Inc.		No executory contract or unexpired lease will be rejected.
27. Covanta Honolulu Resource Recovery Venture		No executory contract or unexpired lease will be rejected.
28. Covanta Huntington Limited Partnership		No executory contract or unexpired lease will be rejected.
29. Covanta Huntington Resource Recovery One Corporation		No executory contract or unexpired lease will be rejected.
30. Covanta Huntington Resource Recovery Seven Corporation		No executory contract or unexpired lease will be rejected.
31. Covanta Huntsville, Inc.		No executory contract or unexpired lease will be rejected.
32. Covanta Hydro Energy, Inc.		No executory contract or unexpired lease will be rejected.
33. Covanta Hydro-Operations West, Inc.		No executory contract or unexpired lease will be rejected.
34. Covanta Hydro-Operations, Inc.		No executory contract or unexpired lease will be rejected.
35. Covanta Imperial Power Services, Inc.		Assumption and Rejection of Executory Contracts and Unexpired Leases are handled on Schedules to the Heber Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as amended.
36. Covanta Indianapolis, Inc		No executory contract or unexpired lease will be rejected.
37. Covanta Kent, Inc.		No executory contract or unexpired lease will be rejected.
38. Covanta Lake, Inc.	F. Brown Gregg 1616 S. 14th St. Leesburg, FL 32718	Agreement, dated October 17, 1988, as amended.(1)
39. Covanta Lake, Inc.	F. Brown Gregg 1616 S. 14th St. Leesburg, FL 32718	First Amendment Agreement, dated November 10, 1988.(2)
40. Covanta Lake, Inc.	F. Brown Gregg 1616 S. 14th St. Leesburg, FL 32718	2nd First Amendment Agreement, dated January 4, 2000.(3)
41. Covanta Lancaster, Inc.		No executory contract or unexpired lease will be rejected.
42. Covanta Lee, Inc.		No executory contract or unexpired lease will be rejected.
43. Covanta Long Island, Inc.		No executory contract or unexpired lease will be rejected.

---

(1) Assumption or rejection of contract to be determined by debtor at a later

date.

(2) Assumption or rejection of contract to be determined by debtor at a later date.

(3) Assumption or rejection of contract to be determined by debtor at a later date.

44. Covanta Marion Land Corporation	No executory contract or unexpired lease will be rejected.
45. Covanta Marion, Inc.	No executory contract or unexpired lease will be rejected.
46. Covanta Mid-Conn, Inc.	No executory contract or unexpired lease will be rejected.
47. Covanta Montgomery, Inc.	No executory contract or unexpired lease will be rejected.
48. Covanta New Martinsville Hydro-Operations Corporation	No executory contract or unexpired lease will be rejected.
49. Covanta Oahu Waste Energy Recovery, Inc.	No executory contract or unexpired lease will be rejected.
50. Covanta Onondaga Limited Partnership	No executory contract or unexpired lease will be rejected.
51. Covanta Onondaga Two Corp.	No executory contract or unexpired lease will be rejected.
52. Covanta Onondaga Three Corp.	No executory contract or unexpired lease will be rejected.
53. Covanta Onondaga Four Corp.	No executory contract or unexpired lease will be rejected.
54. Covanta Onondaga Five Corp.	No executory contract or unexpired lease will be rejected.
55. Covanta Operations of Union, LLC	No executory contract or unexpired lease will be rejected.
56. Covanta OPW Associates, Inc.	No executory contract or unexpired lease will be rejected.
57. Covanta OPWH, Inc.	No executory contract or unexpired lease will be rejected.
58. Covanta Pasco, Inc.	No executory contract or unexpired lease will be rejected.
59. Covanta Power Development of Bolivia, Inc.	No executory contract or unexpired lease will be rejected.
60. Covanta Power Development, Inc.	No executory contract or unexpired lease will be rejected.
61. Covanta Power Equity Corporation	No executory contract or unexpired lease will be rejected.
62. Covanta Projects of Hawaii, Inc.	No executory contract or unexpired lease will be rejected.
63. Covanta Projects of Wallingford, L.P	No executory contract or unexpired lease will be rejected.
64. Covanta RRS Holdings, Inc.	No executory contract or unexpired lease will be rejected.
65. Covanta Secure Services, Inc.	No executory contract or unexpired lease will be rejected.
66. Covanta SIGC Geothermal Operations, Inc.	Assumption and Rejection of Executory Contracts and Unexpired Leases are handled on Schedules to the Heber Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as amended.
67. Covanta Stanislaus, Inc.	No executory contract or unexpired lease will be rejected.

68. Covanta Systems, Inc.	F. Brown Gregg 1616 S. 14th St. Leesburg, FL 32718	Agreement, dated October 17, 1988, as amended.(4)
69. Covanta Systems, Inc.	F. Brown Gregg 1616 S. 14th St. Leesburg, FL 32718	First Amendment Agreement, dated November 10, 1988.(5)

---

(4) Assumption or rejection of contract to be determined by debtor at a later date.

(5) Assumption or rejection of contract to be determined by debtor at a later date.

70. Covanta Systems, Inc.	F. Brown Gregg 1616 S. 14th St. Leesburg, FL 32718	2nd First Amendment Agreement, dated January 4, 2000.(6)
71. Covanta Union, Inc.		No executory contract or unexpired lease will be rejected.
72. Covanta Wallingford Associates, Inc.		No executory contract or unexpired lease will be rejected.
73. Covanta Waste to Energy of Italy, Inc.		No executory contract or unexpired lease will be rejected.
74. Covanta Waste to Energy, Inc.		No executory contract or unexpired lease will be rejected.
75. Covanta Water Holdings, Inc.		No executory contract or unexpired lease will be rejected.
76. Covanta Water Systems, Inc.	Ogden Yorkshire Water Company 40 Lane Road CN2615 Fairfield, NJ 07007	Engineering, Marketing and Operations Service Agreement, dated October 21, 1996.
77. Covanta Water Systems, Inc.	Yorkshire Water Int'l Ltd. 2 The Embankment, Sovereign St. Attn: Managing Director Leeds, LSI 4BG United Kingdom	Engineering, Marketing and Operations Service Agreement, dated October 21, 1996.
78. Covanta Water Systems, Inc.	Yorkshire Water plc 2 The Embankment, Sovereign St. Attn: Managing Director Leeds, LSI 45B United Kingdom	Engineering, Marketing and Operations Service Agreement, dated October 21, 1996.
79. Covanta Water Treatment Services, Inc.		No executory contract or unexpired lease will be rejected.

---

(6) Assumption or rejection of contract to be determined by debtor at a later date.

80. DSS Environmental, Inc.	Olivia Development, LLC Mr. Steve Olivia, Jr. 2037 Fly Road East Syracuse, NY 13057	Lease Agreement for Office Space.
81. ERC Energy II, Inc.		Assumption and Rejection of Executory Contracts and Unexpired Leases are handled on Schedules to the Heber Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as amended.
82. ERC Energy, Inc.		Assumption and Rejection of Executory Contracts and Unexpired Leases are handled on Schedules to the Heber Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as amended.
83. Heber Field Energy II, Inc.		Assumption and Rejection of Executory Contracts and Unexpired Leases are handled on Schedules to the Heber Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as amended.
84. Heber Loan Partners		Assumption and Rejection of Executory

	Contracts and Unexpired Leases are handled on Schedules to the Heber Debtors' Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, as amended.
85. OPI Quezon, Inc.	No executory contract or unexpired lease will be rejected.
86. Three Mountain Operations, Inc.	No executory contract or unexpired lease will be rejected.
87. Three Mountain Power, LLC	No executory contract or unexpired lease will be rejected.

</TABLE>

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
	)	
	)	Case Nos. 02-40826 (CB), et al.
OGDEN NEW YORK SERVICES, INC., et al.,(1)	)	
	)	(Jointly Administered)
Debtors and Debtors In Possession.	)	

SECOND DISCLOSURE STATEMENT WITH RESPECT TO REORGANIZING DEBTORS' SECOND JOINT PLAN OF REORGANIZATION AND LIQUIDATING DEBTORS' SECOND JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: January 14, 2004

CLEARY, GOTTLIEB, STEEN & HAMILTON
Deborah M. Buell (DB 3562)
James L. Bromley (JB 5125)
One Liberty Plaza
New York, NY 10006
(212) 225-2000

JENNER & BLOCK, LLC
Vincent E. Lazar (VL 7320)
Christine L. Childers (CC 0092)
One IBM Plaza
Chicago, IL 60611
(312) 222-9350

Counsel to Debtors and Debtors In Possession

---

(1) A complete list of the Debtors and Debtors-in-Possession is provided on Exhibit J.

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT (THE "SECOND DISCLOSURE STATEMENT") AND APPENDICES HERETO RELATES TO THE REORGANIZING DEBTORS' SECOND JOINT PLAN OF REORGANIZATION (AS AMENDED, THE "SECOND REORGANIZATION PLAN") AND THE LIQUIDATING DEBTORS' SECOND JOINT PLAN OF LIQUIDATION (AS AMENDED, THE "SECOND LIQUIDATION PLAN," AND TOGETHER WITH THE SECOND REORGANIZATION PLAN, THE "PLANS" OR THE "SECOND PLANS") AND ARE INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF EACH OF THE SECOND REORGANIZATION PLAN AND THE SECOND LIQUIDATION PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON EACH SUCH PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS SECOND DISCLOSURE STATEMENT, REGARDING THE SECOND PLANS OR THE SOLICITATION OF ACCEPTANCES OF THE SECOND PLANS.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS SECOND DISCLOSURE STATEMENT AND THE SECOND PLANS IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE SECOND REORGANIZATION PLAN AND/OR THE SECOND LIQUIDATION PLAN. SUMMARIES OF THE SECOND PLANS AND STATEMENTS MADE IN THIS SECOND DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE SECOND REORGANIZATION PLAN AND/OR THE SECOND LIQUIDATION PLAN, OTHER EXHIBITS ANNEXED OR REFERRED TO IN THE SECOND PLANS, RESPECTIVELY, AND THIS SECOND DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS SECOND DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS SECOND DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH 11 U.S.C. ss. 1125 AND RULE 3016(c) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE "BANKRUPTCY RULES") AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER LAWS GOVERNING DISCLOSURE OUTSIDE THE CONTEXT OF TITLE 11 OF THE UNITED STATES CODE ss.ss. 101-1330 (THE "BANKRUPTCY CODE"). NEITHER THE SECURITIES TO BE DISTRIBUTED NOR THIS SECOND DISCLOSURE STATEMENT HAS BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SEC APPROVED OR DISAPPROVED OF THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS SECOND DISCLOSURE STATEMENT AND APPENDICES HERETO WILL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY,

STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS SECOND DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING NOR WILL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE REORGANIZATION OR LIQUIDATION AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN THE DEBTORS.

NO PARTY IS AUTHORIZED TO PROVIDE TO ANY OTHER PARTY ANY INFORMATION CONCERNING THE SECOND PLANS OTHER THAN THE CONTENTS OF THIS SECOND DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN THOSE SET FORTH IN THIS SECOND DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT RELY ON ANY INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE OF THE SECOND PLANS THAT ARE OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN AND IN THE SECOND PLANS.

ADDITIONAL INFORMATION REGARDING THE DEBTORS (AS DEFINED HEREIN) IS CONTAINED IN PUBLIC FILINGS WITH THE SEC.

ALTHOUGH THE DEBTORS HAVE USED THEIR BEST EFFORTS TO ENSURE THE ACCURACY OF THE FINANCIAL INFORMATION PROVIDED IN THIS SECOND DISCLOSURE STATEMENT, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS SECOND DISCLOSURE STATEMENT HAS NOT BEEN AUDITED, EXCEPT, TO THE EXTENT INDICATED, THE FINANCIAL STATEMENTS INCLUDED IN COVANTA ENERGY CORPORATION'S ANNUAL REPORT ON FORM 10-K.

THE PROJECTIONS PROVIDED IN THIS SECOND DISCLOSURE STATEMENT HAVE BEEN PREPARED BY THE DEBTORS' MANAGEMENT. THESE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY MANAGEMENT AT THE TIME THEY WERE MADE, MAY NOT BE ACHIEVED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THESE PROJECTIONS OR TO THE DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE. FURTHER, EVENTS AND CIRCUMSTANCES OCCURING SUBSEQUENT TO THE DATE ON WHICH THESE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

SEE ARTICLE IX OF THIS SECOND DISCLOSURE STATEMENT, "RISK FACTORS," FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH A DECISION BY A HOLDER OF AN IMPAIRED CLAIM OR IMPAIRED EQUITY INTEREST TO ACCEPT THE SECOND REORGANIZATION PLAN OR SECOND LIQUIDATION PLAN.

SUMMARY OF THE SECOND PLANS

The following introduction and summary is a general overview only, which is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information and financial statements and notes thereto appearing elsewhere in this Second Disclosure Statement and the Plans. Copies of the Plans are annexed hereto in Exhibits A and B.

THE SECOND DISCLOSURE STATEMENT DOES NOT DESCRIBE THE HEBER DEBTORS' THIRD AMENDED HEBER JOINT PLAN OF REORGANIZATION, DATED NOVEMBER 21, 2003 (THE "HEBER PLAN"), WHICH WAS CONFIRMED BY THE COURT ON NOVEMBER 21, 2003 AND WHICH BECAME EFFECTIVE ON DECEMBER 18, 2003. FOR A FULL DESCRIPTION OF THE HEBER PLAN, SEE THE FIRST AMENDED DISCLOSURE STATEMENT FOR THE REORGANIZING DEBTORS' JOINT PLAN OF REORGANIZATION, HEBER DEBTORS' JOINT PLAN OF REORGANIZATION AND LIQUIDATING DEBTORS' JOINT PLAN OF LIQUIDATION, DATED OCTOBER 3, 2003 (DOCKET NO. 2384) (THE "ESOP DISCLOSURE STATEMENT").

On September 8, 2003, the Reorganizing Debtors filed with the Court the Reorganizing Debtors' Joint Plan of Reorganization (as amended and revised through November 13, 2003, the "ESOP Reorganization Plan"), premised on the creation of an employee stock ownership plan (an "ESOP") for the Reorganized Debtors (the "ESOP Transaction"). On that same date, certain of the Debtors (the "Liquidating Debtors") filed the Liquidating Debtors' Joint Plan of Liquidation (as amended and revised through November 13, 2003, the "ESOP Liquidation Plan," and with the ESOP Reorganization Plan, the "ESOP Plans"). On September 24, 2003, the Heber Debtors (as defined herein) filed with the Court the Heber Plan. On October 3, 2003, the Court approved as providing adequate information the ESOP Disclosure Statement, describing the ESOP Reorganization Plan, the ESOP Liquidation Plan and the Heber Plan. On October 13, 2003, the Debtors commenced solicitation of voting of the ESOP Reorganization Plan and the ESOP Liquidation Plan (no solicitation was required for the Heber Plan), including mailing the ESOP Disclosure Statement to holders of claims against, and interests in, the Debtors.

Subsequent to October 13, 2003, the Debtors concluded that an alternative transaction (the "DHC Transaction"), pursuant to which Danielson

Holding Corporation, a Delaware corporation (the "Plan Sponsor") would purchase 100% of the equity in reorganized Covanta ("Reorganized Covanta") for $30 million as part of a plan of reorganization, would lead to substantial benefits for the estates and their creditors compared to Plans premised on the ESOP Transaction. Accordingly, the Debtors concluded that it was in the best interests of the estates to file an amended plan of reorganization premised on the DHC Transaction instead of the ESOP Transaction, as well as an amended plan of liquidation. The Debtors also determined that these amendments to the Plans are sufficiently material to require the filing of an amended disclosure statement and commencement of a new solicitation process. Accordingly, the Debtors adjourned confirmation of the ESOP Plans first to December 17, 2003, and subsequently to March 3, 2004. On December 18, 2003, the Debtors filed in Court the Second Reorganization Plan and Second Liquidation Plan, each premised on the DHC Transaction. Assuming the Court approves the adequacy of this Disclosure Statement, the Debtors intend to further adjourn confirmation of the ESOP Plans to a later date, and to withdraw the ESOP Plans upon confirmation of the Second Plans.

THE DEBTORS ARE PROPOSING THE SECOND PLANS IN SUBSTITUTION FOR THE ESOP PLANS. THE DEBTORS WILL NOT SEEK CONFIRMATION OF THE ESOP PLANS SO LONG AS THE DHC TRANSACTION HAS NOT BEEN TERMINATED.

BALLOTS PREVIOUSLY SUBMITTED BY CREDITORS AND EQUITY HOLDERS PURSUANT TO THE COURT'S PRIOR ORDER APPROVING THE ESOP DISCLOSURE STATEMENT AND ESOP SHORT-FORM DISCLOSURE STATEMENT AND, AMONG OTHER THINGS, ESTABLISHING PROCEDURES FOR VOTING WITH RESPECT TO THE ESOP PLANS, DATED OCTOBER 3, 2003 (THE "FIRST BALLOTING ORDER") SHALL NOT BE COUNTED IN CONNECTION WITH SOLICITATION WITH RESPECT TO THE SECOND PLANS. ARTICLE II DESCRIBES NEW BALLOTING PROCEDURES FOR VOTING ON THE SECOND PLANS.

This Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Second Reorganization Plan and the Second Liquidation Plan (both as amended to reflect the DHC Transaction instead of the ESOP Transaction) being proposed by the Reorganizing Debtors and the Liquidating Debtors (together, the "Debtors"), respectively, as filed with the United States Bankruptcy Court for the Southern District of New York (the "Court"). Certain provisions of the Second Plans, and thus the descriptions and summaries contained herein, are the subject of continuing negotiations among the Debtors and various parties, have not been finally agreed upon, and may be modified. Copies of the Second Disclosure Statement marked to show differences between the Second Disclosure Statement and the ESOP Disclosure Statement may be obtained from the Debtors' website at http://www.covantaenergy.com (Corporate Restructuring).

A complete list of the Reorganizing Debtors and the Liquidating Debtors is attached as Exhibit J hereto. The Debtors have reserved their rights in the Second Plans to redesignate Debtors as Reorganizing Debtors or Liquidating Debtors at any time ten (10) days prior to the Second Plans Confirmation Hearing (as defined below). Holders of Claims or Equity Interests (each as defined below) who are entitled to vote on the Second Plans and who are affected by any such redesignation shall have five (5) days from notice of such redesignation to vote to accept or reject the applicable Plan(s). The Debtors also have reserved the right to withdraw prior to the Second Plans Confirmation Hearing one or more Debtors from a Plan, and thereafter to file a plan solely with respect to such Debtor.

The Debtors believe that their creditors will receive more certain and earlier recoveries under the Second Plans than those that would be achieved in total liquidation or under an alternative plan, including the ESOP Plans and substantially greater and earlier recoveries than those that would be achieved in total liquidation, and, further, that any alternative to confirmation of the Second Plans, such as total liquidation of the Debtors or attempts by another party in interest to file a plan, could result in significant delays, litigation and costs. FOR THESE REASONS, THE DEBTORS URGE YOU TO RETURN YOUR BALLOT ACCEPTING THE SECOND PLANS.

A. Definitions

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Second Plans. In addition, all references in this Disclosure Statement to monetary figures refer to United States currency, unless otherwise expressly provided.

B. Overview

Covanta Energy Corporation ("Covanta") and its subsidiaries (collectively, the "Subsidiaries" and together with Covanta, the "Company") develop, construct, own and operate for others key infrastructure for the conversion of waste to energy, independent power production ("IPP") and the treatment of water and wastewater in the United States and abroad. The Company owns or operates 62 power generation facilities, 46 of which are in the United States and 16 of which are located outside of the United States. The Company's power generation facilities use a variety of fuels, including municipal solid waste, water (hydroelectric), natural gas, coal, geothermal fluid, wood waste,

landfill gas, heavy fuel oil and diesel fuel. Until September 1999, and under prior management, the Company was also actively involved in the entertainment and aviation services industries.

On April 1, 2002 (the "First Petition Date"), Covanta and 123 of its domestic subsidiaries filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Court. On December 16, 2002 (the "Second Petition Date"), June 6, 2003 (the "Third Petition Date") and October 29, 2003 (the "Fourth Petition Date," and with the First Petition Date, the Second Petition Date and the Third Petition Date, the "Petition Dates") thirty-two (32) additional subsidiaries filed their chapter 11 petitions for relief under the Bankruptcy Code. Eight (8) subsidiaries that had filed petitions on the First Petition Date have been sold as part of the Company's disposition of assets during the bankruptcy cases and are no longer owned by the Company. The pending bankruptcy cases (the "Chapter 11 Cases") are being jointly administered under the caption "In re Ogden New York Services, Inc., et al., Case Nos. 02-40826 (CB), et al."

Until September 1999, and under prior management, the Company was actively involved in the entertainment and aviation services industries. However, after extensive study and evaluation, the Company determined that most of its earnings were generated by the energy business, that the entertainment business was substantially over-leveraged and that the focus on the entertainment and aviation businesses had not proven successful. Accordingly, in September 1999, the Company adopted a restructuring strategy in which it would concentrate on its core energy business while seeking to sell its aviation and entertainment businesses. During 2000 and 2001, the Company divested multiple entertainment and aviation assets and shed tens of millions of dollars of overhead.

However, the Company required waivers of financial covenants under its numerous credit agreements and new letter of credit facilities to be used by its core energy business in the event of a downgrade by the credit rating agencies below investment grade. The Company believed that, with a single master credit agreement in place, it could seek access to the capital markets with which it could raise equity or debt that, combined with additional cash from the sale of its remaining entertainment and aviation assets, would meet its liquidity needs, including the timely repayment of outstanding debentures maturing in 2002. By the fall of 2000, the Company and its key banks reached an agreement in principle on the terms of a new master credit facility that would include all then-existing bank credit arrangements and a new revolving and letter of credit facility. Due principally to intercreditor issues that were difficult to resolve, the new Revolving Credit and Participation Agreement (as amended, the "Master Credit Facility") was not executed until March 14, 2001, at which time the Company paid down all outstanding bank debt. With the Master Credit Facility in place, the Company took steps to access the equity markets and continued to dispose of entertainment and aviation assets. However, these efforts were thwarted in the spring of 2001 by unanticipated events. The sale of the remaining assets from the non-core businesses took longer and yielded fewer proceeds than anticipated. The energy crisis in California (which led to the substantially delayed payment to the Company of approximately $75 million by two California utilities) and the perception that the independent power sector was overbuilt contributed to a reduction in demand for energy company securities. The delayed payment by two California utilities also caused the Company to seek cash flow covenant waivers under the Master Credit Facility in June 2001. These waivers were granted, but in consideration for the waivers the Company lost the capacity under the Master Credit Facility to obtain letters of credit that it had intended to provide to third parties in the event of a downgrade in the Company's credit rating. The Company's ability to access the capital markets was further hampered first by a sharp downturn in capital markets for energy companies in the middle of 2001, and subsequently by the events of September 11, 2001, which dampened the capital markets generally, and the collapse of Enron, which brought the energy sector further investor disfavor.

In December 2001, the Company publicly stated that it needed further covenant waivers and that it was encountering difficulties in achieving access to short-term liquidity. This resulted in a downgrade of the Company's credit rating below investment grade. Consequently, under its contracts for two waste-to-energy ("WTE") facilities the Company became obligated to provide credit support in the amount of $50 million for each project. On March 1, 2002, the Company availed itself of a grace period to defer for thirty (30) days the payment of approximately $4.6 million of interest on its $100 million principal amount 9.25% Debentures due 2022 (the "9.25% Debentures").

In March 2002, substantial amounts of fees under the Master Credit Facility came due, but could not be paid without violating cash maintenance covenants under the facility. In addition, draw notices totaling approximately $105.2 million were presented on two letters of credit issued on behalf of the Company. Although the bank lenders honored such letters of credit, the Company had insufficient liquidity to reimburse the bank lenders as required under the Master Credit Facility. Furthermore, approximately $148.7 million of the 6% Convertible Subordinated Debentures and the 5.75% Convertible Subordinated Debentures (collectively, the "Convertible Subordinated Debentures") were to mature in 2002.

Ultimately, the Company concluded that the commencement of the Chapter 11 Cases was in the best interest of all creditors as the best means to protect the value of the Company's core business, reorganize its capital structure and complete the disposition of its remaining non-core entertainment and aviation assets.

Since the First Petition Date, the Debtors have continued their efforts to dispose of non-core businesses. With approval of the Court, the Debtors have sold the remaining aviation fueling assets, their interests in Casino Iguazu ("Casino Iguazu") and La Rural Fairgrounds and Exhibition Center ("La Rural Fairgrounds," and with Casino Iguazu, the "Argentine Assets") in Argentina. They also realized their interests in the Corel Centre in Ottawa, Canada (the "Corel Centre") and in the Ottawa Senators Hockey Club Corporation (the "Team") and other miscellaneous assets related to the entertainment business. The Debtors have also closed a transaction pursuant to which they have been released from their management obligations, and have realized and compromised their financial obligations, in connection with the Arrowhead Pond Arena in Anaheim, California (the "Arrowhead Pond," and with the Corel Centre, the "Arenas"). In addition, in order to enhance the value of the Company's core business, on September 23, 2002, management announced a reduction in non-plant personnel, closure of satellite development offices and reduction in all other costs not directly related to maintaining operations at their current high levels. As part of the reduction in force, WTE and domestic independent power headquarters management were combined and numerous other structural changes were instituted in order to improve management efficiency.

C. Events Leading to the Second Plans

Over the course of these proceedings, the Debtors have held discussions with the Official Committee of Unsecured Creditors (the "Creditors Committee"), representatives of the Debtors' prepetition bank lenders (the "Prepetition Lenders") and DIP Lenders (together, the "Secured Bank Lenders") and the holders of the 9.25% Debentures (the "9.25% Debenture Holders") with respect to possible capital and debt structures for the Debtors and the formulation of the Plans. A central element of these discussions and related negotiations, described further in Section VI.C.12, was the possibility of either a plan of reorganization premised on the ESOP Transaction or a plan of reorganization premised on the DHC Transaction.

During the Chapter 11 Cases, the Debtors made significant progress towards determining that an ESOP could provide a useful framework for a plan of reorganization. To that end, as discussed further below, the Debtors retained U.S. Trust Company, N.A. ("U.S. Trust"), to act as independent fiduciary on behalf of the ESOP, and to review the terms of the ESOP Transaction. Simultaneously, the Debtors also engaged in negotiations with the Plan Sponsor to enter into the DHC Transaction. By August 2003, the Debtors, in consultation with the Secured Bank Lenders, determined that it was necessary to sell the interests held by certain of the Debtors and non-debtor affiliates in certain geothermal energy projects (each project, a "Geothermal Project") located in Heber and Mammoth Lakes, California (the "Geothermal Business") in order to fund the Reorganized Debtors' emergence from Chapter 11. As at that time the DHC Transaction was premised, in part, on the Debtors retaining the Geothermal Business, and the Debtors and the Plan Sponsor had not reached agreement regarding liquidity requirements for the proposed DHC Transaction, the Debtors, in consultation with the Secured Bank Lenders, determined that Plans based on the DHC Transaction, as then proposed, were not feasible. Accordingly, and believing that an ESOP Transaction would yield larger recoveries to their creditors than other alternatives, on September 8, 2003, the Debtors filed the ESOP Plans. On October 3, 2003, this Court approved the ESOP Disclosure Statement as providing adequate information about the ESOP Plans, and the Debtors subsequently completed solicitation of the ESOP Plans.

During the solicitation period for the ESOP Plans, in accordance with the Debtors' fiduciary duties to continue pursuing alternative transactions that would bring greater benefits to the estates and their creditors, negotiations with the Plan Sponsor and key creditor constituencies in connection with a revised DHC Transaction, without the Geothermal Business, resumed. These negotiations led to an agreement by the Debtors and the Plan Sponsor on the DHC Transaction, of which the primary components are the: (a) execution and consummation of the Investment and Purchase Agreement between the Reorganizing Debtors and the Plan Sponsor, dated December 2, 2003 (as amended, the "DHC Agreement"), pursuant to which the Plan Sponsor would receive 100% of the equity of Reorganized Covanta in consideration for a purchase price of $30 million; (b) agreement as to new revolving credit and letter of credit facilities for the Debtors' domestic and international operations, provided by certain of the Secured Bank Lenders and a group of additional lenders organized by the Plan Sponsor; and (c) execution and consummation of the Tax Sharing Agreement between the Plan Sponsor and Reorganized Covanta (the "Tax Sharing Agreement"), pursuant to which Reorganized Covanta's share of the Plan Sponsor's consolidated group tax liability for taxable years ending after the Effective Date will be computed, and the Plan Sponsor will have an obligation to indemnify and hold harmless Reorganized Covanta for certain excess tax liability.

The Debtors determined that Plans based on the DHC Transaction, following the sale of the Geothermal Business, had benefits to the estates and

their creditors that are superior to those afforded by the ESOP Transactions, including (a) a more favorable capital structure for the Debtors upon emergence from Chapter 11; (b) the injection of $30 million in equity from the Plan Sponsor; (c) enhanced access to capital markets through the Plan Sponsor; (d) diminished syndication risk in connection with the Reorganized Debtors' financing under the Exit Financing Agreements; and (e) reduced exposure of the Secured Bank Lenders as a result of financing provided by the Investors. Based on these comparative benefits, the Debtors decided that it was in the best interests of the estates to adjourn confirmation of the ESOP Plans, and to proceed with negotiating definitive documents and drafting and filing of Plans premised on the DHC Transaction. Accordingly, the Debtors adjourned confirmation of the ESOP Plans first to December 17, 2003, and subsequently to March 3, 2004. Assuming the Court approves the adequacy of this Disclosure Statement, the Debtors intend to further adjourn confirmation of the ESOP Plans to a later date, and to withdraw the ESOP Plans upon confirmation of the Second Plans. As a result of such adjournment, U.S, Trust has ceased active review of the terms of a possible ESOP Transaction. However, since the Debtors continue to consider the ESOP Plan as a viable alternative to the Second Plans, U.S. Trust has agreed to resume its review of the ESOP Transaction in the event the Court does not confirm the Second Plans.

On December 2, 2003, the Debtors and the Plan Sponsor executed the DHC Agreement, subject to Court approval. On December 17, 2003, the Bankruptcy Court granted a motion to approve notice procedures for a hearing to consider approval of this Second Disclosure Statement with respect to the Second Plans (Docket No. 3083). On December 17, 2003, the Bankruptcy Court granted a motion to approve (i) payment to the Plan Sponsor and D. E. Shaw Laminar Portfolios, L.L.C. ("Laminar") of certain expense reimbursements in connection with the due diligence, negotiation and formulation of the DHC Agreement and Second Plans, (ii) payment to the Plan Sponsor of a termination fee in the event that the transactions contemplated under the DHC Agreement and the Second Plans are not consummated and the DHC Agreement is terminated, subject to certain terms and conditions, and (iii) an exclusivity provision of the DHC Agreement pursuant to which the Debtors agree not to solicit, initiate, engage or participate in discussions or negotiations with any person or entity regarding an Alternative Transaction (as defined in the DHC Agreement), including the ESOP Transaction or any other alternative plan of reorganization, except as otherwise required by the Debtors' fiduciary duties to maximize value to the estates and recoveries to creditors generally, and except for the Debtors' international operations, for which the Company may still solicit indications of interest. (Docket No. 3084). Also on December 17, 2003, the Bankruptcy Court granted a motion to approve reimbursements to the Investors for payments to Bank One of a commitment fee and expense deposit (Docket No. 3086). On December 18, 2003, the Debtors filed the Second Reorganization Plan and the Second Liquidation Plan, both premised on the DHC Transaction.

D. General Structure of the Second Plans

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors. Upon the filing of a petition for relief under chapter 11, section 362 of the Bankruptcy Code provides for an automatic stay of substantially all actions and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of its chapter 11 case.

The process of satisfying claims against and interests in the Debtors is set forth in the Second Plans. Confirmation of the Second Plans by the Court makes the Second Plans binding upon the Debtors, any issuer of securities under the Second Plans, any person or entity acquiring property under the Second Plans and any creditor of or equity security holder in the Debtors, whether or not such creditor or equity security holder (i) is impaired under or has accepted the Second Plans or (ii) receives or retains any property under the Second Plans.

Subject to certain limited exceptions and as otherwise provided in the Second Reorganization Plan or in the order or orders confirming the Second Plans (collectively, the "Confirmation Order"), the confirmation of the Second Reorganization Plan discharges the Reorganizing Debtors, respectively, from any debt that arose prior to the Effective Date of the Second Reorganization Plan (the "Reorganization Effective Date"), substitutes therefore the obligations specified under the confirmed Second Reorganization Plan, and terminates all rights and interests of equity security holders except to the extent expressly provided therein. The terms of the Second Reorganization Plan are based upon, among other things, the Debtors' assessment of their ability to achieve the goals of their Business Plan (as defined in Section VI.C.17 herein), make the distributions contemplated under the Second Reorganization Plan and pay certain of their continuing obligations in the ordinary course of the businesses of the Reorganizing Debtors. In accordance with section 1141(d)(3) of the Bankruptcy Code, confirmation of the Second Liquidation Plan does not discharge the Liquidating Debtors from any Claims asserted against them.

Under the Second Plans, Claims against and Equity Interests in the Reorganizing Debtors and the Liquidating Debtors, respectively, are divided into Classes according to their relative seniority and other criteria. Each

Reorganizing Debtor and Liquidating Debtor is a proponent of the respective Second Plans within the meaning of section 1129 of the Bankruptcy Code. The Reorganizing Debtors' Estates and the Liquidating Debtors' Estates have been deemed consolidated solely for purposes of administration, procedure and voting. By virtue of this deemed consolidation, in some instances, claims against multiple Reorganizing Debtors and Liquidating Debtors have been grouped together into single Classes of Claims.

Except to the extent a Reorganizing Debtor or Liquidating Debtor expressly assumes an obligation or liability of another Debtor, the Second Plans will not operate to impose liability on the Reorganizing Debtors or Liquidating Debtors for the Claims against any other Debtor or the debts and other obligations of any other Debtor. From and after the Reorganization Effective Date, each Reorganizing Debtor will be separately liable for its own debts and obligations arising on and after the Reorganization Effective Date. Additionally, from and after the Effective Date of the Second Liquidation Plan (the "Liquidation Effective Date"), each Liquidating Debtor will be separately liable for its own debts and obligations arising on and after the Liquidation Effective Date, although, as most of the Liquidating Debtors are non-operating and there is no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with the liquidating purpose of the Second Liquidation Plan, the Liquidating Debtors do not anticipate that they will incur any new debts or obligations on or after the Liquidation Effective Date.

After careful review of the Debtors' current and projected operations, estimated recoveries in a complete liquidation scenario, prospects as an ongoing business, and the strategic Business Plan developed by management and discussed more fully in Section VI.C.17, the Debtors have concluded that the recovery to the Debtors' creditors will be maximized by the Reorganizing Debtors' continued operation as going concerns, the Liquidating Debtors' dissolution in accordance with applicable law, and consummation of the DHC Transaction instead of the ESOP Transaction. The Reorganizing Debtors believe that their businesses and assets have significant value that would not be realized in a complete liquidation. According to the liquidation valuation analyses prepared by the Reorganizing Debtors with the assistance of their financial advisors, the value of each of the Estates of the Reorganizing Debtors, respectively, is considerably greater as a going concern than in a liquidation. For a complete discussion of the liquidation value of the Reorganizing Debtors, please refer to Exhibit F attached hereto. The Debtors believe that this value is further enhanced by segregating the Liquidating Debtors, whose assets are primarily non-core and unrelated to the core businesses of the Reorganizing Debtors.

Accordingly, the Debtors believe that the structures of the Second Plans provide the best recoveries possible for holders of Claims against the Debtors and strongly recommend that, if you are entitled to vote, you vote to ACCEPT the Second Reorganization Plan or the Second Liquidation Plan, as applicable. The Debtors believe that any alternative to confirmation of the Second Plans, such as complete liquidation or attempts by another party in interest to file a plan, could result in significant delays, litigation and costs, as well as significantly reduced recovery by creditors.

E. Restructuring of the Debtors

The Debtors filed with the Court (i) the ESOP Reorganization Plan (which was filed jointly by the Reorganizing Debtors and the Heber Debtors) and the ESOP Liquidation Plan on September 8, 2003, (ii) the First Amended Heber Reorganization Plan on September 24, 2003, (iii) the First Amended ESOP Reorganization Plan, the Second Amended Heber Reorganization Plan and the First Amended ESOP Liquidation Plan on September 28, 2003, (iv) revised versions of each of such Plans on October 13, 2003, (v) certain technical amendments to the First Amended ESOP Reorganization Plan and First Amended ESOP Liquidation Plan on November 13, 2003, and (vi) supplements to the First Amended ESOP Reorganization Plan and First Amended ESOP Liquidation Plan on November 13, 2003. On November 21, 2003, following an auction for the Geothermal Business (as defined below), the Court held a hearing to consider confirmation of Third Amended Heber Reorganization Plan (Docket No. 2809). At the end of such hearing, the Court confirmed the Third Amended Heber Reorganization Plan, and on December 18, 2003, the Heber Reorganization Plan became effective. On December 18, 2003, the Debtors filed with the Court the Second Reorganization Plan and Second Liquidation Plan, and on January 9, 2004, the Debtors filed with the Court revised versions of such Plans. The Debtors anticipate filing with the Court slightly-revised versions of such Plans on January 26, 2004.

The Second Reorganization Plan is premised upon the economic benefits to be derived from a restructuring of the Reorganizing Debtors based on the DHC Transaction, which economic benefits include: (i) the injection of new funds that will be invested in Reorganized Covanta in connection with the acquisition of 100% of the common stock of Reorganized Covanta by the Plan Sponsor; (ii) the partial de-leveraging of the Reorganizing Debtors' obligations pursuant to the Second Reorganization Plan; and (iii) the potential increase in the Reorganized Debtors' post-confirmation cash flow as a result of the reduction of Reorganized Covanta's tax obligation pursuant to the Tax Sharing Agreement. The feasibility of the Second Reorganization Plan is further premised upon an ability to implement the Business Plan for the Reorganizing Debtors. The Business Plan (as

defined in Section VI.C.17) and accompanying financial projections through December 31, 2007, which include the preliminary estimated effects of the required adoption of "fresh start" accounting (the "Projections"), are described in detail in Section VI.C.17. While the Company believes that the Business Plan and Projections are reasonable and appropriate, they include a number of assumptions that may differ from actual results and are subject to a number of risk factors. See Article IX for a discussion of such factors.

On November 19, 2003, pursuant to an order of the Court (Docket No. 2222) (the "Heber Bidding Procedures Order") approving certain bidding procedures in connection with the proposed sale of the Geothermal Business, an Auction (as defined in the Heber Bidding Procedures Order) for the sale of the Geothermal Business was commenced before the Court. In addition to the offer by certain affiliates of Caithness Energy, LLC and ArcLight Capital Partners LLC (the "Proposed Buyers") to purchase the Geothermal Business for a purchase price of $170 million (subject to a certain working capital adjustment), as such offer was incorporated in that certain Amended and Restated Ownership Interest Purchase Agreement, dated as of September 25, 2003 (Docket No. 2214), the Debtors received prior to the Auction two bids for the Geothermal Business: (i) by certain affiliates of Enel North America, Inc. (collectively, "Enel") for a purchase price of $177.375 million (Docket No. 2718), and (ii) by certain affiliates of ORMAT Nevada, Inc. (collectively, "Ormat") for a purchase price of $190 million (Docket No. 2727). On November 21, 2003, at a continued hearing for the Auction, the Debtors chose, and the Court approved, Ormat's bid for a purchase price of $214 million (subject to a certain working capital adjustment) as the winning bid representing the highest and best offer for the Geothermal Business.(2) Following the Auction, the Court held a hearing to consider confirmation of the Third Amended Heber Reorganization Plan, which, among other things, sought to implement the sale of the Geothermal Business to Ormat (the "Geothermal Sale") pursuant to that certain Ownership Interest Purchase Agreement by and among Covanta and Covanta Heber Field Energy, Inc., Heber Field Energy II, Inc., ERC Energy, Inc., ERC Energy II, Inc., Heber Loan Partners, Covanta Power Pacific, Inc., Pacific Geothermal Co., Mammoth Geothermal Co., AMOR 14 Corporation, Covanta SIGC Energy II, Inc., Covanta Energy Americas, Inc. (collectively, the "Sellers") and Orheber 1 Inc., Orheber 2 Inc., Orheber 3 Inc. and Ormammoth Inc. (collectively, the "Buyers"), dated as of November 21, 2003 (the "Heber Purchase Agreement"). At the end of such hearing, the Court entered an order dated November 21, 2003 (Docket No. 2809) (the "Heber Confirmation Order") confirming the Third Amended Heber Reorganization Plan with respect to the Heber Debtors. The Heber Reorganization Plan became effective on December 18, 2003.

---

(2) As a result of Ormat's winning bid, pursuant to the Heber Bidding Procedures Order, the Debtors will pay the Proposed Buyers a break-up fee and expense reimbursement in the aggregate amount of $5.375 million.

The Second Reorganization Plan and the Heber Reorganization Plan are premised on the consummation of the Geothermal Sale, as the proceeds of the Geothermal Sale will provide the Reorganized Debtors and the Heber Debtors with funds necessary to emerge from their respective Chapter 11 Cases.

The Second Liquidation Plan provides for the complete liquidation of the Liquidating Debtors. During the course of the Debtors' bankruptcy proceedings, substantially all of the Liquidation Assets of the Liquidating Debtors have already been sold. The Debtors have proposed that the Secured Bank Lenders and 9.25% Debenture Holders contribute their Distributions, to which they would otherwise be entitled under the Second Liquidation Plan (consisting of (i) the proceeds of certain postpetition asset sales and (ii) certain other Claims of the Liquidating Debtors upon which the Secured Bank Lenders and 9.25% Debenture Holders have a first priority secured lien) to Reorganized Covanta. The Debtors further propose that up to $3,000,000 of the Cash subject to the transfers described in the previous sentence be transferred to the Operating Reserve and the Administrative Expense Claims Reserve, which shall be used by the Liquidating Trustee to fund the implementation of the Second Liquidation Plan. The transfers to Reorganized Covanta described above will assist the Reorganized Debtors in their reorganization. Furthermore, to the extent that there are Liquidation Assets that have not already been sold and/or transferred to Reorganized Covanta (the "Residual Liquidation Assets"), the Second Liquidation Plan provides for the complete liquidation and monetization (or abandonment, as the case may be) of such Residual Liquidation Assets and the complete dissolution of the Liquidating Debtors pursuant to applicable state law.

F. Compromises and Settlements Incorporated into the Second Plans

Under the Second Plans, Claims and Equity Interests are divided into Classes. The Distributions provided for under the Second Plans are based upon the relative priorities and rights of members of those respective Classes.

The Second Plans also embody the proposed compromise and settlement of claims and causes of action among the creditors in certain Classes. The obligations of the Borrowers (including Covanta and certain of its subsidiaries under Tranche B of the DIP Financing Facility (as defined herein)) under the

Master Credit Facility (the "Prepetition Borrowers") are expected to aggregate $380 million (excluding undrawn letters of credit) together with approximately $35 million in accrued and unpaid fees and interest. These obligations were secured by a first priority lien on substantially all of the Prepetition Borrowers' assets, to the extent permitted, and by a pledge of 100% of the shares of most of Covanta's existing and future domestic subsidiaries, and 65% of the shares of substantially all of Covanta's foreign subsidiaries (the "Prepetition Collateral"). Pursuant to the Court's order authorizing the DIP Financing Facility, the Debtors stipulated, among other things, as to the priority, validity and enforceability of the liens and security interests that had been granted to the Prepetition Lenders prior to the commencement of the Chapter 11 Cases. Accordingly, the Prepetition Lenders are entitled to payment in full of their Allowed Secured Claim up to the full value of their security interest in the assets of the Prepetition Borrowers. However, in connection with the negotiations undertaken in development of the Second Plans, the Debtors have estimated the Prepetition Lenders' aggregate Allowed Secured Claim in the amount of $415 million, including interest and fees, which amount is subject to final allowance by the Court. In addition, distributions to the Prepetition Lenders are subject to certain priorities vis-a-vis each other as a result of the Intercreditor Agreement among the Prepetition Lenders and the Company, dated March 14, 2001 (the "Intercreditor Agreement"). Also pursuant to the Court's order authorizing the DIP Financing Facility, the Debtors stipulated as to the priority, validity and enforceability of the liens and security interests that had been granted to the 9.25% Debenture Holders prior to the commencement of the Chapter 11 Cases. The Debtors have estimated the 9.25% Debenture Holders' Allowed Secured Claims in the aggregate amount of $105 million, which amount is subject to final allowance by the Court.

As described in Section VI.C.13 below, as part of the overall negotiations of the Plans, the Secured Bank Lenders and the 9.25% Debenture Holders have agreed to contribute Liquidation Proceeds and Liquidation Assets under the Second Liquidation Plan to Reorganized Covanta. As further described herein, $500,000 of the Distributions or proceeds described above will be used to fund the Operating Reserve and up to $2,500,000 will be used to fund the Administrative Expense Claims Reserve, both of which are established under the Second Liquidation Plan. The Debtors believe that the transfer to Reorganized Covanta of such Liquidation Proceeds and Liquidation Assets will enhance the value of Reorganized Covanta and inure to the benefit of the Secured Bank Lenders and the 9.25% Debenture Holders via their Distributions under the Second Reorganization Plan. Additionally, the Secured Bank Lenders and the 9.25% Debenture Holders have agreed to provide the holders of Allowed Class 6 Claims with certain distributions that would otherwise have been distributable to the holders of Allowed Subclass 3A and 3B Claims under the Second Reorganization Plan, as further described in Section VIII.D.3 below.

Also, pursuant to the 9.25% Settlement, the holders of Parent and Holding Company Unsecured Claims will be entitled to receive a Pro-Rata Share of a Settlement Distribution as a result of the proposed settlement of the 9.25% Debentures Adversary Proceeding, as further described in Section VI.C.12 below. Each holder of an Allowed 9.25% Debenture Claim shall have the option to opt out of participation in the 9.25% Settlement (those electing to opt out, the "Rejecting Bondholders"). In the event that there are Rejecting Bondholders with aggregate Claims in excess of $10 million, the 9.25% Debentures Adversary Proceeding shall continue with respect to such holders and the distribution to such Rejecting Bondholders will be held in a Reserve Account subject to resolution of the 9.25% Debentures Adversary Proceeding.

The Creditors Committee, Agents for the Secured Bank Lenders, and informal committee of 9.25% Debenture Holders (the "Bondholders Committee") have participated in the negotiation of, and have stated their support for, the DHC Transaction and the Second Plans, subject to such parties' reservation of rights with respect to approval of documentation implementing the Second Plans. The Creditors Committee has also stated to the Debtors that it intends to object to the third party release provisions of the Second Plans on the same grounds as those stated in the Limited Objection of Official Committee of Unsecured Creditors to Debtors' First Amended Joint Plan of Reorganization and Debtors' First Amended Joint Plan of Liquidation (Docket No. 2773) in respect of the ESOP Plans.

G. Treatment of Executory Contracts and Unexpired Leases Under the Second Plans

1. General Treatment

(a) Reorganizing Debtors: For Reorganizing Covanta and certain other Reorganizing Debtors listed on Exhibit 9.1A of the Second Reorganization Plan (collectively, the "Rejecting Debtors"), on the Reorganization Effective Date, and subject to the provisions of Section 4.5 of the Second Reorganization Plan, all executory contracts and unexpired leases to which each of the Rejecting Debtor is a party shall be deemed rejected, except for any executory contract or unexpired lease of the Rejecting Debtors that (i) has been previously assumed or rejected pursuant to a Final Order of the Court, (ii) is specifically designated as a contract or lease on the Rejecting Debtors' Schedule of Assumed Contracts and Leases, filed as Exhibit 9.1A(s) of the Second Reorganization Plan, as may be amended, (iii) is the subject of a separate

motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors prior to the hearing to consider the confirmation of the Second Reorganization Plan and related matters (with the hearing to consider the confirmation of the Second Liquidation Plan and related matters, the "Second Plans Confirmation Hearing"), or (iv) is an executory contract or lease to which any other Reorganizing Debtor is counterparty. The Rejecting Debtors expressly reserve the right to add or remove executory contracts and unexpired leases to or from the Rejecting Debtors' Schedule of Assumed Contracts and Leases at any time prior to the Reorganization Effective Date. The listing of a document on the Rejecting Debtors' Schedule of Assumed Contracts and Leases shall not constitute an admission that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

For Reorganizing Debtors listed on Exhibit 9.1B of the Second Reorganization Plan (collectively, the "Assuming Debtors"), on the Reorganization Effective Date all executory contracts and unexpired leases to which each of the Assuming Debtors is a party shall be deemed assumed, except for any executory contract or unexpired lease of the Assuming Debtors that (i) has been previously assumed or rejected pursuant to a Final Order of the Court, (ii) is specifically designated as a contract or lease on the Assuming Debtors' Schedule of Rejected Contracts and Leases, filed as Exhibit 9.1B(s) of the Second Reorganization Plan, as may be amended, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors at or prior to the Second Plans Confirmation Hearing. The Assuming Debtors expressly reserve the right to add or remove executory contracts and unexpired leases to or from the Assuming Debtors' Schedule of Rejected Contracts and Leases at any time prior to the Reorganization Effective Date. The listing of a document on the Assuming Debtors' Schedule of Assumed Contracts and Leases shall not constitute an admission that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

Each executory contract and unexpired lease listed or to be listed on the Rejecting Debtors' Schedule of Assumed Contracts and Leases or the Assuming Debtors' Schedule of Rejected Contracts and Leases (collectively, the "Contract Schedules") shall include modifications, amendments, supplements, restatements or other agreements, including guarantees thereof, made directly or indirectly by any Reorganizing Debtor in any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on the Contract Schedules. The mere listing of a document on the Contract Schedules shall not constitute an admission by the Reorganizing Debtors that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

(b) Liquidating Debtors: For Liquidating Debtors, on the Liquidation Effective Date all executory contracts and unexpired leases shall be deemed rejected other than those executory contracts or unexpired leases that are or have been (a) specifically designated as a contract or lease on the Schedule of Assumed Contracts and Leases, filed as Exhibit 5 of the Second Liquidation Plan, as may be amended; (b) previously assumed or rejected pursuant to a Final Order of the Court; or (c) subject to a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the applicable Liquidating Debtor prior to the Confirmation Date. On the Liquidation Effective Date, each of the executory contracts and unexpired leases listed on the Schedule of Assumed Contracts and Leases shall be deemed to be assumed by the applicable Liquidating Debtor and assigned to Reorganized Covanta on the Reorganization Effective Date. The Liquidating Debtors reserve the right to add or remove executory contracts and unexpired leases to or from the Schedule of Assumed Contracts and Leases at any time prior to the Liquidation Effective Date.

2. Cure of Defaults

Except to the extent that (i) a different treatment has been agreed to by the nondebtor party or parties to any executory contract or unexpired lease to be assumed pursuant to Section 9.1 of the Second Reorganization Plan or Section 8.2 of the Second Liquidation Plan, or (ii) any executory contract or unexpired lease shall have been assumed pursuant to an order of the Court which order shall have approved the cure amounts with respect thereto, the applicable Debtor shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, no later than thirty (30) days after the Confirmation Date, file with the Court and serve one or more pleadings listing, the cure amounts of all executory contracts or unexpired leases to be assumed, subject to the Reorganizing Debtors right to amend any such pleading or pleadings any time prior to thirty (30) days after the Confirmation Date. The parties to such executory contracts or unexpired leases to be assumed by the applicable Debtor shall have fifteen (15) days from service of any such pleading to object to the cure amounts listed by the applicable Debtor. Service of such pleading shall be sufficient if served on the other party to the contract or lease at the address indicated on (i) the contract or lease, (ii) any proof of claim filed by such other party in respect of such contract or lease, or (iii) the Debtors' books and records, including the Schedules; provided, however, that if a pleading served by a Debtor to one of the foregoing addresses is promptly

returned as undeliverable, the Reorganizing Debtor shall attempt reservice of the pleading on an alternative address, if any, from the above listed sources. If any objections are filed, the Court shall hold a hearing. Any party failing to object to the proposed cure amount fifteen days following service of the proposed cure amount by the Debtors shall be forever barred from asserting, collecting, or seeking to collect any amounts in excess of the proposed cure amount against the Reorganizing Debtors or Reorganized Debtors. Notwithstanding the foregoing or anything in Section 9.3 of the Second Reorganization Plan or Section 8.3 of the Second Liquidation Plan, at all times through the date that is five (5) Business Days after the Court enters an order resolving and fixing the amount of a disputed cure amount, the Debtors shall have the right to reject such executory contract or unexpired lease.

3. Approval of Assumption of Certain Executory Contracts

Subject to Sections 9.1 and 9.2 of the Second Reorganization Plan and Sections 8.1 and 8.2 of the Second Liquidation Plan, the executory contracts and unexpired leases on the Rejecting Debtors' Schedule of Assumed Contracts, the executory contracts and unexpired leases of the Assuming Debtors other than those listed on the Assuming Debtors' Schedule of Rejected Contracts and Leases, the executory contracts and unexpired leases listed on the Liquidating Debtors' Schedule of Assumed Contracts shall be assumed by and, as applicable, assigned to the relevant Reorganizing or Liquidating Debtors as of the applicable Effective Date. Except as may otherwise be ordered by the Court, the Reorganizing Debtors and Liquidating Debtors shall have the right to cause any assumed executory contract or unexpired lease to vest in the Reorganized Debtor designated for such purpose by the Reorganizing Debtors and Liquidating Debtors.

4. Approval of Rejection of Executory Contracts and Unexpired Leases

Entry of the Confirmation Order shall constitute the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of any executory contracts and unexpired leases to be rejected as and to the extent provided in the Second Plans.

5. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Second Plans

Claims arising out of the rejection of an executory contract or unexpired lease pursuant to each Plan must be filed with the Court no later than the later of (i) twenty (20) days after the applicable Effective Date and (ii) thirty (30) days after the entry of an order rejecting such executory contract or lease. Any Claims not filed within such time period will be forever barred from assertion against any of the applicable Debtors and/or their corresponding Estates.

6. Deemed Consents and Deemed Compliance with Respect to Executory Agreements

(a) Unless a counterparty to an executory contract, unexpired lease, license or permit objects to the applicable Debtor's assumption thereof in writing on or before seven (7) days prior to the Second Plans Confirmation Hearing, then, unless such executory contract, unexpired lease, license or permit has been rejected by the applicable Debtor or will be rejected by operation of the Second Reorganization Plan or the Second Liquidation Plan, the Reorganized Debtors and Reorganized Covanta (as assignee of all executory contracts and unexpired leases assumed by the Liquidating Debtors), shall enjoy all the rights and benefits under each such executory contract, unexpired lease, license and permit without the necessity of obtaining such counterparty's written consent to assumption or retention of such rights and benefits.

(b) To the extent that any executory contract or unexpired lease contains a contractual provision that would require the applicable Debtor to satisfy any financial criteria or meet any financial condition measured by reference to the applicable Debtor's most recent annual audited financial statements, then upon the assumption of any such executory contract or unexpired lease such Debtor shall be deemed to be and to remain in compliance with any such contractual provision regarding financial criteria or financial condition (other than contractual requirements to satisfy a minimum rating from rating agencies) for the period through one year after the Effective Date, and thereafter such financial criteria or financial condition shall be measured by reference to the applicable Debtor's most recent annual audited financial statements.

7. Reorganizing and Liquidating Debtors' Reservation of Rights Under Insurance Policies and Bonds

The enforceability by beneficiaries of (i) any insurance policies that may cover Claims against any Reorganizing or Liquidating Debtor, or (ii) any bonds issued to assure the performance of any such Debtor, is not affected by the Second Plans, nor shall anything contained therein constitute or be deemed to constitute a waiver of any cause of action that the Debtors or any entity may hold against any insurers or issuers of bonds under any such policies of insurance or bonds. To the extent any insurance policy or bond is deemed to be an executory contract, such insurance policy or bond shall be deemed assumed in

accordance with Article IX of the Second Reorganization Plan or Article VIII of the Second Liquidation Plan as applicable. Notwithstanding the foregoing, the Debtors do not assume any payment or other obligations to any insurers or issuers of bonds, and any agreements or provisions of policies or bonds imposing payment or other obligations upon the Debtors shall only be assumed as provided pursuant to a separate order of the Court.

8. Survival of Reorganizing and Liquidating Debtors' Corporate Indemnities

Any obligations of any of the Reorganizing or Liquidating Debtors pursuant to the applicable Debtor's corporate charters and bylaws or agreements entered into any time prior to the applicable Effective Date, to indemnify the Specified Personnel, with respect to all present and future actions, suits and proceedings against such Debtor or such Specified Personnel, based upon any act or omission for or on behalf of such Debtor, shall not be discharged or impaired by confirmation of the applicable Plan. Such obligations shall be deemed and treated as executory contracts to be assumed by the applicable Debtor pursuant to the applicable Plan, and shall continue as obligations of the applicable Debtor. To the extent a Debtor is entitled to assert a Claim against Specified Personnel (whether directly or derivatively) and such Specified Personnel is entitled to indemnification, such Claim against Specified Personnel is released, waived and discharged.

H. Treatment of Claims and Interests under the Second Plans

Pursuant to the Second Plans, and subject to the provisions therein, certain unclassified Claims, including Administrative Expense Claims (other than the DIP Financing Facility Claims and Claims for compensation and reimbursement) and Priority Tax Claims, will receive payment in Cash (i) on the later of the applicable Distribution Date, or (ii) in installments over time (as permitted by the Bankruptcy Code), or (iii) as agreed with the holders of such Claims. The DIP Financing Facility Claims, including those contingent claims relating to letters of credit still outstanding, are included as Administrative Claims and will be paid or otherwise satisfied on the Reorganization Effective Date in accordance with Section 2.5 of the Second Reorganization Plan by reinstatement or replacement of such contingent obligations under the First Lien L/C Facility or the Second Lien L/C Facility. While certain DIP Financing Facility Claims will not be paid in full as a result of the reinstatement of these contingent obligations under the Second Reorganization Plan, acceptance of such treatment by a requisite majority of DIP Lenders, as provided under the DIP Financing Facility, shall be binding on all DIP Lenders. Additionally, the Second Plans provide that all entities seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the applicable Confirmation Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred on or before the deadlines set forth in the Second Plans.

All other Claims and Equity Interests are classified separately in various Classes in the Debtors' Chapter 11 Cases and will receive the distributions and recoveries (if any) described in the relevant Plan. The following tables summarize the classification and treatment under the Second Plans of the Claims and Equity Interests and in each case, reflects the amount and form of consideration that will be distributed in exchange for and in full satisfaction, settlement, release and discharge of such Claims and Equity Interests. The classification and treatment for all Classes are described in more detail under Article VII.

Second Reorganization Plan

Class	Second Reorganization Plan
Class 1	Allowed Priority Non-Tax Claims Treatment of Class 1 Claims is summarized on page xvii
Class 2	Subclass 2A: Allowed Project Debt Claims Subclass 2B: Allowed CIBC Secured Claims Treatment of Class 2 Claims is summarized on page xviii
Class 3	Subclass 3A: Allowed Secured Bank Claims Subclass 3B: Allowed Secured 9.25% Debenture Claims Subclass 3C: Allowed Secured Claims Other Than Project Debt Claims and Reorganized Covanta Secured Claims Treatment of Class 3 Claims is summarized on page xx
Class 4	Allowed Operating Company Unsecured Claims Treatment of Class 4 Claims is summarized on page xxv
Class 5	Allowed Parent and Holding Company Guarantee Claims Treatment of Class 5 Claims is summarized on page xxvi

Class 6	Allowed Parent and Holding Company Unsecured Claims Treatment of Class 6 Claims is summarized on page xxvii
Class 7	Allowed Convertible Subordinated Bond Claims Treatment of Class 7 Claims is summarized on page xxix
Class 8	Allowed Convenience Claims Treatment of Class 8 Claims is summarized on page xxx
Class 9	Subclass 9A: Liquidating Debtors Intercompany Claims Subclass 9B: Reorganizing Debtors Intercompany Claims Subclass 9C: Heber Debtor Intercompany Claims Treatment of Class 9 Claims is summarized on page xxxi
Class 10	Subordinated Claims Treatment of Class 10 Claims is summarized on page xxxii
Class 11	Equity Interests in Subsidiary Debtors Treatment of Class 11 Claims is summarized on page xxxiii
Class 12	Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental Treatment of Class 12 Claims is summarized on page xxxiv
Class 13	Old Covanta Stock Equity Interests Treatment of Class 13 Claims is summarized on page xxxv

Second Liquidation Plan

Class	Second Liquidation Plan
Class 1	Allowed Priority Non-Tax Claims Treatment of Class 1 Claims is summarized on page xxxvi
Class 2	N/A
Class 3	Subclass 3A: Allowed Bank and 9.25% Debenture Liquidation Secured Claims Subclass 3B: Allowed Other Liquidation Secured Claims Treatment of Class 3 Claims is summarized on page xxxvii
Class 4	N/A
Class 5	N/A
Class 6	N/A
Class 7	Allowed Unsecured Liquidation Claims and Allowed Insurance Claims Treatment of Class 7 Claims is summarized on page xxxviii
Class 8	N/A
Class 9	Intercompany Claims Treatment of Class 9 Claims is summarized on page xxxix
Class 10	N/A
Class 11	Equity Interests in Liquidating Debtors Treatment of Class 11 Claims is summarized on page xl
Class 12	N/A
Class 13	N/A

SECOND REORGANIZATION PLAN SUMMARY OF CLASS TREATMENT

Class	Description	Treatment Under Second Reorganization Plan

Class 1:	Estimated Allowed Claims: $0 to $200,000
Allowed Priority Non-Tax Claims	Each holder of an Allowed Class 1 Claim shall receive, in full settlement, release and discharge of its Class 1 Claim, either (i) Cash, on the Distribution Date, in an amount equal to such Allowed Claim, or (ii) on such other less favorable terms as the Reorganizing Debtors and Reorganized Debtors and the holder of an Allowed Priority Non-Tax Claim agree. Class 1 Claims are Unimpaired, and the holders of Allowed Class 1 Claims are not entitled to vote to accept or reject the Second Reorganization Plan. Estimated Percentage Recovery: 100%

Class Description	Treatment Under Second Reorganization Plan
Class 2: Allowed Project Debt Claims and the Allowed Secured Claim	
Subclass 2A - Allowed Project Debt Claims	Estimated Allowed Claims: $0 On the Reorganization Effective Date, the legal, equitable and contractual rights of the holders of Allowed Subclass 2A Claims will be reinstated in full satisfaction, release and discharge of their respective Subclass 2A Claims and will remain unaltered under the Second Reorganization Plan, except as the Reorganizing Debtors and the holders of Allowed Subclass 2A Claims may otherwise agree or as such holders may otherwise consent. To the extent that defaults exist in connection with any Allowed Project Debt Claims, the Reorganized Debtors shall comply with section 1124(2) of the Bankruptcy Code on or before the Reorganization Effective Date. Without limiting the generality of the foregoing, the Reorganizing Debtors shall pay in Cash thirty (30) days after the Effective Date of the Second Reorganization Plan any Secured Project Fees and Expenses, which are defined as those reasonable fees, costs or charges that (i) are incurred by a trustee acting on behalf of a bondholder, bond insurer or owner participant under any indenture that relates to an Allowed Project Debt Claim, (ii) represent fees, costs or charges incurred after the Petition Date, (iii) are properly payable under the applicable indenture, and (iv) have been approved by order of the Court; provided, however, that to the extent that any Secured Project Fees and Expenses may have been paid by third parties, then such third parties may only seek reimbursement from the Reorganizing Debtors for payment of such Secured Project Fees and Expenses, if and to the extent permitted by the relevant prepetition transaction documents and the Bankruptcy Code. Notwithstanding the foregoing, no contractual provisions or applicable law that would entitle the holder of an Allowed Subclass 2A Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim, terminate any contractual relationship or take such other enforcement action (as may be applicable) from and after the occurrence of a default that occurred prior to the Reorganization Effective Date shall be enforceable against the Reorganized Debtors.
Subclass 2B - Allowed CIBC Secured Claims	Estimated Allowed Claims: CDN $10.8 million On the Reorganization Effective Date, in full settlement, release and discharge of the Allowed CIBC Secured Claim, CIBC shall apply the CIBC cash collateral in full satisfaction of such Allowed CIBC Secured Claim. The remaining balance of the CIBC cash collateral, after satisfaction of the Allowed CIBC Secured Claim, shall be applied by CIBC first

	in payment of the fees and expenses of the mediator with respect to the Canadian loss sharing litigation and thereafter in payment of a portion of the fees and expenses of the Canadian Loss Sharing Lenders in connection therewith. Class 2 Claims are Unimpaired, and the holders of Allowed Class 2 Claims (including Subclass 2A and Subclass 2B) are not entitled to vote to accept or reject the Second Reorganization Plan. Estimated Percentage Recovery: 100%
Class Description	Treatment Under Second Reorganization Plan
Class 3: Allowed Secured Claims	Under the Second Reorganization Plan, Class 3 is divided into three Subclasses for Distribution purposes: Subclass 3A consists of the Allowed Secured Bank Claims, Subclass 3B consists of Allowed Secured 9.25% Debenture Claims, and Subclass 3C consists of Allowed Secured Claims other than Project Debt Claims and Reorganized Covanta Secured Claims. Class 3 Claims are Impaired, and the holders of Allowed Claims in such Class are entitled to vote to accept or reject the Second Reorganization Plan. The members of Subclasses 3A and 3B shall vote together as a single Class for purposes of accepting or rejecting this Second Reorganization Plan; provided, however that the Ballots distributed to holders of Subclass 3B Secured Claims shall permit each such holder the opportunity to elect treatment as a Rejecting Bondholder, it being understood that any such holder who does not expressly make such election by properly marking the Ballot shall be deemed an Accepting Bondholder. The members of Subclass 3C shall vote separately from the members of Subclasses 3A and 3B. The Secured Subclass 3A and 3B Total Distribution shall be segregated into a two part Initial Distribution whereby (i) the Subclass 3A Recovery shall be segregated and set aside for holders of Allowed Subclass 3A Claims to be further distributed in accordance with Section 4.3(c)(II) of the Second Reorganization Plan, and (ii) the Subclass 3B Recovery shall be segregated and set aside for holders of Allowed Subclass 3B Claims to be further distributed in accordance with Section 4.3(c)(III) of the Second Reorganization Plan; provided, however, that the Distributable Cash component of each of the Subclass 3A Recovery and Subclass 3B Recovery shall be apportioned in the Initial Distribution between Subclass 3A and Subclass 3B such that each Subclass shall receive the same percentage of Distributable Cash as, in the case of Subclass 3A, the percentage determined by dividing the total amount of Allowed Subclass 3A Claims held by First Lien Lenders by the total amount of all Allowed Subclass 3A and 3B Claims held by First Lien Lenders, and in the case of Subclass 3B, the percentage determined by dividing the total amount of Allowed Subclass 3B Claims held by First Lien Lenders by the total amount of all Allowed Subclass 3A and 3B Claims held by First Lien Lenders; and further, provided, that the Additional Distributable Cash component of each of the Subclass 3A Recovery and Subclass 3B Recovery shall be apportioned in the Initial Distribution between Subclass 3A and Subclass 3B such that each Subclass shall receive the same percentage of Additional Distributable Cash as, in the case of Subclass 3A, the percentage determined by dividing the total amount of Allowed Subclass 3A Claims held by Non-Participating Lenders by the total amount of all Allowed Subclass 3A and 3B Claims held by Non-Participating Lenders, and in the case of Subclass 3B, the percentage determined by dividing the total amount of Allowed Subclass 3B Claims held by Non-Participating Lenders by the total amount of all Allowed Subclass 3A and 3B Claims held by Non-Participating Lenders.

Subclass 3A:	Estimated Allowed Claims: $411 million to $419 million

Allowed Secured Claims--Secured Bank Claims

Holders of Allowed Subclass 3A Claims shall receive the Subclass 3A Recovery in full settlement, release and discharge of their aggregate Allowed Subclass 3A Claims. Immediately after the Initial Distribution to Subclass 3A, the Subclass 3A Recovery shall be distributed among holders of Allowed Subclass 3A Claims as follows:

First, in full settlement, release and discharge of the Allowed Priority Bank Claims, the Priority Bank Lenders shall receive first, to the extent available as part of the Subclass 3A Recovery, Additional Distributable Cash and Excess Distributable Cash in an amount equal to the amount of such Allowed Priority Bank Claims and thereafter New High Yield Secured Notes in a principal amount equal to the remaining amount of such Allowed Priority Bank Claims;

Second, the holders of Allowed Non-Priority Subclass 3A Claims shall receive a Pro Rata Subclass Share of the remaining Subclass 3A Recovery; provided, however, that with respect to the Distribution of the remaining Subclass 3A Recovery, (i) the First Lien Lenders in Subclass 3A shall receive their Secured Value Distribution first, to the extent available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes, and (ii) the Additional New Lenders in Subclass 3A shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and further, provided, that Non-Participating Lenders in Subclass 3A shall receive their Secured Value Distribution first, to the extent available, in the form of Additional Distributable Cash and thereafter in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash.

Immediately prior to any Distribution to holders of Subclass 3A Claims, the settlement of the Loss Sharing Litigation as described in Exhibit 6 annexed to the Second Reorganization Plan shall be deemed effective and implemented for purposes of Distributions thereunder.

Additionally, on the Determination Date, the holders of Allowed Subclass 3A Claims may receive an additional Distribution consisting of a Pro Rata Class Share of the increase, if any, in the New CPIH Funded Debt, determined in accordance with the terms of the Second Reorganization Plan.

Estimated Percentage Recovery: 67.7% to 72.3%

Subclass 3B:	Estimated Allowed Claims: $105 million

Allowed Secured Claims--9.25% Debenture Claims

On the Distribution Date, holders of Allowed Subclass 3B Claims shall receive the Subclass 3B Recovery in full settlement, release and discharge of their respective Allowed Subclass 3B Claims. Immediately after the Initial Distribution to Subclass 3B, the Subclass 3B Recovery shall be distributed among holders of Allowed Subclass 3B Claims as follows:

First, each holder of an Allowed Subclass 3B Claim that is an Accepting Bondholder shall, subject to payment of its pro-rata share of

the Settlement Distribution, receive its Pro Rata Subclass Share of Distributions of the Subclass 3B Accepting Bondholder Recovery; provided, however, that with respect to the Subclass 3B Accepting Bondholder Recovery, (i) the First Lien Lenders in Subclass 3B that are Accepting Bondholders, if any, shall receive their Secured Value Distribution first, to the extent available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes; and (ii) the Additional New Lenders in Subclass 3B that are Accepting Bondholders, if any, shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and provided further that the Non-Participating Lenders in Subclass 3B that are Accepting Bondholders shall receive their Secured Value Distribution first, to the extent available, in the form of Additional Distributable Cash and thereafter in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash. Distributions made to each Accepting Bondholder of such holder's Allowed Subclass 3B Claim shall be subject to adjustment and modification in accordance with the provisions of the 9.25% Settlement, including the waiver of the 9.25% Deficiency Claims and any subordination benefits with respect to the Convertible Subordinated Bonds, and payment of such holder's pro-rata share of the Settlement Distribution to the holders of Allowed Class 6 Claims as provided under the Second Reorganization Plan.

Second, in the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is equal to or greater than $10 million, the Subclass 3B Claim of each Rejecting Bondholder shall be deemed a Disputed Secured Claim, allowance thereof shall be subject to determination pursuant to the 9.25% Debentures Adversary Proceeding, and on the Effective Date, the Reorganizing Debtors shall deliver the Subclass 3B Rejecting Bondholder Recovery into a Reserve Account in accordance with Section 8.4 of the Second Reorganization Plan and be held subject to Distribution pursuant to Section 8.6 of the Second Reorganization Plan, and as further discussed in Section XIII.D.3 below.

Third, in the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is less than $10 million, the Subclass 3B Claim of each Rejecting Bondholder shall be deemed an Allowed Secured Claim in its full amount and in full settlement, release and discharge of the Allowed Secured Claims of the Rejecting Bondholders, on the Reorganization Effective Date, each holder of an Allowed Subclass 3B Claim that is a Rejecting Bondholder shall receive its Pro Rata Subclass Share of Distributions of the Subclass 3B Rejecting Bondholder Recovery; provided, however, that with respect to the Subclass 3B Rejecting Bondholder Recovery, (i) the First Lien Lenders in Subclass 3B that are Rejecting Bondholders, if any, shall receive their Secured Value Distribution first, to the extent available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes; and (ii) the Additional New Lenders in Subclass 3B that are Rejecting Bondholders, if any, shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and further, provided, that the Non-Participating Lenders in Subclass 3B that are Rejecting Bondholders shall receive their Secured Value Distribution first in the form of Additional Distributable Cash, to the

	extent available, and thereafter solely in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash. In the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is less than $10 million, the Distributions made to each Rejecting Bondholder of such holder's Allowed Subclass 3B Claim shall not be subject to adjustment and modification, nor shall they receive a release of claims asserted in the 9.25% Adversary Proceeding (remaining subject to liability to the holders of Class 6 Claims for the Settlement Distribution), in accordance with the provisions of the 9.25% Settlement. Additionally, on the Determination Date, the holders of Allowed Subclass 3B Claims may receive an additional Distribution consisting of a Pro Rata Class Share of the increase, if any, in the New CPIH Funded Debt, determined in accordance with the terms of the Second Reorganization Plan. Estimated Percentage Recovery before giving effect to the 9.25% Settlement Distribution: 67.7% to 72.3% Estimated Percentage Recovery for Accepting Bondholders after giving effect to the 9.25% Settlement Distribution: 59.3% to 63.3% Estimated Percentage Recovery for Rejecting Bondholders who are unsuccessful in the 9.25% Debentures Adversary Proceeding: 2.0% to 6.4% (treatment as holders of Class 6 Claims) IF HOLDERS OF SUBCLASS 3B CLAIMS EQUAL TO OR GREATER THAN $10 MILLION ELECT TO BECOME REJECTING BONDHOLDERS, THEN ALL DISTRIBUTIONS TO REJECTING BONDHOLDERS WILL BE HELD IN A DISPUTED RESERVE ACCOUNT SUBJECT TO RESOLUTION OF THE 9.25% DEBENTURES ADVERSARY PROCEEDING.
Subclass 3C:	Estimated Allowed Claims: $300,000 to $800,000
Allowed Secured Claims--Allowed Secured Claims Other Than Project Debt Claims and Reorganized Covanta Secured Claims	On the Effective Date or as soon as practicable thereafter, at the option of the Reorganizing Debtors and in accordance with section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Subclass 3C will be treated pursuant to one of the following alternatives: (i) the Second Reorganization Plan will leave unaltered the legal, equitable and contractual rights to which each Allowed Secured Claim in Subclass 3C entitles the holder; (ii) the Reorganizing Debtors or Reorganized Debtors shall cure any default that occurred before or after the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Allowed Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (iii) an Allowed Secured Claim shall receive such other treatment as the Reorganizing Debtors or Reorganized Debtor and the holder of such Allowed Secured Claim shall agree; or (iv) all of the collateral for such Allowed Secured Claim will be surrendered by the Reorganizing Debtors to the holder of such Claim. Estimated Percentage Recovery: 100%
Class Description	Treatment Under Second Reorganization Plan

Class 4: Allowed Operating Company Unsecured Claims (Note: A list of Operating Company Debtors is attached at Exhibit J)	Estimated Allowed Claims: $30 million to $35 million On the Distribution Date, each holder of an Allowed Class 4 Claim shall receive, in full settlement, release and discharge of its Class 4 Claim, a Distribution of Reorganization Plan Unsecured Notes in the aggregate principal amount equal to the amount of its Allowed Class 4 Claim. With respect to Allowed Class 4 Claims for and to the extent which insurance is available, the Second Reorganization Plan shall not be deemed to impair or expand the rights of holders of such Allowed Class 4 Claims to pursue any available insurance to satisfy such Claims; provided, however, that to the extent insurance is not available or is insufficient, treatment of such Allowed Class 4 Claims shall be as otherwise provided in Section 4.4 of the Second Reorganization Plan. Class 4 Claims are Impaired, and the holders of Allowed Class 4 Claims are entitled to vote to accept or reject the Second Reorganization Plan. Estimated Percentage Recovery: 100%

Class Description	Treatment Under Second Reorganization Plan
Class 5: Allowed Parent and Holding Company Guarantee Claims	Estimated Allowed Claims: $0 On the Reorganization Effective Date, the legal, equitable and contractual rights of the holders of Allowed Class 5 Claims will be reinstated in full satisfaction, release and discharge of their respective Class 5 Claims and will remain unaltered under the Second Reorganization Plan, except as the Reorganizing Debtors and the holders of Allowed Class 5 Claims may otherwise agree or as such holders may otherwise consent; provided, however, that notwithstanding the foregoing, (i) no contractual provisions or applicable law that would entitle the holder of an Allowed Class 5 Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim, terminate any contractual relationship or take such other enforcement action (as may be applicable) from and after the occurrence of a default that occurred prior to the Effective Date shall be enforceable against the Reorganized Debtors, and (ii) for the period through one year after the Effective Date (a) no contractual provisions or applicable law that would require the Reorganizing Debtors to satisfy any financial criteria or meet any financial condition measured by reference to such Debtor's most recent annual audited financial statements with respect to any such Allowed Parent and Holding Company Guarantee Claims during the pendancy of these Chapter 11 Cases shall be enforceable against such Reorganizing Debtors, and (b) the Reorganizing Debtors and Reorganized Debtors shall be deemed to be and to remain in compliance with any such contractual provision or applicable law regarding financial criteria or financial condition (other than contractual requirements to satisfy miniumum ratings from rating agencies). After such year, such financial criteria or financial condition shall be measured by reference to the applicable Debtor's most recent annual audited financial statements. Class 5 Claims are Unimpaired, and the holders of Allowed Class 5 Claims are not entitled to vote to accept or reject the Second Reorganization Plan. Estimated Percentage Recovery: 100%

Class Description	Treatment Under Second Reorganization Plan
Class 6: Allowed Parent and Holding Company Unsecured Claims	Estimated Allowed Claims: $125 million to $400 million In consideration of the agreement by the holders of Class 6 Claims to waive any claims, including all alleged avoidance actions, that might be brought against the holders of Subclass 3A Claims and to settle the 9.25% Debentures Adversary Proceeding in accordance with the terms of the 9.25% Settlement, and to secure the support of the holders of Allowed Class 6 Claims for confirmation of the Second Reorganization Plan, the holders of Allowed Subclass 3A and 3B Claims have agreed to provide the holders of Allowed Class 6 Claims from the value that would otherwise have been distributable to the holders of Allowed Subclass 3A and 3B Claims under the Second Reorganization Plan, so that on the Distribution Date each holder of an Allowed Class 6 Claim shall receive, in full satisfaction, release and discharge of its Class 6 Claim, Distributions consisting (i) such holder's Pro Rata Class Share of the CPIH Participation Interest, (ii) such holder's Pro Rata Class Share of the Class 6 Unsecured Notes, and (iii) such holder's Pro Rata Class Share of the proceeds, if any, with respect to the Class 6 Litigation Claims. Additionally, each holder of an Allowed Class 6 Claim (a) shall receive from each Accepting Bondholder, in full satisfaction, release and discharge of its rights with respect to the 9.25% Debentures Adversary Proceeding against each Accepting Bondholder, a Distribution consisting of such holder's Pro Rata Share of the Settlement Distribution and (b) may receive a further Distribution with respect to the Subclass 3B Rejecting Bondholder Recovery, subject to the resolution of the 9.25% Debentures Adversary Proceeding, in accordance with Section 8.6(b) of the Second Reorganization Plan. Distributions to holders of Allowed Class 6 Claims (including any Distribution with respect to the Settlement Distribution) shall be made by the Disbursing Agent in accordance with the provisions of Section 8.7 of the Second Reorganization Plan. With respect to Allowed Class 6 Claims for and to the extent which insurance is available, the Second Reorganization Plan shall not be deemed to impair or expand the rights of holders of such Allowed Class 6 Claims to pursue any available insurance to satisfy such Claims; provided, however, that to the extent insurance is not available or is insufficient, treatment of such Allowed Class 6 Claims shall be as otherwise provided in Section 4.6 of the Second Reorganization Plan. The Reorganized Debtors shall have the option to delay issuance of the Class 6 Unsecured Notes until immediately after such time as the Disbursing Agent, in consultation with the Class 6 Representative, elects to make an interim or final Distribution to holders of Allowed Class 6 Claims in accordance with Section 8.7 of the Second Reorganization Plan; provided, however, that in the event that the Reorganized Debtors shall elect to delay issuance of the Class 6 Unsecured Notes, any subsequent Distribution of the Class 6 Unsecured Notes shall include all accrued interest, whether made in Cash or otherwise, that a holder of such Notes would have been entitled to receive for the period from the Effective Date through and including the Date of such subsequent Distribution. Estimated Percentage Recovery before giving effect to 9.25% Settlement Distribution: 2.0% to 6.4% Estimated Percentage Recovery after giving effect to 9.25% Settlement Distribution: 4.2% to 14.0%

Class Description	Treatment Under Second Reorganization Plan
Class 7: Allowed Convertible Subordinated Bond Claims	Estimated Allowed Claims: $154.5 million On the Distribution Date, each holder of an Allowed Class 7 Claim shall not receive any Distributions from the Reorganizing Debtors or retain any property under the Second Reorganization Plan in respect of Class 7 Claims, on account of its Class 7 Claim. Class 7 Claims are Impaired, and the holders of Allowed Class 7 Claims are conclusively presumed to reject the Second Reorganization Plan. The votes of holders of Allowed Class 7 Claims will not be solicited. Estimated Percentage Recovery: 0%

Class Description	Treatment Under Second Reorganization Plan
Class 8: Allowed Convenience Claims	Estimated Allowed Claims: $1.9 million to $2.3 million On the Distribution Date, each holder of an Allowed Class 8 Claim shall receive, in full satisfaction, release and discharge of its Class 8 Claim, at the Reorganizing Debtors' option either: (i) a payment in Cash, in an amount equal to seventy five percent (75%) of the Allowed amount of such Class 8 Claim, or (ii) a Distribution of Reorganization Plan Unsecured Notes in the aggregate principal amount equal to the amount of its Allowed Class 8 Claim. Class 8 Claims are Impaired, and the holders of Allowed Class 8 Claims are entitled to vote to accept or reject the Second Reorganization Plan. Estimated Percentage Recovery: 75%

Class Description	Treatment Under Second Reorganization Plan
Class 9: Intercompany Claims	Class 9 consists of all Intercompany Claims. Class 9 is subdivided into two Subclasses for Distribution purposes: Subclass 9A consists of the Liquidating Debtors Intercompany Claims; Subclass 9B consists of the Reorganized Debtors Intercompany Claims.
Subclass 9A: Liquidating Debtors Intercompany Claims	In full satisfaction, release and discharge of each Liquidating Debtors Intercompany Claim, each such Liquidating Debtors Intercompany Claim shall be deemed cancelled or waived in exchange for the Reorganizing Debtors' contribution of the Liquidation Plan Funding Amount, if any, to the Operating Reserve.
Subclass 9B: Reorganizing Debtors Intercompany Claims	In the sole discretion of the applicable Reorganizing Debtor or Reorganized Debtor, Reorganizing Debtors Intercompany Claims shall be either: (a) preserved and reinstated, (b) released, waived and discharged, (c) contributed to the capital of the obligee corporation, or (d) distributed to the obligee corporation.
Subclass 9C: Heber Debtors Intercompany Claims	On the Reorganization Effective Date, all Subclass 9C Claims shall be deemed cancelled or waived in exchange for the Reorganizing Debtors' undertaking certain obligations in connection with the Heber Reorganization Plan.

Class Description	Treatment Under Second Reorganization Plan

Class 10:	Estimated Allowed Claims: $100,000 to $10 million
Subordinated Claims	As of the Reorganized Plan Effective Date, holders of Class 10 Claims shall not receive any Distributions or retain any property under the Second Reorganization Plan in respect of Class 10 Claims, on account of such Claims. Class 10 Claims are Impaired and holders of Allowed Class 10 Claims in are conclusively presumed to reject the Second Reorganization Plan. The votes of holders of Allowed Class 10 Claims will not be solicited. Estimated Percentage Recovery: 0%

Class Description	Treatment Under Second Reorganization Plan
Class 11: Equity Interests in Subsidiary Debtors	As of the Reorganization Effective Date, all Equity Interests in Subsidiary Debtors shall be reinstated in full satisfaction, release and discharge of any Allowed Class 11 Claims and such Equity Interests shall be evidenced by the existing capital stock, partnership and/or membership interests. Class 11 Equity Interests are Unimpaired and the holders of Allowed Class 11 Equity Interests in such Class are conclusively presumed to accept the Second Reorganization Plan. The votes of holders of Class 11 Equity Interests will not be solicited.

Class Description	Treatment Under Second Reorganization Plan
Class 12: Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental	As of the Reorganization Effective Date, Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental shall be reinstated, in full satisfaction, release, and discharge of any Allowed Class 12 Equity Interests, and such reinstated Equity Interests shall be evidenced by the existing capital stock, partnership and/or membership interests. Class 12 Equity Interests are Unimpaired and the holders of Allowed Class 12 Equity Interests are not entitled to vote to accept or reject the Second Reorganization Plan. Estimated Percentage Recovery: 100%

Class Description	Treatment Under Second Reorganization Plan
Class 13: Old Covanta Stock Equity Interests	Holders of Allowed Class 13 Equity Interests shall not receive any Distribution or retain any property under the Second Reorganization Plan in respect of Class 13 Equity Interests. All Class 13 Equity Interests shall be cancelled, annulled and extinguished. Class 13 Equity Interests are Impaired, and the holders of Allowed Class 13 Equity Interests are conclusively presumed to reject the Second Reorganization Plan. Estimated Percentage Recovery: 0%

SECOND LIQUIDATION PLAN SUMMARY OF CLASS TREATMENT

Class Description	Treatment Under Second Liquidation Plan
Class 1:	Estimated Allowed Claims: $0 to $130,000
Allowed Priority Non-Tax Claims	Each holder of an Allowed Class 1 Claim shall receive, in full settlement, release and discharge of its Class 1 Claim, Cash in an amount equal to

	such Allowed Class 1 Claim on the Initial Liquidation Distribution Date. Class 1 Claims are Unimpaired, and holders of Allowed Class 1 Claims are not entitled to vote to accept or reject the Second Liquidation Plan. Estimated Percentage Recovery: 100%

Class Description	Treatment Under Second Liquidation Plan
Class 3: Allowed Liquidation Secured Claims	Under the Second Liquidation Plan, Class 3 is divided into two Subclasses for Distribution purposes: Subclass 3A consists of the Allowed Secured Bank Claims and the Allowed 9.25% Debenture Claims and Subclass 3B consists of the Allowed Other Secured Liquidation Claims.
Subclass 3A: Allowed Liquidation Secured Claims--Secured Bank Claims and 9.25% Debenture Claims	In full settlement, release and discharge of its Class 3A Claim, (I) (a) each holder of an Allowed Liquidation Secured Claim would be entitled, absent the Secured Creditor Direction, to receive on any Liquidation Distribution Date, such holder's Pro Rata Share of the sum of any Net Liquidation Proceeds and Liquidation Assets of the Liquidating Pledgor Debtors existing, but not yet distributed on such Liquidation Distribution Date and (b) on the Liquidation Effective Date, (i) such holder of a Class 3A Allowed Liquidation Secured Claim shall be deemed to have received, on account of its Subclass 3A Allowed Liquidation Secured Claim, the Distribution it receives as a holder of a Subclass 3A or Subclass 3B Claim under the Second Reorganization Plan, as applicable, in full satisfaction of its Subclass 3A Claim under the Second Liquidation Plan, and (ii) the Liquidating Trustee and the Liquidating Debtors will implement the Secured Creditor Direction, and (II) each holder of an Allowed Liquidation Secured Claim shall be entitled to receive on any Liquidation Distribution Date, such holder's Pro Rata Share of any Net Liquidation Proceeds of any Liquidating Pledgor Debtor's Residual Liquidation Assets. Subclass 3A Claims are Impaired and the holders of Claims in such subclass are entitled to vote to accept or reject the Second Liquidation Plan.
Subclass 3B: Allowed Liquidation Secured Claims--the Other Secured Liquidating Claims	On the Liquidation Effective Date, or as soon thereafter as practicable, the applicable Liquidating Debtors shall cause to be transferred, pursuant to Section 6.1(c) of the Second Liquidation Plan, Other to the Covanta Liquidating Secured Parties, as holders of the Allowed Secured Liquidation Covanta Liquidation Claims, the Covanta Collateral in full settlement, release and discharge of the Subclass 3B Claims. The Subclass 3B Claims are Impaired and the holders of the Claims in such subclass are entitled to vote to accept or reject the Second Liquidation Plan.

Class Description	Treatment Under Second Liquidation Plan
Class 7: Allowed Unsecured Liquidation Claims and Allowed Insured Claims (Note: A list of Liquidating Debtors is attached at Exhibit J)	Estimated Allowed Claims: $60 million to $600 million The holders of Class 7 Claims shall not be entitled to receive any Distribution under the Second Liquidation Plan. Class 7 Claims are Impaired and the holders of Allowed Claims in Class 7 are conclusively presumed to reject the Second Liquidation Plan. The votes of holders of Class 7 Claims will not be solicited, provided, however, that with respect to Allowed Class 7 Claims for and to the extent which insurance is available, the Second Liquidation Plan shall not be deemed to impair or expand the rights of holders of such Allowed Class 7 Claims to pursue any available insurance to satisfy such Claims; provided, further,

	that to the extent that insurance is not available or is insufficient, treatment of such Allowed Class 7 Claim shall be as otherwise provided in the Second Liquidation Plan. Class 7 Claims are Impaired and the holders of Allowed Claims in such Class are conclusively presumed to reject the Second Liquidation Plan. The votes of holders of Class 7 Claims will not be solicited. Estimated Percentage Recovery: 0%

Class Description	Treatment Under Second Liquidation Plan
Class 9: Intercompany Claims	On the Liquidation Effective Date, all Intercompany Claims shall be cancelled, annulled and extinguished. Holders of such claims shall receive no distributions in respect of Class 9 Claims. Class 9 Claims are impaired and holders of Allowed Class 9 Claims are conclusively presumed to reject the Second Liquidation Plan. The votes of the holders of Allowed Class 9 Claims will not be solicited. Estimated Percentage Recovery: 0%

Class Description	Treatment Under Second Liquidation Plan
Class 11: Equity Interests in Liquidating Debtors	On the Liquidation Effective Date, all Equity Interests in the Liquidating Debtors shall not be entitled to receive any Distributions under the Second Liquidation Plan. Such Equity Interests shall be cancelled, annulled and extinguished. Class 11 Equity Interests are Impaired and the holders of Equity Interests in such Class are conclusively presumed to reject the Second Liquidation Plan. The votes of holders of Equity Interests in such Class will not be solicited. Estimated Percentage Recovery: 0%

I. Bar Dates and Schedules

On June 26, 2002, the Court entered an order (Docket No. 597) (the "General Bar Date Order") establishing August 9, 2002 as the General Bar Date (as defined therein) by which certain entities holding claims against Covanta and the 123 subsidiaries that filed bankruptcy petitions on April 1, 2002 (the "Original Debtors") arising prior to the First Petition Date must file proofs of claim. The General Bar Date Order also established September 30, 2002 as the last date by which governmental units (as defined in 11 U.S.C. ss. 101(27)) may file proofs of claim. In addition to serving notice of the General Bar Date Order on all scheduled creditors, the Debtors published notice of the General Bar Date in THE WALL STREET JOURNAL and USA TODAY. On August 16, 2002, the Court entered a stipulated order (Docket No. 738) (the "Bank of America Bar Date Order") that, among other things, extended the bar date by which Bank of America, N.A. must file proofs of claim against the Original Debtors to September 30, 2002 (the "Bank of America Bar Date"). On September 5, 2002, the Court entered a stipulated order (Docket No. 854) (the "IRS Bar Date Order") that, among other things, extended the bar date by which the Internal Revenue Service must file proofs of claim against the Original Debtors to December 31, 2002 (the "IRS Bar Date").

On September 20, 2002, the Court entered an order (Docket No. 938) (the "Employee Bar Date Order") establishing November 15, 2002 (the "Employee Bar Date") as the last date for filing claims against the Original Debtors by current or former employees in respect of wages, salaries, commissions, vacation pay, severance pay, sick leave pay, or benefits. Employees were provided notice of the Employee Bar Date by mail.

On May 19, 2003, the Court entered an order (Docket No. 1535) (the "Covanta Concerts Bar Date Order") establishing June 27, 2003 as the last date for filing proofs of claims against Covanta Concerts Holdings, Inc. (the

"Covanta Concerts Bar Date"). The Debtors sent notice of the Covanta Concerts Bar Date to all scheduled creditors of Covanta Concerts Holdings, Inc. The same order established June 27, 2003 as the last date for holders of Convertible Subordinated Debentures to file proofs of claim against Covanta (the "Convertible Debentures Bar Date"). The Debtors sent notice of the Convertible Debentures Bar Date to all registered holders and other known holders of the Convertible Bonds and published a notice of the same in the Financial Times of London and the Luxemburger Wort.

On June 30, 2003, the Court entered an order (Docket No. 1717) (the "New Debtors Bar Date Order") establishing August 14, 2003 as the last date for filing proofs of claim against the New Debtors (as defined herein) (such date, the "New Debtors Bar Date"). Because the Court was closed on August 14 and August 15, 2003 as a result of the blackout that affected the Northeast region of the United States, the New Debtors' Bar Date was changed to August 18, 2003. The New Debtors Bar Date Order also established December 5, 2003 as the last date by which governmental units (as defined in 11 U.S.C. ss. 101(27)) may file proofs of claim against the New Debtors. The Debtors sent notice of the New Debtors' Bar Date to all known creditors of the New Debtors and published notice of the same in THE WALL STREET JOURNAL and USA TODAY.

In accordance with the General Bar Date Order, which granted the Debtors authority to amend the Original Debtors' schedules that were originally filed on or about June 14, 2002 (Docket No. 590) (the "Original Schedules"), the Debtors have filed several amendments to the Original Schedules. On November 22, 2002, the Original Debtors filed their first amendment to the Original Schedules (Docket No. 1107) (the "First Amended Schedules"). The last date for filing proofs of claim in respect of claims for the first time scheduled as contingent, unliquidated or disputed on the First Amended Schedules was December 27, 2002 (the "First Amended Bar Date"). On December 11, 2002, the Original Debtors filed their second amendment to the Original Schedules (Docket No. 1146) (the "Second Amended Schedules"). The last date for filing proofs of claim in respect of claims for the first time scheduled as contingent, unliquidated or disputed on the Second Amended Schedules was January 13, 2003 (the "Second Amended Bar Date"). On August 24 and 25, 2003, the Original Debtors filed the third amendments to their Original Schedules (Docket Nos. 1886-2006 and 2186) (the "Third Amended Schedules"). The last date for filing proofs of claim in respect of claims scheduled as contingent, unliquidated or disputed on the Third Amended Schedules is October 6, 2003 (the "Third Amended Bar Date"). On June 22, 2003, the New Debtors filed schedules (the "New Debtor Schedules"). August 18, 2003 was the New Debtors Bar Date and December 5, 2003 is the New Debtors Government Bar Date, as defined in the New Debtors Bar Date Order.

On November 6, 2003, the Court entered an order (Docket No. 2632) (the "Covanta Tampa Construction Bar Date Order") establishing December 15, 2003 as the last date for filing proofs of claims against Covanta Tampa Construction, Inc. (the "Covanta Tampa Construction Bar Date"). The Debtors sent notice of the Covanta Tampa Construction Bar Date to all scheduled creditors of Covanta Tampa Construction, Inc. April 1, 2004 is the Covanta Tampa Construction Government Bar Date, as defined in the Covanta Tampa Construction Bar Date Order.

A chart describing the various bar dates follows:

Description of Bar Date	Applicable Bar Date
General Bar Date	August 9, 2002
Government Bar Date	September 30, 2002
Bank of America Bar Date	September 30, 2002
Employee Bar Date	November 15, 2002
First Amended Bar Date	December 27, 2002
IRS Bar Date	December 31, 2002
Second Amended Bar Date	January 13, 2003
Covanta Concerts Bar Date	June 27, 2003
Convertible Debentures Bar Date	June 27, 2003
New Debtors Bar Date	August 18, 2003
Third Amended Bar Date	October 6, 2003
New Debtors Government Bar Date	December 5, 2003
Covanta Tampa Construction Bar Date	December 15, 2003
Covanta Tampa Construction Government Bar Date	April 1, 2004

In total, approximately 4,550 proofs of claim in the aggregate amount of approximately $13.3 billion were filed. The Debtors believe that many of the proofs of claim are invalid, duplicative, untimely, inaccurate or otherwise objectionable. Pursuant to the General Bar Date Order, and consistent with 11 U.S.C. ss. 502(b)(9), any proofs of claim filed after the applicable bar date shall be disallowed as untimely unless and until such proofs of claim are deemed timely filed by the Court after notice and hearing.

During the course of the Chapter 11 Cases, the Debtors have filed procedural objections to more than 3,000 claims, primarily seeking to reclassify them to other Debtors' cases, to disallow duplicate, amended or superceded claims, or to reclassify as general unsecured claims certain claims that were filed as secured or priority claims. The Debtors are continuing the process of reviewing all claims, and are preparing to object to claims on substantive grounds.

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Page

SECOND DISCLOSURE STATEMENT WITH RESPECT TO REORGANIZING DEBTORS' SECOND JOINT PLAN OF REORGANIZATION AND LIQUIDATING DEBTORS' SECOND JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

I. INTRODUCTION

The Debtors submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code, for use in the solicitation of votes on the Second Reorganization Plan and the Second Liquidation Plan that were filed with the Court on January 9, 2004, copies of which are attached hereto as Exhibits A and B, respectively. The Debtors expect to file with the Court slightly revised versions of the Second Plans on or about January 26, 2004.

This Disclosure Statement sets forth certain information regarding the Debtors' prepetition history, significant events that have occurred during the Chapter 11 Cases, and the anticipated organization, operations and financing of the Reorganizing Debtors and the planned liquidation of the Liquidating Debtors. This Disclosure Statement also describes the terms and provisions of the Second Plans, including certain alternatives to the Second Plans, certain effects of confirmation of the Second Plans, certain risk factors associated with securities to be issued under the Second Plans, and the manner in which distributions will be made under the Second Plans. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims must follow for their votes to be counted.

FOR A DESCRIPTION OF THE SECOND PLANS AND VARIOUS RISKS AND OTHER FACTORS PERTAINING TO THE SECOND PLANS AS THEY RELATE TO HOLDERS OF CLAIMS AND EQUITY INTERESTS, PLEASE SEE ARTICLE VIII (SUMMARY OF THE SECOND PLANS) AND ARTICLE IX (CERTAIN RISKS TO BE CONSIDERED).

THIS SECOND DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE SECOND PLANS, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATED TO THE SECOND PLANS, CERTAIN EVENTS IN THE CHAPTER 11 CASES, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT SUCH SUMMARIES ARE FAIR

AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS SECOND DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

II. BANKRUPTCY PLAN VOTING INSTRUCTIONS AND PROCEDURES

BALLOTS PREVIOUSLY SUBMITTED BY CREDITORS AND EQUITY HOLDERS PURSUANT TO THE FIRST BALLOTING ORDER SHALL NOT BE COUNTED IN CONNECTION WITH SOLICITATION OF THE SECOND PLANS.

A. Notice to Holders of Claims

This Disclosure Statement is being transmitted to certain holders of Claims for the purpose of soliciting votes on the Second Reorganization Plan and Second Liquidation Plan and to others for informational purposes. The purpose of this Disclosure Statement is to provide adequate information to enable the holder of a Claim to make a reasonably informed decision prior to exercising the right to vote to accept or reject either the Second Reorganization Plan or the Second Liquidation Plan.

By order entered on January 14, 2004 (Docket No. 3274) (the "Disclosure Statement Order"), the Court approved this Disclosure Statement as containing information of a kind and in sufficient and adequate detail to enable holders of Claims that are entitled to vote on the Second Reorganization Plan and/or the Second Liquidation Plan to make an informed judgment with respect to acceptance or rejection of each such Plan. THE COURT'S APPROVAL OF THIS SECOND DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF ANY PLAN BY THE COURT.

ALL HOLDERS OF CLAIMS ARE ENCOURAGED TO READ THIS SECOND DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY, AND IF NECESSARY TO CONSULT WITH COUNSEL, BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE SECOND REORGANIZATION PLAN OR THE SECOND LIQUIDATION PLAN. This Second Disclosure Statement contains important information about the Second Plans, considerations pertinent to acceptance or rejection of each Plan and developments concerning the Chapter 11 Cases.

THIS SECOND DISCLOSURE STATEMENT AND THE OTHER MATERIALS INCLUDED IN THE SOLICITATION PACKAGE ARE THE ONLY DOCUMENTS AUTHORIZED BY THE COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE SECOND REORGANIZATION PLAN AND THE SECOND LIQUIDATION PLAN. No solicitation of votes may be made except after distribution of this Second Disclosure Statement and no person has been authorized to distribute any information concerning the Debtors or the Second Plans other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THIS SECOND DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD-LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. Except with respect to the Projections set forth in Exhibit C attached hereto and except as otherwise specifically and expressly stated herein, this Second Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Second Disclosure Statement. The Debtors do not intend to update the Projections subsequent to the date of this Second Disclosure Statement; thus, the Projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Projections. Further, the Debtors do not anticipate that any amendments or supplements to this Second Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Second Disclosure Statement does not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof.

EXCEPT WHERE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND HAS NOT BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

B. Voting Record Date

The record date for determining which holders of Claims are entitled to vote on the Second Reorganization Plan and the Second Liquidation Plan is January 12, 2004 (the "Voting Record Date").

C. Solicitation Package

This Second Disclosure Statement has been prepared with, among other things, copies of (1) the Second Reorganization Plan (Exhibit A); (2) the Second Liquidation Plan (Exhibit B); (3) Projected Financial Information (Exhibit C); (4) Pro Forma Historical Financial Information (Exhibit D); (5) the Reorganization Valuation Analysis of the Reorganizing Debtors (the "Reorganization Valuation Analysis") (Exhibit E); (6) the Liquidation Valuation Analysis of the Debtors (the "Liquidation Valuation Analysis") (Exhibit F); (7) Recovery Analysis (Exhibit G); (8) selected historical financial data for the

Company (the "Historical Financial Results") (Exhibit H); (9) selected historical financial data for the Plan Sponsor (the "DHC Historical Financial Results") (Exhibit I); (10) List of Debtors and Debtors In Possession (Exhibit J); (11) the notice of, among other things, the time for submitting Ballots to accept or reject the Second Reorganization Plan or the Second Liquidation Plan, the date, time and place of the Second Plans Confirmation Hearing, and the time for filing objections to the confirmation of the Second Plans (such notice, the "Confirmation Hearing Notice"); and (12) if you are entitled to vote, one or more Ballots (and return envelopes, without postage,) to be used by you in voting to accept or to reject the Second Reorganization Plan or the Second Liquidation Plan.

Depending on the Class to which you belong under the Second Reorganization Plan or the Second Liquidation Plan, you may receive this Second Disclosure Statement (along with the respective Plan and, as applicable, certain of the exhibits hereto described above) or a shorter version of this Second Disclosure Statement that has been approved by the Court (the "Second Short-Form Disclosure Statement"). Holders of Claims or Equity Interests in Classes 1, 3, 4, 6, 8 and 12 under the Second Reorganization Plan and holders of Claims or Equity Interests in Classes 1 and 3 under the Second Liquidation Plan will receive this Second Disclosure Statement (along with the respective Plan and, if entitled to vote, respective Ballots). Holders of Claims or Equity Interests in Classes 2, 5, 7, 10 and 13 of the Second Reorganization Plan and holders of Claims in Class 7 of the Second Liquidation Plan will receive the Second Short-Form Disclosure Statement (along with the respective Plan). In addition, all parties in the Debtors' most recent notice list filed with the Court will receive this Second Disclosure Statement (along with the Second Plans and certain exhibits). Holders of Claims or Equity Interests in Classes 9 and 11 under both the Second Reorganization Plan and the Second Liquidation Plan will not receive either this Second Disclosure Statement or the Second Short-Form Disclosure Statement (or any exhibits thereto, including the Second Plans).

The Plan Supplement will be distributed only to: (i) counsel to the Prepetition Lenders; (ii) counsel to the DIP Lenders; (iii) counsel to the Bondholders Committee; (iv) counsel to the Indenture Trustee for the 9.25% Debentures; (v) counsel to the Creditors Committee; (vi) counsel to the Plan Sponsor; (vii) the Office of the United States Trustee; and (viii) the SEC. The Plan Supplement will also be made available to other holders of Claims and Equity Interests upon request.

Subject to the limitations provided in the Disclosure Statement Order, the Confirmation Hearing Notice will be sent to all known holders of Claims against or Equity Interests in the Debtors' Estates as of the Voting Record Date, as well as to all parties in the Debtors' most recent notice list filed with the Court.

D. General Voting Procedures, Ballots, and Voting Deadline

If you are entitled to vote on the Second Reorganization Plan or the Second Liquidation Plan, after carefully reviewing the respective Plan, this Second Disclosure Statement and the voting instructions accompanying your Ballot, please indicate your acceptance or rejection of either the Second Reorganization Plan or the Second Liquidation Plan, as applicable, by checking the appropriate box on the enclosed Ballot. Please complete and sign your original Ballot (copies will not be accepted) and return it in the envelope provided. You must provide all of the information requested by the appropriate Ballot(s). Failure to do so may result in the disqualification of your vote on such Ballot(s). The description of the voting procedures contained in this Second Disclosure Statement represents a summary of the voting procedures approved by the Court and is qualified in its entirety by the Court-approved voting instructions accompanying each Ballot.

Each Ballot has been coded to reflect the Class of Claims or Equity Interests it represents. Accordingly, in voting to accept or reject the Second Reorganization Plan and/or the Second Liquidation Plan, you must use only the coded Ballot(s) sent to you with this Second Disclosure Statement.

IN ORDER FOR YOUR VOTE WITH RESPECT TO THE SECOND REORGANIZATION PLAN OR THE SECOND LIQUIDATION PLAN TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND ACTUALLY RECEIVED NO LATER THAN FEBRUARY 23, 2004 AT 4:00 P.M. (PREVAILING EASTERN TIME) (THE "VOTING DEADLINE") BY BANKRUPTCY SERVICES, LLC, 757 THIRD AVENUE, THIRD FLOOR, NEW YORK, NEW YORK 10017 (THE "BALLOTING AGENT"). BALLOTS RECEIVED AFTER SUCH TIME WILL NOT BE COUNTED, EXCEPT AS OTHERWISE PERMITTED BY ORDER OF THE COURT. BALLOTS SHOULD NOT BE DELIVERED DIRECTLY TO THE DEBTORS, THE COURT, THE CREDITORS COMMITTEE OR COUNSEL TO THE DEBTORS OR THE CREDITORS COMMITTEE.

E. Special Voting Procedures for the Prepetition Lenders

The votes of the Prepetition Lenders are being solicited directly from each Prepetition Lender, not from the Agent Banks on behalf of the Prepetition Lenders. Accordingly, Prepetition Lenders must submit their own Ballots. The Agent Banks will not vote on behalf of the Prepetition Lenders.

F. Special Voting Procedures for the 9.25% Debenture Holders

To the best of the Debtors' knowledge, the 9.25% Debentures are held by way of a central depository known as the Depository Trust Company ("DTC"). Among other activities, DTC is engaged in the business of effecting transfers and pledges of the securities deposited with it by its participants, who are banks, brokerage firms, brokers, dealers or other nominees (collectively, "9.25% Nominees"), which either own the respective securities for their own account or hold such securities for others (the "9.25% Beneficial Owners"). With respect to the 9.25% Debentures held through Cede & Co. (as nominee for DTC) as registered holder, the Balloting Agent will distribute to DTC and its proxy participants (or their nominees) sufficient solicitation packages with appropriate Ballots and Master Ballots in order to allow solicitation packages to be delivered to each 9.25% Beneficial Owner. The 9.25% Nominees or their agents (including, as applicable, Automatic Data Processing, the "9.25% Nominee's Agents") through which such 9.25% Beneficial Owners hold the 9.25% Debentures shall forward the solicitation packages including appropriate Ballots to each such beneficial owners for voting purposes. Each 9.25% Nominee or 9.25% Nominee's Agent (as applicable) shall then summarize the individual votes of its respective 9.25% Beneficial Owners from a 9.25% Beneficial Owner's Ballot on an appropriate Master Ballot, and then return the Master Ballot(s) to the Balloting Agent on or prior to the Voting Deadline.

Any beneficial 9.25% Debenture Holder who holds 9.25% Debentures in its own name as of the Voting Record Date should vote on the Second Reorganization Plan or Second Liquidation Plan by completing and signing the enclosed Ballot and returning it directly to Bankruptcy Services, LLC, at the address set forth in Section II.I herein so that it is RECEIVED on or before the Voting Deadline.

Each member of Subclass 3B may choose to opt out of the 9.25% Settlement, which is incorporated into the Second Reorganization Plan. Any Bondholder who opts out will not receive a release with respect to the 9.25% Debentures Adversary Proceeding. If holders of the 9.25% Debenture claims in excess of $10 million in the aggregate opt out of the 9.25% Settlement, such holders will not receive a distribution under the Second Reorganization Plan until the 9.25% Debentures Adversary Proceeding is resolved and the distribution to such holders will be subject to the results of the 9.25% Debentures Adversary Proceeding. In the event that holders of 9.25% Debenture claims with claims in excess of $10 million opt out of the 9.25% Settlement, the 9.25% Debentures Adversary Proceeding will continue with respect to such holders.

Holders of 9.25% Debentures should follow the voting procedures described in the Ballots and Master Ballots for further information. If you have questions about these procedures, please refer to Section II.I herein.

G. Voting Procedures for Warren Debenture Holders

As more fully explained herein, in order to emerge from bankruptcy without uncertainty concerning potential claims against Covanta related to the waste-to-energy facility located in Oxford Township, Warren County, New Jersey (the "Warren Facility"), pursuant to the Second Reorganization Plan, Covanta will be rejecting its guarantees of Covanta Warren Energy Resource Co., L.P.'s ("Covanta Warren") obligations relating to the operation and maintenance of the Warren Facility (but may execute a new guarantee upon confirmation of a plan of reorganization for Covanta Warren).

As such, the indenture trustee for certain debentures issued in connection with the Warren Facility (the "Warren Debentures") has asserted that the holders of the Warren Debentures (the "Warren Debenture Holders") may hold unliquidated and contingent claims against Covanta in respect of Covanta's obligations that are impaired under the Second Reorganization Plan. Thus, to the extent the claims of the Warren Debenture Holders are allowed, such claims are classified under Class 6 of the Second Reorganization Plan. The Debtors understand that Wachovia Bank, N.A. (the "Warren Debenture Trustee") will provide the Balloting Agent with a list of registered holders (the "Warren Registered Holders"), which hold Warren Debentures either for their own account or for others (the "Warren Beneficial Owners"). The Balloting Agent will distribute to such Warren Registered Holders sufficient solicitation packages with appropriate Ballots and Master Ballots, as applicable, in order to allow solicitation packages to be delivered to each Warren Beneficial Owner. The Warren Registered Holders or their agents through which Warren Beneficial Owners hold the Warren Debentures shall forward the solicitation packages including appropriate Ballots to each such Warren Beneficial Owner for voting purposes. The Warren Registered Holders shall then summarize the individual votes of the respective Warren Beneficial Owners from the Warren Beneficial Owner's Ballot on an appropriate Master Ballot, and then return the Master Ballot(s) to the Balloting Agent on or prior to the Voting Deadline

H. Voting Procedures for Unknown Holders

With respect to all holders of impaired Claims against and impaired Equity Interests in the Debtors' Estates who are entitled to vote on either the Second Reorganization Plan or the Second Liquidation Plan, but that cannot be identified or located by the Debtors, the Debtors have posted copies of this

Second Disclosure Statement, the Second Short-Form Disclosure Statement, the Confirmation Hearing Notice and the Second Plans on Covanta's website at http://www.covantaenergy.com (Corporate Restructuring), and will publish notice of the Second Plans Confirmation Hearing in the WALL STREET JOURNAL (National Edition) and USA TODAY (National Edition) once no later than 15 business days after entry of the Disclosure Statement Order. With respect to holders entitled to vote either under the Second Reorganization Plan or the Second Liquidation Plan, upon being contacted by holders who previously could not be identified or located, the Debtors will promptly provide each such holder with copies of either this Second Disclosure Statement or the Second Short-Form Disclosure Statement (and relevant exhibits thereto), as appropriate, after such holder has adequately evidenced its Claim against or Equity Interest in the Debtors' Estates.

I. Questions About Voting Procedures

If (1) you have any questions about (a) the procedure for voting your Claim or Equity Interest, (b) the packet of materials that you have received, or (c) the amount of your Claim or Equity Interest or (2) you wish to obtain, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), an additional copy of the Second Reorganization Plan, the Second Liquidation Plan, this Second Disclosure Statement, the Second Short-Form Disclosure Statement or any appendices or exhibits to such documents please contact:

Bankruptcy Services, LLC
757 Third Ave, Third Floor
New York, NY 10017
Telephone: (646) 282-2500
Facsimile: (646) 282-2501

NO INQUIRIES CONCERNING VOTING PROCEDURES SHOULD BE DIRECTED TO COUNSEL TO THE DEBTORS, THE UNITED STATES TRUSTEE, THE AGENTS TO THE PREPETITION LENDERS AND DIP LENDERS, THE INFORMAL COMMITTEE OR THE CREDITORS COMMITTEE.

FOR FURTHER INFORMATION AND INSTRUCTION ON VOTING TO ACCEPT OR REJECT THE SECOND REORGANIZATION AND/OR SECOND LIQUIDATION PLAN, SEE ARTICLE XIII (VOTING REQUIREMENTS).

J. Tabulation of Votes and Voting Objection Procedures

Votes on the Second Reorganization Plan and the Second Liquidation Plan will be counted in accordance with either (i) the Debtors' schedules (as amended) with respect to Claims as to which no proofs of claim have been filed or (ii) a proof of claim filed in these cases, provided that a vote in respect of a Claim that is subject to an objection seeking to (a) disallow or reduce a Claim for voting purposes, (b) disallow a Claim, (c) reduce the amount of a Claim, and (d) reallocate and transfer a proof of claim from one Debtor to another Debtor (collectively, "Claims Objections"), shall be counted in accordance with the treatment provided in such Claims Objection or as otherwise provided by the Court. If such an objection is timely filed, the Ballot for the holder of such proof of claim shall be counted in accordance with a Claims Objection, unless temporarily allowed in a different manner by the Court after notice and hearing. Any party seeking temporary allowance of a Claim for voting purposes in a manner different than as stated in a Claims Objection is required to file with the Court a motion, with evidence in support thereof, seeking temporary allowance of such Claim pursuant to Bankruptcy Rule 3018(a) ("Rule 3018(a) Motion") on or before February 18, 2004 at 4:00 p.m. (Prevailing Eastern Time) (the "Rule 3018(a) Motion Deadline"). Furthermore, any holder of a Claim that is scheduled as zero, disputed, unliquidated or contingent in the Schedules who wishes to vote on a Plan must file a Rule 3018(a) Motion on or prior to the Rule 3018(a) Motion Deadline. A Rule 3018(a) Motion must be served on counsel the Debtors so as to be received by the Rule 3018(a) Motion Deadline.

Unless otherwise ordered by the Court, the Order Estimating And Allowing Certain Claims For Purposes Of Voting (Docket No. 2956), entered on December 8, 2003 by the Court with respect to voting and tabulation of votes on the ESOP Plans, and any stipulations entered by the Court concerning allowance of claims for purposes of voting on the ESOP Plans, shall continue to apply and control for purposes of voting and tabulation of votes on the Second Reorganization Plan and Second Liquidation Plan.

K. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Court has scheduled the Second Plans Confirmation Hearing for March 3, 2004 at 2:00 p.m. (Prevailing Eastern Time). The Second Plans Confirmation Hearing will be held before the Honorable Cornelius Blackshear, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, NY 10004-1408. The Second Plans Confirmation Hearing may be adjourned from time to time by the Court without prior notice except for the announcement of the adjournment date made at the confirmation hearing or at any subsequently adjourned hearing. The Debtors will post a notice of any adjournment of a confirmation hearing on Covanta's website at http://www.covantaenergy.com

(Corporate Restructuring).

The Court has established that the discovery cut-off date relating to the Second Reorganization Plan and Second Liquidation Plan is February 18, 2004 at 4:00 p.m. (Prevailing Eastern Time).

Pursuant to the Disclosure Statement Order, objections, if any, to confirmation of either the Second Reorganization Plan or Second Liquidation Plan must be filed with the Court and served so that they are RECEIVED on or before February 23, 2004, at 4:00 p.m. (Prevailing Eastern Time) (the "Second Plans Confirmation Objection Deadline") by the parties listed below. Objections, if any, to confirmation of any of the Second Plans must be served on the following parties:

Counsel for the Debtors

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006
Attn: Deborah M. Buell, Esq.
James L. Bromley, Esq.

and

Jenner & Block, LLC
One IBM Plaza
Chicago, IL 60611-7603
Attn: Vincent E. Lazar, Esq.
Christine L. Childers, Esq.

Office of the United States Trustee

Office of the United States Trustee
US Department of Justice
Southern District of New York
33 Whitehall Street, 21st Floor
New York, NY 10004
Attn: Brian Masumoto, Esq.

Counsel to the Agents of the Debtors' prepetition and DIP lenders

O'Melveny & Myers LLP
30 Rockefeller Plaza
New York, NY 10112
Attn: Sandeep Qusba, Esq.

Counsel to the Trustee for the holders of the 9.25% Debentures

Dorsey & Whitney LLP
50 South Sixth Street
Minneapolis, MN 55402-1498
Attn: Christopher Lenhart, Esq.

Counsel for the Bondholders Committee

Akin Gump Strauss Hauer & Feld, L.L.P.
590 Madison Avenue
New York, NY 10022
Attn: Fred S. Hodara, Esq.

Counsel for the Creditors Committee

Arnold & Porter
399 Park Avenue
New York, NY 10022
Attn: Daniel M. Lewis, Esq.
Michael J. Canning, Esq.

Counsel to the Plan Sponsor

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Chicago, Illinois 60606
Attn: Timothy R. Pohl, Esq.

Responses or objections, if any, to confirmation of any of the Second Plans: (a) shall be in writing; (b) shall state the name and address of the objector and its interest in the Debtors; (c) shall state, if appropriate, the amount and nature of the objector's Claim or Equity Interest; (d) shall state the grounds for the responses or objections and the legal basis therefor; (e) shall reference with specificity the text of the Second Plan(s) to which the responses or objections are made, and (f) shall provide proposed language changes or insertions to the Second Plan(s) to resolve the responses or objections. If a response or objection to the confirmation of the Second Plan(s)

is not timely filed and served before the Second Plans Confirmation Objection Deadline, the responding or objecting party shall be barred from objecting to confirmation of the Second Plans and be precluded from being heard at the Second Plans Confirmation Hearing.

L. Additional Copies of Second Disclosure Statement, Second Short-Form Disclosure Statement and Second Plans

Additional copies of the Second Disclosure Statement, the Second Short-Form Disclosure Statement and the Second Plans, and copies of the Second Disclosure Statement marked to show differences between the Second Disclosure Statement and the ESOP Disclosure Statement, may be obtained from the Debtors' website at http://www.covantaenergy.com (Corporate Restructuring).

III. HISTORY OF THE DEBTORS' BUSINESS OPERATIONS

A. Overview of Business Operations

1. Description of Principal Business Units

Covanta is a holding company whose Subsidiaries, among other activities, develop, construct, own and operate key infrastructure for the conversion of waste to energy, independent power production and the treatment of water and wastewater ("Water") in the United States and abroad. The Company's power generation facilities use a variety of fuels, including municipal solid waste, water (hydroelectric), natural gas, coal, geothermal fluid, wood waste, landfill gas, heavy fuel oil and diesel fuel.

Prior to September 1999, the Company conducted its business through operating groups in three principal business units: Energy, Entertainment and Aviation. In September 1999, the Company adopted a plan to discontinue its Entertainment and Aviation operations, pursue the sale or other disposition of these businesses, pay down corporate debt and concentrate on businesses previously conducted through its Covanta Energy Group, Inc. (f/k/a Ogden Energy Group, Inc.) subsidiary. As of the date hereof, the Company's plan to sell discontinued businesses has been largely completed.

Currently, the Company's principal business units are Domestic Energy and Water, International Energy and Other.

(a) Domestic Energy and Water Business

The Company's domestic business is composed of the design, construction and long-term operation of key infrastructure for municipalities and others in WTE, IPP and Water.

(1) WTE Projects

The Company's largest operations are in WTE projects, and it currently operates 25 WTE projects, the majority of which were developed and structured contractually as part of competitive procurements conducted by municipal entities. The WTE plants combust municipal solid waste as a means of environmentally sound disposal and produce energy that is typically sold as electricity to utilities and other electricity purchasers. The Company processes approximately five percent of the municipal solid waste produced in the United States and therefore represents a vital part of the nation's solid waste disposal industry.

The essential purpose of the Company's WTE projects is to provide waste disposal services, typically to municipal clients who sponsored the projects ("Client Communities"). Generally, WTE projects provide these services pursuant to long term service contracts ("Service Agreements"). The electricity or steam is sold pursuant to long-term power purchase agreements ("PPAs") with local utilities or industrial customers, with one exception, and most of the resulting revenues reduce the overall cost of waste disposal services to the Client Communities. Each Service Agreement is different to reflect the specific needs and concerns of the Client Community, applicable regulatory requirements and other factors. The terms of the Service Agreements are each 20 or more years, with the majority now in the second half of the applicable term.

Financing for the Company's domestic WTE projects is generally accomplished through tax-exempt and taxable revenue bonds issued by or on behalf of the Client Community. If the facility is owned by a Covanta subsidiary, the Client Community loans the bond proceeds to the subsidiary to pay for facility construction and pays to the subsidiary amounts necessary to pay debt service. For such facilities, project-related debt is included as "project debt (short and long term)" in the Company's consolidated financial statements. Generally, such debt is secured by the revenues pledged under the respective indentures and is collateralized by the assets of Covanta's subsidiary and with the only recourse to Covanta being related to construction and operating performance defaults.

The domestic market for the Company's WTE services has largely matured and is heavily regulated. Other than expansion opportunities for existing projects in connection with which the Company's municipal clients have

encountered significantly increased waste volumes without corresponding competitively-priced landfill availability, new opportunities for domestic projects are expected to be scarce for the foreseeable future.

(2) Water and Wastewater Projects

The Company's Water operations are composed of wastewater treatment and water purification plants. The Water operations are conducted through wholly-owned subsidiaries, which design, construct, maintain, and operate Water treatment facilities and distribution and collection networks for municipalities in the United States.

Currently, the Company operates and maintains eight Water facilities in New York, has designed and built and now operates and maintains a water treatment facility and associated transmission and pumping equipment in Alabama, and is completing a desalinization project on behalf of the Tampa Bay Water Authority in Florida.

(3) Independent Power Projects

Since 1989, the Company has been engaged in developing, owning and/or operating 20 IPP facilities utilizing a variety of energy sources including water (hydroelectric), natural gas, coal, geothermal fluid, landfill gas, heavy fuel oil and diesel fuel. The electrical output from each facility, with one exception, is sold to local utilities. The Company's revenue from the IPP facilities is derived primarily from the sale of energy and capacity. The Heber Debtors' businesses were the ownership and operation of the Geothermal Projects, which are IPP facilities that convert geothermal fluid into energy. The Geothermal Projects are composed of the following: (i) Second Imperial Geothermal Company, L.P. ("SIGC Project Company"), which is the sole lessee of a nominal 48-megawatt geothermal electric power plant located in Imperial County, California; (ii) Heber Geothermal Company ("HGC Project Company"), which is the owner of a nominal 52-megawatt geothermal electric power plant located in Imperial County, California; (iii) Heber Field Company ("HFC Project Company," and together with the SIGC Project Company and the HGC Project Company, the "Heber Debtor Project Companies"), which is owner of certain land and lessee under more than 200 royalty leases providing it the right to extract geothermal fluid from what is known as the Heber Known Geothermal Resource Area; and (iv) the interests of Covanta Power Pacific, Inc., a non-debtor affiliate ("CPPI"), in non-debtor affiliates Pacific Geothermal Company and Mammoth Geothermal Company, which entities, in turn, collectively own 50% of the partnership interests in Mammoth Pacific, L.P., an entity which owns a nominal 40-megawatt geothermal electric power plant, comprised of three plants located on the eastern slopes of the Sierra Nevada Mountains at Casa Diablo Hot Springs in California.

As described herein, the Debtors sold their interests in the Geothermal Projects to Ormat pursuant to the Heber Purchase Agreement, following the Auction for the sale of the Geothermal Business held on November 19 and November 21, 2003. On November 21, 2003, the Court confirmed the Heber Reorganization Plan with respect to the Heber Debtors, which Plan, among other things, implemented the sale of the Geothermal Business to Ormat pursuant to the Heber Purchase Agreement. On December 18, 2003, the Heber Plan became effective and the sale was consummated.

The regulatory framework for selling power to utilities from independent power facilities (including WTE facilities) after current contracts expire is in flux, given the energy crisis in California in 2000-2001 and the over-capacity of generation at the present time. Various states and Congress are considering a wide variety of changes to regulatory frameworks, but none has been established definitively at present.

(b) International Energy Business

As with its domestic business, the Company conducts its international energy businesses through wholly-owned subsidiaries. Internationally, the largest element of the Company's energy business is its 26.25% ownership in, and operation of the 470 MW (net) pulverized coal-fired electrical generating facility in Quezon Province, the Philippines. The Company has interests in other fossil-fuel generating projects in Asia, a WTE project in Italy, a natural gas project in Spain, and two small hydroelectric projects in Costa Rica. In general, these projects provide returns primarily from equity distributions and, to a lesser extent, operating fees. The projects sell the electricity and steam they generate under long-term contracts or market concessions to utilities, governmental agencies providing power distribution, creditworthy industrial users, or local governmental units. In select cases, such sales of electricity and steam may be provided under short-term arrangements as well. Similarly, the Company seeks to obtain long-term contracts for fuel supply from reliable sources.

The ownership and operation of facilities in foreign countries entails significant political and financial uncertainties and other structuring issues that typically are not involved in such activities in the United States. Key international risk factors include government-sponsored efforts to renegotiate contracts, unexpected changes in electricity tariffs, conditions in financial

markets, currency exchange rates, currency repatriation restrictions, currency convertibility, changes in laws and regulations and political, economic or military instability, civil unrest and expropriation. Such risks have the potential to cause substantial delays or material impairment to the value of the project being developed or business being operated.

(c) Other Businesses

On December 31, 2001, the Company sold a majority of its aviation fueling business. The sale included all of the Company's aviation fueling operations at 19 airports in the United States, Canada and Panama. On March 28, 2002, the Company sold its interests in a power plant and an operating and maintenance contractor based in Thailand. Since the First Petition Date, the Debtors, with the approval of the Court, have sold or otherwise disposed of their interests in the Argentine Assets, their interests in the Arenas and the Team, the remaining aviation fueling and fuel facility management business related to three airports operated by the Port Authority of New York and New Jersey (the "Aviation Fueling Assets"), and other miscellaneous assets related to the entertainment businesses.

B. Other Aspects of Business Operations

1. Insurance

The Company maintains certain insurance policies essential to the continued operations of the Company. The terms of these policies are characteristic of insurance policies typically maintained by corporate entities that are similar in size and nature to the Company. A summary of the Company's policies and coverage is as follows:

Commercial General Liability Insurance and Excess Liability Insurance includes coverage for third party liability and contractual liability coverage resulting from negligence of the insured.

Property Insurance includes all-risk coverage on a replacement cost basis for physical damage to all buildings and equipment including boilers and machinery, owned, leased or otherwise under the control of the Company; and includes coverage for business interruption and extra expenses likely to be incurred in the event of a property loss.

Automobile Liability Insurance is provided for all owned, non-owned and hired automobiles with coverage for both bodily injury and property damage in compliance with the laws of the jurisdiction in which the vehicle is licensed.

Workers Compensation Insurance provides coverage for all employees throughout the United States in accordance with the laws of each state in which the Company conducts its business.

Directors and Officers Liability Insurance provides coverage for both Directors' and Officers' liability for wrongful acts actually or allegedly caused by the insured subject to standard exclusions. The Company is in the process of obtaining extended insurance for its Directors and Officers to cover claims related to the period following expiration of existing Directors and Officers Liability Insurance.

Political Risk Insurance provides coverage for the Company's equity investments in certain of its international projects.(3)

---

(3) Among other potential claims for recovery on the Debtors' Political Risk Insurance policies, Covanta believes that it has a valid insurance claim in connection with the Huantai Cogeneration Power Plant in China (the "Huantai Facility"), which is operated and maintained by Zibo Bohui Enterprise Limited ("Zibo-Bohui"), a joint venture between Zibo Ogden-Bohui Cogeneration Co., Ltd., a non-Debtor subsidiary of CPIH ("Zibo Ogden-Bohui"), and certain third parties. Such claim arises from an amendment of the Huantai Facility Operations and Management Contract between Zibo Bohui and Zibo Ogden-Bohui, dated December 25, 1996, (as amended, the "Huantai Agreement"), that was required by a declaration of the Chinese government. The Company believes that it has suffered lost income because of this amendment to the Huantai Agreement. Covanta is the policy holder for the Company's Political Risk Insurance policy for all projects in China, including the Huantai facility (such policy the "China Policy"), which was placed through and signed by Lloyd's on behalf of a syndicate of underwriters (collectively, the "Insurance Syndicate"). Covanta is in the process of submitting a claim under the China Policy for approximately $7.4 million, and intends on continuing to pursue this claim. In addition to their general reservation of rights to pursue claims, the Reorganized Debtors specifically reserve their right to assert all claims and causes of action against the Insurance Syndicate to recover such lost income in connection with the Huantai Agreement.

The Company also maintains crime insurance and fiduciary liability insurance on certain of its foreign locations.

2. Environmental Matters

The Company's business activities in the United States are pervasively regulated pursuant to federal, state and local environmental laws. Federal laws, such as the Clean Air Act and Clean Water Act, and their state counterparts, govern discharges of pollutants to air and water. Other federal, state and local laws comprehensively govern the generation, transportation, storage, treatment and disposal of solid and hazardous waste, and also regulate the storage and handling of petroleum products (such laws and the regulations thereunder, "Environmental Regulatory Laws").

The Environmental Regulatory Laws and other federal, state and local laws, such as the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA" or "Superfund") (collectively, "Environmental Remediation Laws") make Covanta potentially liable on a joint and several basis for any onsite or offsite environmental contamination which may be associated with the Company's activities and the activities at sites, including landfills which the Company's subsidiaries have owned, operated or leased or at which there has been disposal of residue or other waste handled or processed by such subsidiaries or at which there has been disposal of waste generated by the Company's activities. Some state and local laws also impose liabilities for injury to persons or property caused by site contamination. Some Service Agreements provide for indemnification of the operating subsidiaries from some such liabilities. In addition, other subsidiaries involved in landfill gas projects have access rights to landfills pursuant to certain leases at landfill sites that permit the installation, operation and maintenance of landfill gas collection systems. A portion of these landfill sites is and has been a federally-designated "Superfund" site. Each of these leases provide for indemnification of the Company subsidiary from some liabilities associated with these sites.

The Environmental Regulatory Laws require that many permits be obtained before the commencement of construction and operation of any WTE, IPP or Water facility, and further require that permits be maintained throughout the operating life of the facility. There can be no assurance that all required permits will be issued or re-issued, and the process of obtaining such permits can often cause lengthy delays, including delays caused by third-party appeals challenging permit issuance. Failure to meet conditions of these permits or of the Environmental Regulatory Laws and the corresponding regulations can subject an operating subsidiary to regulatory enforcement actions by the appropriate governmental unit, which could include fines, penalties, damages or other sanctions, such as orders requiring certain remedial actions or limiting or prohibiting operation. To date, Covanta has not incurred material penalties, been required to incur material capital costs or additional expenses, nor been subjected to material restrictions on its operations as a result of violations of environmental laws, regulations or permits.

3. Prepetition Legal Proceedings

The following discussion regarding legal proceedings purports only to identify those legal proceedings commenced prior to the First Petition Date that the Debtors, in their reasonable judgment, considered prepetition to be material in nature, unless otherwise noted. Covanta's Form 10-K Annual Report for the fiscal year ended December 31, 2002 and Form 10-Q Quarterly Report for the period ended September 30, 2003, accessible on http://investors.covantaenergy.com, also contain information about these legal proceedings.

On June 8, 2001, the Environmental Protection Agency (the "EPA") named Ogden Martin Systems of Haverhill, Inc., now known as Covanta Haverhill, Inc., as one of 2,000 potentially responsible parties ("PRPs") at the Beede Waste Oil Superfund Site, Plaistow, New Hampshire (the "Site") in connection with alleged waste disposal by PRPs on the Site. The EPA alleges that the costs of response actions completed or underway at the Site total about $17 million and estimates that the total cost of cleanup of the Site will be about $65 million. Covanta is participating in PRP group discussions towards settlement of the EPA's claims. Covanta's share of liability, if any, cannot be determined at this time as a result of uncertainties regarding the source and scope of contamination, the large number of PRPs and the varying degrees of responsibility among various classes of PRPs. Covanta Haverhill, Inc., is not a Debtor.

On April 9, 2001, Ogden Ground Services, Inc. ("Ogden Ground") and Ogden Aviation, Inc., together with approximately 250 other parties, were named by Metropolitan Dade County, Florida (the "County") as PRPs, pursuant to CERCLA, RCRA and state law, with respect to an environmental cleanup at the Miami Dade International Airport. The County alleges that it has expended over $200 million in response and investigation costs and expects to spend an additional $250 million to complete necessary response actions. The lawsuit is currently subject to a tolling agreement between PRPs and the County. Covanta's share of liability, if any, cannot be determined at this time because of uncertainties regarding the source and scope of the contamination, the large number of PRPs and the varying degrees of responsibility among various classes of PRPs. Covanta's liability, if any, arises from its agreement to indemnify various transferees of its divested airport operations with respect to certain known and potential liabilities that may arise out of such operations, and in certain

instances to remain liable for certain potential liabilities that were not assumed by the transferee. Ogden Ground has been sold, and the transferee of its businesses is subject to Covanta's indemnification agreement. The Debtors believe that the indemnity of Ogden Ground's transferee, as well as any other such indemnity, are prepetition unsecured obligations. Ogden Aviation, Inc. is a Liquidating Debtor and the above matter is expected to have no impact on the Reorganized Company (as defined herein).

On May 25, 2000 the California Regional Water Quality Control Board, Central Valley Region (the "Board"), issued a cleanup and abatement order to Pacific-Ultrapower Chinese Station ("Chinese Station"), a general partnership in which one of Covanta's subsidiaries owns 50%. The order is in connection with Chinese Station's neighboring property owner's use of ash generated by Chinese Station's Jamestown, California power plant. Chinese Station completed the cleanup in mid-2001 and submitted its Clean Closure Report to the Board on November 2, 2001. The Board and other state agencies continue to investigate alleged civil and criminal violations associated with the management of the material. Chinese Station believes it has valid defenses, and a petition for review of the order is pending. Settlement discussions in this matter are underway. Chinese Station and Covanta's subsidiary that owns a partnership interest in Chinese station are not Debtors.

On January 4, 2000 and January 21, 2000, United Air Lines, Inc. ("United") and American Airlines, Inc. ("American"), respectively, named Ogden New York Services, Inc. ("Ogden New York"), in two separate lawsuits (collectively, the "Airlines Lawsuits") filed in the Supreme Court of the State of New York, which have been consolidated for joint trial. The lawsuits seek judgment declaring that Ogden New York is responsible for petroleum contamination at airport terminals formerly or currently leased by United and American at New York's Kennedy International Airport ("JFK Airport"). United seeks approximately $1.9 million in certain costs and legal expenses, as well as certain declaratory relief, against Ogden New York and four airlines, including American. American seeks approximately $74.5 million in certain costs and legal fees from Ogden New York and United. Ogden New York has filed counter-claims and cross-claims against United and American for contribution. American has filed a proof of claim (the "American Proof of Claim") against Ogden New York in its chapter 11 case, alleging an unsecured claim of approximately $74 million. Ogden New York disputes the allegations and believes that the damages sought are overstated in view of the airlines' responsibility for the alleged contamination and that Ogden New York has defenses under its respective leases and Port Authority permits. This litigation has been stayed as to Ogden New York as a result of its Chapter 11 filing. Ogden New York believes that the claims asserted by United and American are prepetition unsecured obligations. Ogden New York is a Liquidating Debtor and the above matter is expected to have no impact on the Reorganized Company (as defined herein).

In connection with the Airlines Lawsuits, prior to the First Petition Date, Ogden New York commenced an action against Zurich Insurance Company ("Zurich") seeking, among other things, a declaratory judgment that Zurich was obligated to defend and indemnify Ogden New York against the Airlines Lawsuits under certain environmental impairment liability policies. Ogden New York successfully obtained partial summary judgment that Zurich owed a duty to defend Ogden New York against the Airlines Lawsuits and pay its defense fees, costs and expenses. Zurich appealed the decision. In April 2003, in order to avoid the uncertainty and continued costs of the litigation, Ogden New York and Zurich reached a settlement whereby Zurich agreed to pay to Ogden New York $1.8 million (the "Insurance Proceeds") in full and final settlement of all claims for defense and indemnity made to date by Ogden New York and its respective past, present, and future employees, officers, directors, principals, parents, subsidiaries, affiliates, agents, representatives, predecessors in interests, successors in interests and assigns for environmental impairments allegedly resulting from the Ogden New York's fueling operations at JFK Airport (the "Zurich Settlement"). Ogden New York filed a motion with the Court seeking approval of the Zurich Settlement. American objected to the settlement motion, and requested that the Court establish a constructive trust for the Insurance Proceeds. Prior to the hearing to consider the settlement motion, American and Ogden New York agreed upon a consensual form of order whereby (i) Ogden New York preserved its rights to argue that American was not entitled to any amount of the Insurance Proceeds, (ii) American preserved its rights to assert a claim for the Insurance Proceeds, and (iii) Ogden New York agreed not to distribute the Insurance Proceeds to any other party interest on account of any purported interests in such proceeds without prior Court order and without prior notice to American's counsel. The Court entered the consensual order as proposed, thereby approving the Zurich Settlement (the "Settlement Order"). Although American has asserted its rights to the Insurance Proceeds in its objections to the Zurich Settlement and to approval of this Second Disclosure Statement, it has not filed an adversary proceeding in Ogden New York's bankruptcy case or taken any other action seeking a determination of its rights to the Insurance Proceeds. Under the Second Liquidation Plan, the Insurance Proceeds, as Designated DIP Collateral (as defined in the Second Liquidation Plan) shall be transferred to Reorganized Covanta pursuant to the DIP Lender Direction (as defined in the Second Liquidation Plan) and will not be available for distribution to any of Ogden New York's unsecured creditors, including American. In the interests of avoiding further litigation and reducing costs incurred by the estates, the Debtors are in the process of negotiating a potential resolution to the disputes

between Ogden New York and American with respect to the American Proof of Claim and related matters.

On December 23, 1999, an aviation subsidiary of Covanta was named as a third-party defendant in an action filed in the Superior Court of the State of New Jersey alleging that the aviation subsidiary generated hazardous substances at a reclamation facility known as the Swope Oil and Chemical Company Site. Third-party plaintiffs seek contribution and indemnification from the aviation subsidiary and over 90 other third parties, as PRPs, for costs incurred and to be incurred in the cleanup. This action was stayed pending the outcome of first- and second-party claims. The aviation subsidiary's share of liability, if any, cannot be determined at this time because of uncertainties regarding the source and scope of contamination, the large number of PRPs and the varying degrees of responsibility among various classes of PRPs. This matter is expected to have no impact on the Reorganized Company (as defined herein).

In 1985, Covanta, a Reorganizing Debtor, sold its interests in several manufacturing subsidiaries, some of which allegedly used asbestos in their manufacturing processes, and one of which was Avondale Shipyards, now a subsidiary of Northrop Grumman Corporation. Some of these former subsidiaries have been and continue to be parties to asbestos-related litigation. In 2001, Covanta was named a party, with 45 other defendants, to one such case. Before the Debtor's bankruptcy filing, Covanta had filed for its dismissal from the case, which is now stayed directly against Covanta by the Chapter 11 Cases. Also, eleven proofs of claim seeking unliquidated amounts have been filed against Covanta in the Chapter 11 Cases based on what appears to be purported asbestos-related injuries that allegedly relate to the operations of former Covanta subsidiaries. Covanta believes that these claims lack merit, has filed objections to these claims, and plans to contest them vigorously.

4. Employees; Labor Matters; Benefit Plans

(a) Employees

As of April 1, 2002, the Company employed approximately 3,200 full-time employees worldwide, of which approximately 2,900 were employed in the United States. As of December 18, 2003, the Company employed approximately 2,400 full-time employees worldwide, of which approximately 2,000 were employed in the United States. It is anticipated that approximately 100 of these employees will cease to be employed by the Company as a result of the consummation of the Geothermal Sale. The reduction in force was generally the result of the Company's sale of various non-core assets, as well as the Company's decision in September 2002, within its core energy business, to reduce the number of non-plant personnel and close satellite development offices in order to enhance its value. As part of this reduction in force, WTE, Water and domestic IPP headquarters management were combined and numerous other structural changes were instituted to improve management efficiency.

Of the Company's employees in the United States, approximately 20% are unionized. Currently, the Company is a party to eight (8) collective bargaining agreements: three (3) of these agreements are scheduled to expire in 2004, one (1) in 2005 and one (1) in 2006. With respect to the remaining three (3) agreements, each of which has recently expired, the Company is currently in negotiations with the applicable collective bargaining representatives and the Company currently expects to reach agreement with each such representative to extend each such agreement on its current or similar terms. In addition, the Company is currently negotiating with a collective bargaining representative regarding the terms of a collective bargaining agreement with respect to certain of the Company's employees at the Edison Bataan Cogeneration facility in the Philippines.

With respect to the Company's Three Mountain Power Project, an electric generating plant to be located in California for which Debtor Three Mountain Power, LLC has received permits but has not begun construction, certain of the Debtors have entered into six (6) labor and associated agreements with certain unions relating to the construction, maintenance and operation of that facility. The Company does not intend to proceed with the construction of the Three Mountain Power Project and is currently in the process of attempting to sell its interests in the project. No active employees of the Company are currently covered by such agreements.

(b) Defined Benefit Pension Plans

(1) The Covanta Energy Pension Plan

The Debtors maintain the Covanta Energy Pension Plan (the "Pension Plan") for certain of their employees. The Pension Plan is a tax-qualified defined benefit pension plan covered by Title IV of ERISA, pursuant to which benefits are payable upon a participant's retirement from the Debtors, disability, or death. Based on the plan's most recent actuarial report, the Pension Plan is currently underfunded by approximately $24 million. The Plan Sponsor presently intends to continue or to cause the Reorganized Debtors to continue to maintain the Pension Plan after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify the Pension Plan as permitted by such plan or applicable law and to administer and operate

the Pension Plan in accordance with its terms and the applicable provisions of ERISA and the Internal Revenue Code of 1986, as amended (the "IRC"), including the minimum funding standards of ERISA and the IRC and to pay all insurance premiums payable to the Pension Benefit Guaranty Corporation (the "PBGC"), a wholly owned United States government corporation that administers the defined benefit pension plan termination insurance program under Title IV of ERISA.

(2) The Service Employees International Union Pension Trust for Employees of Allied Plant Maintenance Company, Inc. Defined Benefit Pension Plan

Ogden Plant Maintenance Company, Inc. (formerly known as Allied Plant Maintenance Company, Inc.), a non-Debtor, sponsors the Service Employees International Union Pension Trust for Employees of Allied Plant Maintenance Company, Inc. Defined Benefit Pension Plan (the "SEIU Pension Plan") for certain of its employees represented by the Service Employees International Union Local 22. The SEIU Pension Plan is a tax-qualified defined benefit pension plan covered by Title IV of ERISA, pursuant to which benefits are payable upon a participant's retirement. No active employees of the Company currently participate in the SEIU Pension Plan. The SEIU Pension Plan was "frozen," effective as of July 7, 1995, and no service since that date has been recognized for any purpose thereunder. At such time, all participants became 100% vested in their accrued benefits. The SEIU Pension Plan is currently underfunded by approximately $560,000, based on the plan's most recent actuarial report. It is currently intended that following the Reorganization Effective Date the SEIU Pension Plan will continue to be maintained as a frozen plan and that the Company will continue to meet any obligations it currently has to such plan under ERISA and the IRC and to the PBGC.

(c) Defined Contribution Retirement Plans

(1) The Covanta Energy Savings Plan

The Debtors maintain the Covanta Energy Savings Plan (the "Savings Plan") for certain of their employees. The Savings Plan is a defined contribution retirement plan intended to be qualified under Section 401 of the IRC. Under the Savings Plan, the Debtors make pre-tax salary deferral contributions (from 1% to 20% of a participant's pay for each pay period) on behalf of each participant at such participant's election. In addition, the Debtors match 100% of a participant's contributions up to the first 3% of such participant's pay for the payroll period and 50% of a participant's contribution up to the next 2% (in excess of 3% but not more than 5%) of such participant's pay for the relevant payroll period. Each participant determines how his or her contributions are invested amongst the available investment alternatives. The Plan Sponsor currently intends to continue or cause the Reorganizing Debtors to continue the Savings Plan after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify the Savings Plan as permitted by such plan or applicable law and to meet all obligations with respect to the plan under ERISA and the IRC.

(2) The Resource Recovery 401(k) Plan

The Debtors maintain the Resource Recovery 401(k) Plan (the "Resource 401(k) Plan") for certain of their employees. The Resource 401(k) Plan is a defined contribution retirement plan intended to be qualified under Section 401 of the IRC. Pursuant to the Resource 401(k) Plan, the Debtors make pre-tax salary deferral contributions (from 1% to 15% of a participant's pay for each period) on behalf of each participant at such participant's election. In addition, the Debtors match 100% of a participant's contribution up to the first 3% of such participant's pay for the payroll period and have discretion to make additional contributions to participants' accounts. Each participant determines how his or her contributions are invested amongst the available investment alternatives. Currently, both employee and employer contributions to the Resource 401(k) Plan are "frozen" and participants are not accruing any additional benefits. The Debtors currently intend to merge the outstanding Resource 401(k) Plan account balances into the Savings Plan and expect to have any requisite Internal Revenue Service (the "IRS") approval to do so in the near future.

(3) The Covanta Energy Group Security Fund

The Debtors maintain the Covanta Energy Group Security Fund (the "Security Fund") for certain of their union employees, who are not eligible to participate in the Savings Plan, at the (i) Marion WTE facility in Marion County, Oregon; (ii) Hennepin WTE facility in Hennepin County, Minnesota; (iii) Bristol WTE facility in Bristol, Connecticut and (iv) New Martinsville, West Virginia Hydro Facility. Currently, the Security Fund has approximately one hundred nineteen (119) participants. The Security Fund is a defined contribution retirement plan intended to be qualified under Section 401 of the IRC. Pursuant to the Security Fund, the Debtors make pre-tax salary deferral contributions (from 1% to 15% of a participant's pay for each period) on behalf of each participant at such participant's election. In addition, the Debtors generally contribute five cents per hour to each participant's account for all hours worked by such participant (in some instances, such contributions are limited to a standard 40 hour work week). Each participant determines how his or her

contributions are invested amongst the available investment alternatives. The Plan Sponsor currently intends to continue or cause the Reorganizing Debtors to continue the Security Fund after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify the Security Fund as permitted by such fund or applicable law and to meet all obligations with respect to the Security Fund under ERISA and the IRC.

(4) The Hennepin Money Purchase Plan

The Debtors maintain the Hennepin Money Purchase Plan (the "Hennepin Plan") for certain eligible union employees at the Hennepin WTE facility. Currently, the Hennepin Plan has seventy-five (75) participants. The Hennepin Plan is a defined contribution retirement plan intended to be qualified under Section 401 of the IRC. Pursuant to the Hennepin Plan, the Debtors make annual contributions equal to an adjustable percentage of the compensation of all participants. The Hennepin Plan does not provide for employee contributions. Each participant determines how contributions made on his or her behalf are invested amongst the available investment alternatives. The Plan Sponsor currently intends to continue or cause the Reorganizing Debtors to continue the Hennepin Plan after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify Hennepin Plan as permitted by such plan or applicable law and to meet all obligations with respect to the plan under ERISA and the IRC.

(5) The Metropolitan 401(k) Plan

The Debtors have satisfied all outstanding obligations arising under the Metropolitan 401(k) Plan. No benefits are currently accruing under the Metropolitan 401(k) Plan and, as a result, the plan currently has no assets. The Debtors are in the process of formally terminating the Metropolitan 401(k) Plan.

(6) The Resource Recovery Pension Plan

The Debtors maintain the Resource Recovery Pension Plan (the "Resource Pension Plan") for certain eligible employees of Ogden Resource Recovery Support Services, Inc. The Resource Pension Plan is a defined contribution retirement plan intended to be qualified under Section 401 of the IRC. Pursuant to the Resource Pension Plan, the Debtors make annual contributions at a rate of 3% of the compensation of all participants. The Resource Pension Plan does not provide for employee contributions. Each participant determines how contributions made on his or her behalf are invested amongst the available investment alternatives. The Resource Pension Plan was amended, effective December 31, 2001, to freeze the plan and employer contributions were discontinued accordingly at such time. Since December 31, 2001, participants have not accrued any new benefits under the Resource Pension Plan. The Plan Sponsor currently intends to continue or cause the Reorganizing Debtors to continue the Resource Pension Plan after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify the Resource Pension Plan as permitted by such plan or applicable law and to meet all obligations with respect to the plan under ERISA and the IRC.

(7) The Ogden Environmental and Energy Services 401(k) Plan

The Debtors maintain the Ogden Environmental and Energy Services 401(k) and Profit Sharing Plan (the "Energy Services 401(k) Plan"). The Energy Services 401(k) Plan was "frozen" on November 17, 2000 and currently, no active employees participate therein. The Debtors are currently in the process of terminating the Energy Services 401(k) Plan and distributing outstanding participant account balances thereunder.

(d) The Supplementary Benefit Plan of Ogden Projects, Inc.

Since the 1980s, Ogden Projects, Inc. (now known as Covanta Projects, Inc.), a Debtor, has sponsored the Supplementary Benefit Plan of Ogden Projects, Inc. (the "Supplementary Plan"), which provides for supplemental pension benefits and profit sharing and employer-matching contributions to eligible employees of the Company's energy business. The Supplementary Plan is an unfunded, non-qualified plan. Eligible employees are those employees who participate in a certain pension plan (the Pension Plan) and profit sharing plan (the Savings Plan) maintained by Covanta Projects, Inc. each of which is intended to be qualified under Section 401 of the IRC (together, the "Qualified Plans"). As of the Supplementary Plan's latest valuation date there were fifty-six (56) participants. The purpose of the Supplementary Plan is to equalize the pension benefit and contribution formula applicable to the employees participating in the Qualified Plans whose pension benefits and allocated profit sharing or employer contributions are limited as a result of certain IRC provisions.

Pursuant to the Supplementary Plan, participants are paid retirement benefits in an amount equal to the excess of the retirement benefits that would have been paid to such participants under the Pension Plan in the absence of the limitations of Section 415 of the IRC on the amount of benefits that may be provided under tax-qualified plans over the retirement benefits actually paid under the Pension Plan. Retirement benefits payable under the Supplementary Plan

are determined at the same time and in the same manner as the retirement benefits payable under the Pension Plan and will be payable in a single cash lump sum. Such benefits are payable at retirement to eligible participants beginning at age 55 (depending on length of service).

With respect to profit sharing and excess employer contributions made pursuant to the Supplementary Plan, the committee administering the Savings Plan, in the ordinary course of business, determines annually the total percentage of an employee's compensation that is eligible for Company contributions under the Savings Plan. The Company then makes an annual contribution (not to exceed such pre-established percentage), either in the form of a profit-sharing or employer matching contribution to the Savings Plan for each eligible employee based upon the performance of the Company's energy business for that year and subject to the limitations imposed by the IRC on the maximum amount of an employee's compensation that may be taken into account when making such contributions. Pursuant to the profit sharing and Company match components of the Supplementary Plan, an employee whose allocated contributions under the Savings Plan are limited as a result of the IRC are paid, in cash, the amount by which the percentage of annual contributions authorized by the committee exceeds the amounts that are actually allocated to such employee's account under the Savings Plan. Distributions with respect to the profit sharing and Company match components of the Supplementary Plan are made to participants on an annual basis.

By order of the Court dated September 18, 2002 (Docket No. 932), the Debtors obtained authorization to continue to make all payments necessary to satisfy in full all obligations owing to eligible employees under the Supplementary Plan. Accordingly, the Debtors have continued to fulfill such obligations. The Plan Sponsor currently intends to continue or cause the Reorganizing Debtors to continue the Supplementary Plan after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify the Supplementary Plan as permitted by such plan or applicable law.

(e) Additional Non-Qualified Pension Plans

Certain of the Debtors sponsor certain pension plans for eligible employees that are not intended to be qualified under the IRC (collectively, the "Non-Qualified Plans"). The Non-Qualified Plans include (i) the Resource Recovery Senior Management Pension Plan (the "Resource Plan"), which is sponsored by Covanta Energy Services, Inc. (f/k/a Ogden Resource Recovery Support Services, Inc.), (ii) the Ogden Select Savings Plan (the "Select Plan"), which is sponsored by Ogden Services Corporation, a Liquidating Debtor and (iii) the Ogden Energy Select Savings Plan (the "Energy Select Plan") which is sponsored by Covanta Energy Group, Inc. Each of the Non-Qualified Plans is a defined contribution plan and is maintained as a "top-hat" plan for purposes of ERISA, exempt from substantially all of ERISA's requirements. The assets of each of the Non-Qualified Plans are held in grantor trusts (typically known as "rabbi trusts") structured to permit the deferral of income tax on participants' benefits under the Non-Qualified Plans.

Pursuant to an order of the Court dated September 18, 2002 (Docket No. 938), the Debtors obtained authorization to honor and pay in full all obligations under the Non-Qualified Plans as such obligations have become due or will become due during the Chapter 11 Cases.

(1) The Resource Plan

There are a total of two hundred twelve (212) participants in the Resource Plan. Two hundred five (205) of these participants are currently employed by the Company, while the remaining seven (7) are former employees currently receiving benefit distributions. Pursuant to the terms of the Resource Plan, Covanta Energy Services, Inc. is responsible for making annual contributions for the benefit of each participant equal to 3% of such participant's annual base pay. All contributions to the Resource Plan are currently held in a grantor trust administered by T. Rowe Price, the current assets of which are valued at approximately $1.6 million. The Resource Plan was frozen on December 31, 2001 and no contributions have been made to it since that date. The Plan Sponsor currently intends to continue or cause the Reorganizing Debtors to continue the Resource Plan after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify the Resource Plan as permitted by such plan or applicable law.

(2) The Select Plan

The purpose of the Select Plan is to enable eligible employees to enhance their retirement security by permitting them to elect to defer receipt of a portion of their compensation to a later date or event. The Select Plan, which is sponsored by Liquidating Debtor Ogden Services Corporation, was "frozen" in 1999 and no new contributions have been made to the plan since. Since September 18, 2002, all participants in the Select Plan have received final distribution of their account balances and, consequently, the Company has no outstanding obligations thereunder. The Company is currently in the process of formally terminating the Select Plan.

(3) The Energy Select Plan

The purpose of the Energy Select Plan is to enable eligible employees to enhance their retirement security by permitting them to elect to defer receipt of a portion of their compensation (from 1% to 10% of their annual compensation and up to 100% of any discretionary profit sharing payment they receive) to a later date or event. A total of approximately twenty-five (25) active or former employees participate in the Energy Select Plan. Approximately twenty (20) of these employees are actively employed by Covanta Energy Group, Inc., while the remaining five (5) are not actively employed by the Company but are currently entitled to payment of deferred vested benefits. Deferral contributions to the Energy Select Plan remain in a grantor trust administered by T. Rowe Price, the assets of which are currently valued at approximately $765,000. The Energy Select Plan was frozen on December 31, 2001 and no contributions have been made to it since that date. The Plan Sponsor currently intends to continue or cause the Reorganizing Debtors to continue the Energy Select Plan after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify the Energy Select Plan as permitted by such plan or applicable law.

(f) The Key Employee Retention Plan (the "KERP")

On September 18, 2002, the Court approved an order (Docket No. 932), approving the Company's Key Employee Retention Plan, consisting of the Key Employee Severance Plan (the "Severance Plan"), the Special Retention Bonus Plan (the "Retention Plan") and the Long-Term Incentive Plan (the "LTIP").

(1) The Severance Plan

At the time of its Court approval, seventy-four (74) employees of the Debtors, including key executives, were eligible to participate in the Severance Plan. A participant whose employment terminates Without Cause or for Mutual Benefit (as those terms are defined in the KERP) following the First Petition Date are eligible to receive a severance benefit pursuant to the Severance Plan. In addition, to receive payment of severance benefits under the Severance Plan, a participant is required to sign a general release of claims against the Company (other than claims for indemnification under indemnification agreements, the Company's Certificate of Incorporation or By-Laws or applicable law and claims for accrued benefits under the Company's employee benefit plans) and comply with certain additional covenants including confidentiality covenants, non-solicitation and non-disparagement covenants and litigation support commitments.

Cash severance benefits are paid in a single lump sum payment. The amount of benefit depends upon the participant's position and ranges from (i) the greater of (x) 50% of a participant's base salary and (y) two (2) weeks' base salary per year of service (not to exceed fifty-two (52) weeks) to (ii) 200% of a participant's base salary (a benefit for which only the CEO of the Company is eligible). A participant in the Severance Plan is also entitled to receive continued medical and dental coverage, provided that such participant pays the regular employee co-payments, for the period corresponding to the percentage of salary payable as cash severance benefits, subject to an eighteen (18) month cap. A participant's right to continue to receive medical or dental coverage ceases immediately if such participant is offered or becomes eligible for coverage under a medical or dental plan of any subsequent employer. In addition, payments under the Severance Plan are to be reduced if the aggregate amount paid to a participant triggers the federal excise tax on parachute payments.

(2) The Retention Plan

At the time of its Court approval, seventy-two (72) employees, including key executives, were eligible to participate in the Retention Plan. Under the Retention Plan, eligible employees will receive a base award under certain limited circumstances, from an aggregate pool of $3.6 million, equal to a percentage of base salary, ranging from 10% to 75% depending upon the employee's position. Awards have, and will continue to, become vested and payable in three installments as described below, subject in each case to the participant's continued employment with the Company until the applicable vesting date. The first installment of 33.3% of the awards vested and was paid to participants on or about September 30, 2002. The second installment of 33.3% of the awards becomes vested and payable on the earlier of (i) September 30, 2003 and (ii) the consummation of the Second Reorganization Plan. The remaining 33.4% of the awards will become vested and payable on the date of the consummation of the Second Reorganization Plan. In the event a participant's employment with the Company is terminated by the Company Without Cause or by the participant for Mutual Benefit, or due to the participant's death or disability, a pro rata share of such participant's unpaid award would become immediately vested and payable, unless the unpaid portion is the full, final installment, in which case the remaining portion of the award is payable on the date of the consummation of the Second Reorganization Plan. In the event of any other termination prior to a vesting date, the unpaid portion of any award is forfeited.

(3) The LTIP

The LTIP covers six (6) senior executives, one former executive and up

to one additional key management employee selected by the Compensation Committee of Covanta's Board of Directors, based on the advice of Covanta's chief executive officer (the "CEO"). The LTIP was implemented to provide incentives to Covanta's senior management to remain with the Debtors throughout the reorganization process and to devote all of their attention and energy to the preservation of the value of the business and assets of the Debtors during the Chapter 11 Cases. Under the LTIP, a participant is entitled to receive payment of his award only if such participant's employment with the Company is terminated by the Company Without Cause or by the participant for Mutual Benefit prior to the one-year anniversary of the date of entry of the Court's order confirming the Second Reorganization Plan and provided such participant executes a general waiver and release of all claims under all prepetition agreements, other than claims for indemnification under indemnification agreements, Covanta's Certificate of Incorporation or By-Laws or applicable law and claims for accrued benefits under Covanta's employee benefit plans. Pursuant to the LTIP, an eligible participant who satisfies these conditions will generally be entitled to receive a cash payment upon the termination of such participant's employment and a general release by the Company of all claims against such participant.

As a result of the DHC Transaction, the amount of any cash payment to a participant in satisfaction of his or her LTIP award will depend on such participant's percentage interest in the LTIP Pool. Such percentage interest is to be determined by Covanta's Compensation Committee based upon the recommendation of the CEO, provided that the sum of the percentage interests of all participants in the LTIP Pool, as finally established by the Compensation Committee, must equal 100% (less the minimum percentage interest allocated under the LTIP to a participant who does not meet the LTIP's vesting requirements, as discussed above). The LTIP Pool, which is a notional book entry account established by Covanta on its books and records to which amounts will be credited in connection with the DHC Transaction, is expected to total approximately $7,500,000, meaning the maximum aggregate payout possible under the LTIP is also approximately $7,500,000.

(g) The Broad Based Severance Plan

On September 18, 2002, the Court approved the Company's Severance Pay Plan (the "Broad Severance Plan") for rank-and-file employees. By establishing and implementing the Broad Severance Plan, the Debtors formalized their prior severance practice (subject to certain modifications) in order to establish clear guidelines and to encourage the retention of employees during the Chapter 11 Cases.

The Broad Severance Plan authorizes the Company to make severance payments to certain eligible full-time employees whose employment with the Company is terminated involuntarily without Cause (as defined in the Broad Severance Plan) in connection with a job or department elimination, office closing, reduction in force or other appropriate circumstances as determined by the administrator of the Broad Severance Plan. An employee whose employment with the Company is terminated for any other reason is not eligible for severance benefits under the Broad Severance Plan. In addition, any full-time employee who, as of the date of such employee's termination (i) is party to any severance, termination, employment or other agreement with the Company that provides for severance benefits or benefits of a similar nature to severance benefits under any circumstances, (ii) is eligible to participate in or otherwise covered under any other plan or arrangement of the Company, such as the KERP, that provides for severance benefits or benefits of a similar nature to severance benefits under any circumstances or (iii) is covered by any collective bargaining agreement in connection with his or her employment with the Company, is ineligible to participate in the Broad Severance Plan.

In order for an eligible employee to receive severance benefits pursuant to the Broad Severance Plan, he or she must execute and deliver a general release of all claims against the Company. The severance benefit payable to an employee pursuant to the Broad Severance Plan is equal to continued payment of such employee's base salary (as defined in the Broad Severance Plan) for a number of calendar weeks equal to the greater of (i) the product of (x) two (2) multiplied by (y) each year of service completed by such employee prior to his or her date of termination and (ii) four (4) weeks, provided that the salary pay continuation period shall in no event exceed twenty-six (26) weeks. In addition, participants receive continued medical and dental coverage, provided that such participants pay the regular employee co-payments, for the period the cash severance benefits are payable. A participant's right to continue to receive medical or dental coverage ceases immediately if such participant is offered or becomes eligible for coverage under a medical or dental plan of any subsequent employer.

The Plan Sponsor currently intends to continue or cause the Reorganizing Debtors to continue the Broad Severance Plan after the Reorganization Effective Date subject to the Plan Sponsor's right to amend, terminate or modify the Broad Severance Plan as permitted by such plan or applicable law.

Please also see Section VIII.E.11 hereof for further discussion of the Plan Sponsor's general intentions with respect to the employee benefit plans

described herein.

(h) Retiree Medical Programs

In 1992, the Company, pursuant to a resolution of its Board of Directors, terminated its then existing post-retirement medical, dental and life insurance coverage on a going-forward basis, but grandfathered the coverage of those individuals who were generally either then (i) retired, (ii) eligible for early retirement or (iii) specifically designated by the Board of Directors as eligible to continue to receive such post-retirement coverage. Currently, the Company provides post-retirement medical, and in certain cases, dental and life insurance coverage to a small population of its retired employees and only two (2) active employees are eligible to receive post-retirement benefits in the future.

Throughout the course of these Chapter 11 Cases, the Company has generally provided two different levels of post-retirement medical, dental and life insurance coverage depending upon the beneficiary's position. A small group of former senior executives of the Company, commonly referred to as "core retirees" because of the senior positions they held with the Company, have been receiving, along with their eligible dependents, coverage that generally covers the full cost of reasonable and customary medical, dental and vision care expenses (the "Core Retiree Program"). In certain instances, core retirees are required to pay a contribution for such coverage equal to the contributions for active senior executives. Upon attainment of age 65, the Core Retiree Program becomes coordinated with Medicare, which becomes the primary insurer. Typically the Company will reimburse participants for their Medicare Part B premiums. Certain core retirees also receive life insurance coverage that is commonly equal to two (2) times such retiree's annual base salary and bonus. Until January 1, 2003, the Core Retiree Program provided the core retirees with the same medical coverage as active senior executives of the Company. On or about January 1, 2003, the medical coverage for the active senior executives (the "Core Executives") of the Company was adjusted so as to provide the same medical coverage to such Core Executives as is currently afforded to non-senior executives and employees.

Certain other retirees of the Company (as well as their eligible dependents) receive coverage that generally covers a portion of the cost for medical, and in some instances dental, expenses (the "Non-Core Retiree Program," and together with the Core Retiree Program, the "Retiree Medical Programs") at the same levels as for similarly situated active employees. Such retirees are generally responsible for paying a monthly contribution for coverage under the Non-Core Retiree Program, the amount of which is reviewed periodically by the Company and remains subject to change to reflect increased costs of such coverage. Upon attainment of age 65, the Non-Core Retiree Program is coordinated with Medicare, which becomes the primary insurer. Certain retirees who participate in the Non-Core Retiree Program also receive varying levels of term life insurance coverage.

The Company is in the process of adjusting certain of the post-retirement medical benefits it currently provides to retirees pursuant to the Core Retiree Program. Please see Section VIII.E.11 hereof for a discussion of such adjustments, as well as the Debtors and Plan Sponsor's general intentions with respect to the Retiree Medical Programs and life insurance coverage following the Reorganization Effective Date.

(i) Employment Agreements

Pursuant to applicable provisions of the Bankruptcy Code, the Second Plans currently contemplate the rejection of all prepetition employment agreements (excluding collective bargaining agreements). The Debtors believe that such rejection may give rise to rejection damage claims against the Debtor that is a party to the rejected contract, which claims the Debtors believe should be treated as unsecured claims in accordance with 11 U.S.C. ss. 365(g)(1). Claims arising from the rejection, non-assumption or termination of employment agreements have not been included in the estimates of administrative expense claims arising under 11 U.S.C. ss. 503(b) or the Administrative Expense Claims Reserve under the Second Liquidation Plan.

(j) Workers Compensation Program

The Debtors currently maintain workers' compensation programs in all states in which they operate pursuant to the applicable requirements of local law to provide employees with workers' compensation coverage for claims arising from or related to their employment with the Debtors. Until October 2002, Debtor's workers' compensation program was part of a larger insurance program that has been in place since August 1985 (the former workers' compensation program). Under the former workers' compensation program, the insurer provided coverage to workers asserting claims arising from or related to their employment by Debtors or former affiliates of these Debtors. Through payment agreements between Debtor and the insurer, Debtor reimbursed the insurer for certain amounts as required by the terms of the policies. The Debtor's obligation to reimburse these amounts was secured through letters of credit and a bond. In October 2002, Debtor's workers' compensation program changed and became secured by cash and a letter of credit issued in favor of the same insurance company as

had provided prepetition workers' compensation insurance.

In October 2003, the Debtors replaced their workers' compensation program with a new program provided by another insurance company on what the Debtors believe to be materially better terms for the Debtors. At all times, Debtors will maintain workers' compensation coverage for claims as required by applicable state law.

C. Recent Financial Results

Set forth in Exhibit H are the following selected historical financial statements for the Company: (i) audited statements of consolidated operations and comprehensive loss for the years ended December 31, 2002, 2001 and 2000 and unaudited statements of consolidated operations and comprehensive loss for the three and nine month periods ended September 30, 2003 and 2002; (ii) audited consolidated balance sheets as of December 31, 2002 and 2001 and unaudited consolidated balance sheets as of September 30, 2003; (iii) audited statements of shareholders' equity (deficit) for the years ended December 31, 2002, 2001 and 2000 and unaudited statements of shareholders' equity (deficit) for the nine-month period ended September 30, 2003; and (iv) audited statements of consolidated cash flows for the years ended December 31, 2002, 2001 and 2000 and unaudited statements of consolidated cash flows on a consolidated basis for the nine-month periods ended September 30, 2003 and 2002.

The notes that accompany the financial statements attached were replicated from the Company's Annual Report on Form 10-K for the period ended December 31, 2002 and the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2003.

Covanta filed a voluntary petition for reorganization relief under Chapter 11 of the Bankruptcy Code on the First Petition Date. Since that time, the Company's consolidated financial statements, including those attached hereto in Exhibit H, have been prepared in accordance with The American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"), on a going concern basis. Continuing as a going concern contemplates continuity of operations, realization of assets, and payment of liabilities in the ordinary course of business. The accompanying consolidated financial statements appropriately do not reflect adjustments that might result if the Company is unable to continue as a going concern.

SOP 90-7 requires the segregation of liabilities subject to compromise by the Court as of the bankruptcy filing date, and identification of all transactions and events that are directly associated with the reorganization of the Company. Accordingly, all prepetition liabilities believed to be subject to compromise have been segregated in the consolidated balance sheet and classified as liabilities subject to compromise, at the estimated amount of allowable claims. Liabilities not believed to be subject to compromise are separately classified as current and non-current. Revenues, expenses (including professional fees), realized gains and losses, and provisions for losses resulting from the reorganization are reported separately.

In addition, pursuant to SOP 90-7, the accounting for the effects of the reorganization will occur once the Second Plans are confirmed by the Court and there are no remaining contingencies material to completing the implementation of the respective Second Plans. These "fresh start" accounting principles pursuant to SOP 90-7 provide, among other things, for the Company to determine the value to be assigned to the equity of the Reorganized Company as of a date selected for financial reporting purposes. Accordingly, the accompanying consolidated financial statements do not reflect: (a) the requirements of SOP 90-7 for fresh start accounting; (b) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities; (c) aggregate prepetition liability amounts that may be allowed for unrecorded claims or contingencies, or their status or priority; (d) the effect of any changes to the Debtors' capital structure or in the Debtors' business operations as the result of an approved plan of reorganization or liquidation; or (e) adjustments to the carrying value of assets (including goodwill and other intangibles) or liability amounts that may be necessary as the result of future actions by the Court.

IV. PREPETITION CAPITAL STRUCTURE OF THE DEBTORS

Prior to the First Petition Date, the Company's capital structure consisted primarily of: its common stock and its Series A Cumulative Convertible Preferred Stock (which was listed on the New York Stock Exchange under the ticker symbol COV); letters of credit issued under the Master Credit Facility, of which approximately $105.2 million had been funded; $100 million of 9.25% Debentures due 2022; $63.7 million of 5.75% Convertible Subordinated Debentures due 2002; $85 million of 6% Convertible Subordinated Debentures due 2002; and project-level debt consisting primarily of revenue bonds.

A. Prepetition Credit Facility

The Company entered into the Master Credit Facility with its bank group on March 14, 2001. The Master Credit Facility provided the Company with a credit

line of approximately $799 million, which consisted of a $146 million secured revolving loan and coverage for $633 million in letter of credit exposure, and coverage for other contingent liabilities, principally in connection with various entertainment and energy facilities.

The Master Credit Facility was secured by a first priority lien on substantially all of the assets of Covanta and, to the extent permitted, substantially all of the assets of its existing and future domestic subsidiaries, and by a pledge of 100% of the shares of substantially all of Covanta's existing and future domestic subsidiaries, and 65% of the shares of substantially all of Covanta's foreign subsidiaries.

In conjunction with the Master Credit Facility, the Company also entered into the Intercreditor Agreement with the "pooled" lenders participating fully in the Master Credit Facility and certain "opt-out" lenders who elected not to participate in the Master Credit Facility, but agreed to extend the maturity dates of their facilities and to conform relevant financial covenants to those under the Master Credit Facility. The Intercreditor Agreement, among other things, set forth certain priorities amongst the lenders and established certain arrangements including loss sharing arrangements and ratable paydowns among the various lenders. More specifically, in the event certain secured pre-Master Credit Facility lenders exchanged or realized their collateral for less than the amount due, a portion of that deficiency is entitled to priority payment before any payments are made to the main lender group. The deficiency would become a "realized deficiency" creating an entitlement for the relevant lenders to a priority payment from any repayment to the main lender group. Under the Intercreditor Agreement, such ratable paydowns are "Senior Obligations", and the main lender group agrees that their claims are junior and subordinate to the Senior Obligations, and that no lender in the main lender group shall accept any distribution, payment or exchange at any time when any of the Senior Obligations are outstanding.

As of the First Petition Date, approximately $105.2 million of funded debt with respect to two funded letters of credit was outstanding under the Master Credit Facility, as well as approximately $518 million in contingent letters of credit. After the First Petition Date, an additional $125.1 million of the letters of credit were drawn and $76.1 million of claims arose in connection with other contingent liabilities covered by the Master Credit Facility. On May 15, 2002, pursuant to the Final DIP Order (defined below), $240.8 million of the outstanding letters of credit were replaced with letters of credit issued under the DIP Financing Facility (defined below). The Master Credit Facility was scheduled to mature on May 31, 2002. After deducting the letters of credit that were replaced under the DIP Financing Facility, the Debtors estimate that approximately $415 million is owed under the Master Credit Facility (including fees and interest).

B. 9.25% Debentures due 2022

In March 1992 the Company issued and sold $100 million in aggregate principal amount of the 9.25% Debentures. The 9.25% Debentures were issued pursuant to an Indenture dated as of March 1, 1992 between Ogden Corporation and The Bank of New York, as Trustee. Wells Fargo is the current Trustee for the 9.25% Debentures.

The proceeds from the 9.25% Debentures were used to reduce outstanding indebtedness and for general corporate purposes.

On May 15, 2002, pursuant to the Final DIP Order (Docket No. 311), the Debtors, the Prepetition Lenders, and the Bondholders Committee stipulated that the claims of the holders of 9.25% Debentures were secured claims. On August 6, 2002, the Creditors Committee filed an adversary proceeding challenging the status of the liens securing the 9.25% Debentures. For a more detailed discussion of the adversary proceeding and the proposed 9.25% Settlement, see Section VI.C.12.

C. Convertible Subordinated Debentures

In 1987, the Company issued and sold $85 million in aggregate principal amount of 6% convertible subordinated debentures due June 1, 2002 (the "6% Convertible Subordinated Debentures"). The 6% Convertible Subordinated Debentures were registered and sold in a public offering. They were issued in bearer form (the "6% Convertible Bearer Debentures") and in fully registered form (the "6% Convertible Registered Debentures"). The 6% Convertible Bearer Debentures are dated June 18, 1987 and each 6% Convertible Registered Debentures is dated the date of its authentication. Deutsche Bank Trust Company is the fiscal agent for all the 6% Convertible Subordinated Debentures pursuant to a fiscal agency agreement dated June 1, 1987. The proceeds from the 6% Convertible Subordinated Debentures were used to reduce outstanding indebtedness and for general corporate purposes. The 6% Convertible Subordinated Debentures are convertible into Covanta common stock at the rate of one share for each $39.077 principal amount of debentures, and are redeemable at Covanta's option at 100% of face value.

In 1987, the Company issued and sold $75 million in aggregate principal amount of 5.75% convertible subordinated debentures due October 20, 2002 (the

"5.75% Convertible Subordinated Debentures," and together with the 6% Convertible Debentures, the "Convertible Debentures"). The 5.75% Convertible Subordinated Debentures were registered and sold in a public offering. They were issued in bearer form (the "5.75% Convertible Subordinated Bearer Debentures") and in fully registered form (the "5.75% Convertible Subordinated Registered Debentures"). The 5.75% Convertible Subordinated Bearer Debentures are dated October 20, 1987 and each 5.75% Convertible Subordinated Registered Debentures is dated the date of its authentication. Deutsche Bank Trust Company is the fiscal agent for all the 5.75% Convertible Subordinated Debentures, pursuant to a fiscal agency agreement dated October 15, 1987. The proceeds from the 5.75% Convertible Subordinated Debentures were used for general corporate purposes. The 5.75% Convertible Subordinated Debentures are convertible into Covanta common stock at the rate of one share for each $41.772 principal amount of debentures, and are redeemable at Covanta's option at 100% of face value. Prior to 1998, the Company purchased on the open market and subsequently cancelled $11.3 million of the 5.75% Convertible Subordinated Debentures.

The Convertible Subordinated Debentures contain substantially similar broad subordination provisions. In pertinent part, the Convertible Subordinated Debentures provide that they will be subordinated in right of payment to the prior payment in full of any "Senior Indebtedness." No payment with respect to the Convertible Subordinated Debentures may be made (i) unless full payment of amounts then due on Senior Indebtedness has been made or provided for or (ii) while a default exists, or would exist as a result of such payment, with respect to Senior Indebtedness. In the event of any payment or distribution of assets to creditors upon any dissolution or other winding up or liquidation or reorganization or other marshalling of the assets and liabilities of Covanta Energy Corporation, the holders of Senior Indebtedness shall be entitled to receive payment in full before the holders of the Convertible Subordinated Debentures are entitled to any assets distributed in respect of the Convertible Subordinated Debentures.

For purposes of the Convertible Subordinated Debentures, "Senior Indebtedness" means Indebtedness of Covanta Energy Corporation (other than the Convertible Subordinated Debentures, which rank pari passu with each other), whether outstanding at the time of the issuance of the Convertible Subordinated Debentures (April and October, 1987, respectively) or thereafter created, incurred, assumed or guaranteed, unless by the terms of the instrument creating or evidencing such Indebtedness it is expressly provided that such Indebtedness is not senior in right of payment to the Debentures (and there is no such Indebtedness that so provides). For purposes of the Convertible Subordinated Debentures, "Indebtedness" means all obligations, contingent or otherwise, which in accordance with generally accepted accounting principles should be classified as liabilities, except that in any event there shall be included liabilities secured by any mortgage, pledge or lien existing on property owned or acquired subject to such mortgage, pledge or lien, whether or not the liability secured thereby shall have been assumed, and all guarantees, whether for payment or performance, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations in respect of Indebtedness of others.

The Offering Memoranda for the Convertible Subordinated Debentures both stated that "[b]y reason of the subordination provisions, in the event of insolvency or other specified events, holders of [Convertible Subordinated] Debentures may recover less, ratably, than the holders of Senior Indebtedness."

D. Project Debt

The project debt associated with the financing of the Company's WTE facilities is generally arranged by the relevant municipality through the issuance of tax-exempt and taxable revenue bonds. For those WTE facilities owned by an operating subsidiary of the Company, the relevant municipality generally is obligated to pay amounts to Covanta's operating subsidiary sufficient to cover debt service on project debt. Generally, such project debt is secured by the revenues pledged under the respective indentures and is collateralized by the assets of Covanta's operating subsidiary and otherwise provides no recourse to Covanta, subject to construction and operating performance guarantees and commitments.

E. Equity Bonds

Certain non-project tax-exempt bonds (the "Equity Bonds") in the aggregate amount of approximately $126 million were issued by five separate Debtor subsidiaries of Covanta. Covanta arranged for liquidity and credit support for each Equity Bond in the form of letters of credit that were issued under the Master Credit Facility. Shortly after the First Petition Date, the obligations under each of the Equity Bonds were accelerated and the bondholders were paid with the proceeds of draws on the applicable letters of credit. The amount of those draws represents prepetition secured debt of the Company.

F. Equity

Covanta had 49,827,651 shares of common stock and 33,049 shares of Series A cumulative convertible preferred stock outstanding as of June 30, 2002. The Company's shares were traded on the New York Stock Exchange under the symbol

"COV" until April 1, 2002. The removal from listing and registration on the New York Stock Exchange became effective at the opening of the trading session of May 17, 2002 pursuant to the order of the SEC.

V. CORPORATE STRUCTURE OF THE DEBTORS

A. The Debtors' Corporate Structure

Covanta is the parent holding company of the 155 subsidiaries that have been Debtors in these Chapter 11 Cases. Of the entities that have filed as Debtors, 79 will be reorganized pursuant to the Second Reorganization Plan and 64 will be liquidated pursuant to the Second Liquidation Plan. In addition, four Debtors were sold as part of the Debtors' sale of the Aviation Fueling Assets and are no longer Debtors, six were reorganized pursuant to the Heber Reorganization Plan, and three will remain in bankruptcy and will attempt to subsequently consummate a restructuring transaction. The Second Reorganization Plan distinguishes between three categories of Debtors under such Plan: Covanta, the ultimate parent company; Operating Company Debtors, which are entities that own operating assets that will remain part of the Reorganizing Debtors' business after the Reorganization Effective Date; and Intermediate Holding Company Debtors which own no assets other than stock of the Operating Company Debtors.

B. Management of the Debtors

The current management team of Covanta is comprised of highly capable and seasoned professionals with substantial experience. The following contains brief background descriptions and lists the members of Covanta's management team as of January 2004:

<TABLE>

Name	Position
<S>	<C>
Anthony J. Orlando	President and Chief Executive Officer
Bruce W. Stone	Senior Vice President, Business Development and Construction
Jeffrey R. Horowitz	Senior Vice President, General Counsel and Secretary
John M. Klett	Senior Vice President, Domestic Operations
Paul B. Clements	Senior Vice President, International Business Management and Operations
B. Kent Burton	Senior Vice President, Policy and International Government Relations
Stephen M. Gansler	Senior Vice President, Human Resources
Louis M. Walters	Vice President and Treasurer
Timothy J. Simpson	Vice President, Associate General Counsel
Seth Myones	Vice President, Business Management, Covanta Waste to Energy, Inc.

</TABLE>

Anthony J. Orlando was named President and Chief Executive Officer in November 2003. From March 2003 until November 2003 Mr. Orlando served as Senior Vice President, Business and Financial Management. From January 2001 until March 2003, Mr. Orlando served as Covanta's Senior Vice President, Waste to Energy. Previously he served as Executive Vice President of Covanta Energy Group, Inc., a Covanta subsidiary. Mr. Orlando joined the Company in 1987.

Bruce W. Stone was named Senior Vice President, Business Development and Construction in March 2003. From January 2001 until March 2003, Mr. Stone served as Covanta's Executive Vice President and Chief Administrative Officer. Previously, Mr. Stone served as Executive Vice President and Managing Director of Covanta Energy Group, Inc., a Covanta subsidiary, a position he held starting in January 1991. Mr. Stone joined the Company in 1975. Mr. Stone's employment will terminate prior to emergence.

Jeffrey R. Horowitz was named Senior Vice President, General Counsel and Secretary of Covanta in August 2001. From June 2001 to August 2001, Mr. Horowitz served as Senior Vice President for Legal Affairs and Secretary and prior to that time as Executive Vice President, General Counsel and Secretary of Covanta Energy Group, Inc, a Covanta subsidiary. Mr. Horowitz joined the Company in 1991. Mr. Horowitz's employment will terminate following emergence.

John M. Klett was named Senior Vice President, Domestic Operations in March 2003. Prior thereto he served as Executive Vice President of Covanta Waste to Energy, Inc. for more than ten years, during which time he has been responsible for all Covanta Waste to Energy, Inc. facility operations and maintenance. Mr. Klett joined the Company in 1986.

Paul B. Clements was named Senior Vice President, International Business Management and Operations in March 2003. From January 2001 until March 2003, Mr. Clements served as Covanta's Senior Vice President, Independent Power Operations. Mr. Clements previously served as Executive Vice President of Covanta Energy Group, Inc., and President of Covanta Energy West, Inc., both of which are Covanta subsidiaries. Mr. Clements joined the Company in 1988. Mr. Clement's employment will terminate following emergence.

B. Kent Burton has served as Senior Vice President - Policy and International Government Relations of Covanta since May 1999. From May 1997 to May 1999 he served as Vice President - Policy and Communications of Covanta and prior thereto he served as Senior Vice President of the Covanta Energy

Group, Inc., a Covanta subsidiary, in political affairs and lobbying activities. Mr. Burton joined the Company in 1997. Mr. Burton's employment will terminate prior to emergence.

Stephen M. Gansler was named Senior Vice President, Human Resources of Covanta in March 2003. Mr. Gansler joined the Company in 2001 and served as Vice President, Human Resources of Covanta from March 2001 to March 2003.

Louis M. Walters was named Vice President and Treasurer of Covanta in 2001. Mr. Walters served as Treasurer of Covanta Energy Group, Inc. from January 2000 to 2001. Mr. Walters joined the Company in 2000.

Timothy J. Simpson has served as Vice President, Associate General Counsel and Assistant Secretary of Covanta Energy Corporation since June 2001. Prior thereto he served as Senior Vice President, Associate General Counsel and Assistant Secretary of Covanta Energy Group, Inc., a Covanta subsidiary. Mr. Simpson joined the Company in 1992. Mr. Simpson will become General Counsel following emergence.

Seth Myones has served as Vice President, Business Management, of Covanta Waste to Energy, Inc., a Covanta subsidiary, since September 2001. From 1994 through September 2001, Mr. Myones served as Vice President of several subsidiaries in the Company's WTE business. Mr. Myones joined the Company in 1989.

VI. THE CHAPTER 11 CASES

A. Events Leading Up to the Chapter 11 Cases

Prior to September 1999, Covanta had incurred very substantial obligations to financial institutions for letters of credit, including particularly obligations relating to the Arenas. In February 2000, while it was working to sell its aviation and entertainment assets, the Company also began to negotiate with its lenders. The Company had approximately $140 million of funded debt, as well as exposure to significant additional contingent liabilities arising from the outstanding letters of credit. By the third quarter of 2000, it reached agreement on principal terms with its key lenders. However, delays ensued in completing the Master Credit Facility, principally due to complicated intercreditor issues pertaining to certain liabilities, including certain of those in connection with its entertainment businesses. In March 2001, the Company paid then funded debt in full and completed and entered into the Master Credit Facility, in which, among other things, it agreed to maintain stated liquidity levels and to discharge or otherwise provide for its obligations with its banks by May 31, 2002. The Company planned thereafter to seek debt or equity financing from the capital markets in 2001 and to complete the sales of its remaining entertainment and aviation businesses.

At the time the Master Credit Facility was executed, Covanta believed that it would be able to meet the liquidity covenants in the Master Credit Facility, timely discharge its obligations on maturity of the Master Credit Facility and repay or refinance the Convertible Subordinated Debentures from cash generated by operations, the proceeds from the sale of its non-core businesses and access to the capital markets.

Shortly after the Master Credit Facility was executed, however, the State of California's energy crisis escalated. As of March 31, 2001, Covanta had outstanding approximately $74 million of gross accounts receivable from the California electric utilities, including Pacific Gas & Electric Company, which filed for bankruptcy on April 6, 2001. The delay in payment of these receivables forced the Company to request waivers from the banks from cash flow covenants. These were granted in consideration of the elimination of access to letters of credit for the Company's core operations in the event of a credit rating agency downgrade below investment grade. In addition, beginning in June 2001, there was a growing belief in the equity markets that the power industry was substantially overbuilt, that demand for new facilities would drop and that energy prices would erode. These factors, along with reductions in energy prices in various regions of the United States, contributed to a downturn in the market for new issues of energy company securities.

B. Need for Restructuring and Chapter 11 Relief

In mid-to-late 2001, Covanta began a wide-ranging review of strategic alternatives given the very substantial maturities of debt in 2002. To this end, in the last six months of 2001 and the first quarter of 2002, Covanta sought potential minority equity investors, conducted a broad-based solicitation for indications of interest in acquiring Covanta among potential strategic and financial buyers and investigated a combined private and public placement of equity securities. These efforts were made more difficult by the December 2, 2001 bankruptcy filing by Enron Corporation (with certain of its subsidiaries and affiliates), at the time the largest energy company in the United States in terms of market capitalization. The Enron bankruptcy, although caused by very different factors than those impacting Covanta, highlighted the significant downturn in the energy sector during 2001, with a significant negative effect on the credit and equity markets for energy companies. Although Covanta had been

seeking either to be acquired or to obtain a sizable equity investment, no potential acquirer or investor was prepared at that time to commit to a transaction, in particular given the sizable financial obligations regarding the Company's remaining entertainment operations. Furthermore, the sale of certain non-core assets was progressing more slowly and yielding substantially fewer proceeds than had been anticipated.

On December 21, 2001, in connection with a further amendment to the Master Credit Facility, Covanta issued a press release stating its need for further covenant waivers and that it was encountering difficulties achieving access to short-term liquidity. Following this release, Covanta's debt rating by Moody's and Standard & Poor's was reduced below investment grade on December 27, 2001 and January 16, 2002, respectively. These downgrades further adversely impacted Covanta's access to capital markets. They also triggered Covanta's contingent obligations to provide $100 million in additional letters of credit in connection with two WTE projects, and the draw during March of 2002 of approximately $105.2 million in letters of credit related to the Corel Centre and the Team. In addition, Covanta was facing the maturity of the 6% Convertible Subordinated Debentures in June 2002 and the 5.75% Convertible Subordinated Debentures in October 2002. On March 1, 2002, Covanta availed itself of the 30-day grace period provided under the terms of the 9.25% Debentures, and did not make the interest payment due at that time.

On April 1, 2002, Covanta and 123 of its domestic subsidiaries filed their respective voluntary petitions for reorganization under the Bankruptcy Code in the Court. Since April 1, 2002, thirty-two (32) additional subsidiaries have filed petitions for reorganization under Chapter 11 of the Bankruptcy Code. In addition, four (4) subsidiaries involved in the aviation fueling business that had filed petitions on April 1, 2002 were sold as part of the Company's disposition of non-core assets, are no longer owned by the Company and the bankruptcy cases filed by these four (4) entities have been dismissed. In addition, six (6) subsidiaries involved in the Geothermal Businesses were reorganized pursuant to the Heber Reorganization Plan and three (3) of them were sold as part of the Company's sale of the Geothermal Business, and are no longer owned by the Company. While the Debtors are authorized to operate in the ordinary course of business, transactions out of the ordinary course of business require Court approval. In addition, the Court has supervised the Debtors' retention of attorneys, accountants, financial advisors and other professionals as required by the Bankruptcy Code.

An immediate effect of the filing of the Debtors' bankruptcy petitions was the imposition of the automatic stay under section 362(a) of the Bankruptcy Code which, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtors and the continuation of litigation against the Debtors. This relief provided the Debtors with the "breathing room" necessary to assess and reorganize its business. The automatic stay remains in effect, unless modified by the Court or applicable law, until the Effective Dates of the Second Plans.

C. Significant Events During the Bankruptcy Cases

1. Significant Court Orders

The Debtors have obtained numerous orders from the Court that are intended to enable the Debtors to operate in the normal course of business during the Chapter 11 Cases. Among other things, these orders authorize: (i) the retention of professionals to represent and assist the Reorganizing Debtors and the Liquidating Debtors in these Chapter 11 Cases, (ii) the use and operation of the Debtors' consolidated cash management system during the Chapter 11 Cases in substantially the same manner as it was operated prior to the commencement of the Chapter 11 Cases, (iii) the payment of prepetition employee salaries, wages, health and welfare benefits, retirement benefits and other employee obligations, (iv) the payment of prepetition obligations to certain critical vendors to aid the Debtors in maintaining the operation of their businesses, (v) the use of cash collateral and the grant of adequate protection to creditors in connection with such use, (vi) the adoption of certain employee benefit plans, including the KERP and the Broad Severance Plan, and (vii) the obtaining of postpetition financing.

2. DIP Financing Facility

In connection with their bankruptcy petitions, the Debtors entered into a Debtor In Possession Credit Agreement with the DIP Lenders as of April 1, 2002 (as amended from time to time, the "DIP Financing Facility"). On April 5, 2002, the Court issued an interim order (Docket No. 65), approving the DIP Financing Facility and on May 15, 2002, a final order approving the DIP Financing Facility (Docket No. 311) (the "Final DIP Order"). Following significant litigation, on August 2, 2002, the Court issued an order (Docket No. 733) that overruled objections by holders of minority interests in two Debtor limited partnerships who disputed the inclusion of the limited partnerships in the DIP Financing Facility. Although the holders of such interests at one of the limited partnerships appealed the order, they reached an agreement with the Company that in effect deferred the appeal. The DIP Financing Facility's current terms are described below.

The DIP Financing Facility consisted initially of a $48.2 million tranche to be utilized for cash borrowings, subject to availability within advance limits in effect from time to time and the issuance of new letters of credit ("Tranche A") and an approximately $240.8 million tranche to be used solely to continue, replace, reissue or renew certain outstanding letters of credit from the Master Credit Facility ("Tranche B"). The DIP Financing Facility is secured by all of the Company's domestic assets not subject to liens of others, 100% of the stock of most of Covanta's domestic subsidiaries and 65% of the stock of certain of its foreign subsidiaries. Obligations under the DIP Financing Facility were granted senior status to other prepetition secured claims and the DIP Financing Facility became the operative debt agreement with Covanta's bank lenders. Currently the DIP Financing Facility expires on April 1, 2004.

On September 26, 2003, one of the Company's insurance providers, AIG, submitted draw notices for two Tranche B letters of credit under the DIP Financing Facility, in a total amount of $22,472,040. On December 15, 2003, AIG submitted another draw notice on another Tranche B letter of credit under the DIP Financing Facility, in an amount of $7,500,093. The issuing bank under the letters of credit honored all such draw notices and the Debtors reimbursed the drawn amounts pursuant to the terms of the DIP Financing Facility.

(a) First Amendment to Intercreditor Agreement

In conjunction with the DIP Financing Facility, the Company also entered into an amendment of the Intercreditor Agreement with the DIP Lenders and certain other lenders (the "Intercreditor Amendment"), dated as of April 1, 2002. The Intercreditor Amendment, among other things, included new definitions and conforming changes corresponding to the DIP Financing Facility and the chapter 11 filings, and modified certain arrangements and formulas established with respect to distribution of the collateral to various lenders and lender groups.

(b) First Amendment to DIP Financing Facility

On April 1, 2002, the Debtors and the DIP Lenders entered into an amendment to the DIP Financing Facility (the "First Amendment") that provided for, among other things, the designation of the letters of credit associated with the Equity Bonds as "Non-Rolled Tranche B Letters of Credit," and as such, prepetition secured obligations. The First Amendment also provided for the designation of obligations concerning the loss sharing arrangements under the Intercreditor Amendment, which were initially considered Tranche A obligations, as "Tranche C Obligations" and as such, prepetition obligations. The DIP Lenders' commitment amount under Tranche A was reduced to reflect such designation.

(c) Second Amendment to DIP Financing Facility

On May 10, 2002, the Debtors and the DIP Lenders entered into the second amendment to the DIP Financing Facility that provided for, among other things, the approval of the monthly budget and the Final DIP Order.

(d) Third Amendment to DIP Financing Facility

On October 4, 2002, the Debtors and the DIP Lenders entered into the third amendment to the DIP Financing Facility (the "Third Amendment") that provided for, among other things, reduction of the advance limit for cash borrowings to $14 million and approval for the payment of the expenses and fees incurred by the Creditors Committee. The Third Amendment also provided for certain insurance premium financing arrangements, for the commencement of voluntary bankruptcy proceedings by Ogden Spain, S.A., for the liquidation of Ogden Entertainment Services of Spain and for the approval of certain designated non-material asset sales. Certain modifications to the agreements relating to the Tampa Bay Water Project were also allowed under the Third Amendment, as were reductions in the "Advance Limits" schedule to the DIP Financing Facility, providing the monthly limitations of the amounts available for borrowing under Tranche A.

(e) Fourth Amendment to DIP Financing Facility

On December 10, 2002, the Debtors and the DIP Lenders entered into the fourth amendment to the DIP Financing Facility (the "Fourth Amendment") that provided for, among other things, approval of certain transactions relating to the cancellation of the $5.3 million letter of credit issued by Covanta to support certain obligations at the MCI Center, a multi-purpose arena located in Washington, D.C. The Fourth Amendment also provided for the acknowledgement of the superior priority of a tax lien by Lake County, Florida on property held by Covanta Lake, and for the release of prepetition liens upon the sale of the remaining Aviation Fueling Assets, and for additional investments in the Trezzo (Italy) WTE Project.

(f) Fifth Amendment to DIP Financing Facility

On December 18, 2002, the Debtors and the DIP Lenders entered into the

fifth amendment to the DIP Financing Facility that provided for, among other things, approval of the participation of the Debtors in a tax transaction relating to the Team. (This tax transaction was never completed.)

(g) Sixth Amendment to DIP Financing Facility

On March 25, 2003, the Debtors and the DIP Lenders entered into the sixth amendment to the DIP Financing Facility (the "Sixth Amendment") that provided for, among other things, the extension of the termination date of the DIP Financing Facility through October 1, 2003. The Sixth Amendment provided for a reduction in the "Tranche A Letter of Credit Sublimit" from $14,200,000 to $12,200,000. It also allowed for the release of prepetition liens upon the sale of the Island Power Corporation, permitted Covanta to engage in certain tax related restructurings, and permitted the rejection, if necessary, of contracts related to Covanta Tulsa, Inc.

(h) Seventh Amendment to DIP Financing Facility

On May 23, 2003, the Debtors and the DIP Lenders entered into the seventh amendment to the DIP Financing Facility that provided for, among other things, approval for the restructuring of the obligations relating to the Hennepin WTE project and to permit amendments to the corresponding Tranche A and Tranche B Letters of Credit.

(i) Eighth Amendment to DIP Financing Facility

On August 25, 2003, the Debtors and the DIP Lenders entered into the eighth amendment to the DIP Financing Facility that provided for, among other things, approval of the sale of the Corel Centre.

(j) Ninth Amendment to DIP Financing Facility

On September 15, 2003, the Debtors and the DIP Lenders entered into the ninth amendment to the DIP Financing Facility that provided for, among other things, the extension of the termination date of the DIP Financing Facility to April 1, 2004 and approval of the Onondaga County, New York WTE project restructuring (described in Section VI.C.11).

(k) Tenth Amendment to DIP Financing Facility

On November 3, 2003, the Debtors and the DIP Lenders entered into the tenth amendment to the DIP Financing Facility that provided for, among other things, the approval of the Geothermal Sale and the Company's insurance premium financing arrangements, and waived certain requirements in the DIP Financing Facility relating to the Covanta Tampa Construction, Inc. ("CTC") bankruptcy filing.

(l) Eleventh Amendment to DIP Financing Facility

On December 15, 2003, the Debtors and the DIP Lenders entered into the eleventh amendment to the DIP Financing Facility that provided for, among other things, the approval of the transactions relating to the termination of the obligations of the Company and its Subsidiaries at the Anaheim Arena and the restructuring of the Town of Babylon WTE project.

3. Adequate Protection

In addition to the various provisions discussed above, the Final DIP Order provides that, in respect of only the Prepetition Liens, the Prepetition Lenders are granted adequate protection in the event that there is any postpetition diminution in the value of their respective interests the Prepetition Collateral resulting from (i) the Debtors' granting of priming liens on and security interests in the Prepetition Collateral in favor of the DIP Agents and DIP Lenders, (ii) the Debtors use of the Prepetition Lenders' cash collateral, the use of the Prepetition Collateral (other than the cash collateral), and (iii) the imposition of the automatic stay. Such adequate protection consists of the following:

(a) The Prepetition Agents and the Prepetition Lenders are granted valid, perfected and non-voidable replacement security interests in and liens upon (the "Replacement Liens") all property of each of the Debtors, and all proceeds and products thereof. The Replacement Liens are subject to certain carve-outs: the liens granted pursuant to the Final DIP Order to the DIP Agents to secure the obligations of the Debtors under the DIP Financing Facility, valid, enforceable, perfected and non-voidable liens and security interests that existed on the First Petition Date (other than the Prepetition Liens and the Project Replacement Liens); and each Estate's interest in the proceeds of any avoidance action pursuant to sections 544 to 550 of the Bankruptcy Code.

(b) The Prepetition Agents and the Prepetition Lenders are granted superpriority claims with priority over all administrative expenses ordered pursuant to the Bankruptcy Code, other than fees and expenses arising under section 726(b) of the Bankruptcy Code which are less than $1 million in aggregate. Such superpriority status is subject only to the superpriority claims granted to DIP Agents and DIP Lenders in respect of the obligations of the

Debtors under the DIP Financing Facility; each Estate's interest in the proceeds of any avoidance action pursuant to sections 544 to 550 of the Bankruptcy Code; and certain carve-outs.

(c) The Debtors are authorized and directed to pay in cash on a monthly basis all reasonable accrued fees and all costs, charges and expenses of Akin, Gump, Strauss, Hauer & Feld, L.L.P and Raymond James & Co. (subsequently replaced by Jeffries & Co.), in their respective capacity as advisors to the Bondholders Committee and Wells Fargo Bank Minnesota, N.A., in its capacity as indenture trustee for the 9.25% Debentures and Dorsey & Whitney, in its capacity as counsel to the Indenture Trustee, in connection with the Chapter 11 Cases, on the same terms and conditions that apply to the DIP Lenders.

In addition, by order dated May 13, 2002 (Docket No. 287), General Electric Capital Corporation and certain of its affiliates (collectively "GECC") were granted adequate protection in the event that there is any postpetition diminution in the value of its interests in property (including cash collateral) used by the Debtors post-petition. Among other things, GECC generally was granted valid, perfected and non-voidable replacement security interests in and liens upon all property of each of the Debtors in which GECC held a security interest pre-petition, subject to certain carve-outs; HFC One Seller was required to make monthly payments to GECC consisting of (i) all interest owed to GECC under its pre-petition agreements with GECC, and (ii) 33.33% of monthly cash flow in excess of certain operating and other expenses; the SIGC Project Company was required to make most payments required under its pre-petition agreements with GECC (with certain limited exceptions); and the Debtors were authorized and directed to reimburse GECC for its reasonable legal expenses.

4. Assumption and Rejection

As debtors in possession, the Debtors have the right, subject to Court approval and certain other limitations, to assume or to reject executory contracts and unexpired leases. Contracts or leases that are assumed may be assigned to a third party as provided under the Bankruptcy Code.

During these Chapter 11 Cases, the Debtors obtained several orders of the Court authorizing either the assumption, or assumption and assignment, of certain executory contracts and unexpired leases. For example, in connection with the sale of the Aviation Fueling Assets, on December 18, 2002, the Court entered an order (Docket No. 1203), authorizing the assignment of certain contracts and leases relating to that business to Allied Aviation Holdings, Inc., the purchaser of the Aviation Fueling Assets. Pursuant to the order approving the sale, the Debtors were relieved of any liability for breach of any such assigned contract, whether occurring before or after such assignment.

The Court has also entered orders authorizing the rejection of certain contracts. For example, the Debtors rejected the lease relating to its former headquarters at 2 Penn Plaza in New York, New York and rejected a number of contracts related to a construction project in Nevada, and several contracts related to their former operation of the Tulsa, Oklahoma WTE facility.

The treatment of contracts or leases that have not been assumed or rejected by order of the Court as of the date hereof, is discussed in Article IX of the Second Reorganization Plan and Article VIII of the Liquidating Plan. With respect to Reorganizing Covanta and certain other Reorganizing Debtors listed on Schedule 9.1A of the Second Reorganization Plan, on the Reorganization Effective Date all executory contracts and unexpired leases shall be deemed rejected other than those executory contracts or unexpired leases that are specifically designated as assumed on the Rejecting Debtors' Schedule of Assumed Contracts and Leases (to be filed prior to the Second Plans Confirmation Hearing), or as otherwise provided in Section 9.1(a) of the Second Reorganization Plan. For the Reorganizing Debtors listed on Schedule 9.1B of the Second Reorganization Plan, on the Reorganization Effective Date all executory contracts and unexpired leases shall be deemed assumed other than those executory contracts or unexpired leases that are specifically designated as rejected on the Assuming Debtors' Schedule of Rejected Contracts and Leases (to be filed prior to the Second Plans Confirmation Hearing), or as otherwise provided in Section 9.1(b) of the Second Reorganization Plan.

For Liquidating Debtors, on the Liquidation Effective Date all executory contracts and unexpired leases shall be deemed rejected other than those executory contracts or unexpired leases that are specifically designated on Schedule 8 of the Second Liquidation Plan, or as otherwise provided in Section 8 of the Second Liquidation Plan.

5. Appointment of Creditors Committee

On April 9, 2002 the United States Trustee for the Southern District of New York appointed the Creditors Committee in accordance with the applicable provisions of the Bankruptcy Code. The Creditors Committee is represented by Arnold & Porter. The Creditors Committee's financial advisor is Houlihan Lokey Howard and Zukin. The Creditors Committee currently consists of the following members:

Federal Insurance Company

c/o Chubb & Son
15 Mountain View Road
Warren, NJ 07059
Attn: Richard E. Towle V.P. and Manager

Broad Street Resources, Inc.
66 Society Street
Charleston, SC 29401
Attn: John J. Kruse

The General Electric Company
(GE Power Systems Division)
2 Corporate Drive
P.O. Box 861
Shelton, CT 06484-0861
Attn: Glenn Reisman

Pacific Enterprises Energy Management Services
101 Ash Street
Mail Zone HQ-16C
San Diego, CA 92101
Attn: Gary H. Hayes

Babcock Borsig Capital Corporation
82 Cambridge Street
Burlington, MA 01803
Attn: Jessica Fees

The Creditors Committee does not currently include any holders of Convertible Subordinated Debentures. Previously, the following holders of Convertible Subordinated Debentures served on the Creditors Committee: (1) CRT Capital Group, LLC (from April 9, 2002 to August 7, 2002); (2) Caxton Associates, LLC, former Chairperson of the Creditors Committee (from April 9, 2002, to May 8, 2003); and (3) Prescott Group Capital Management, L.L.C. (from June 5, 2003 to fall of 2003).

6. Exclusivity

Pursuant to an order entered on March 27, 2003 (Docket No. 1391), the Court extended the Debtors' exclusivity period during which the Debtors may file a plan of reorganization (the "Exclusivity Period") through July 31, 2003 and the exclusive right to solicit acceptances thereto through September 23, 2003. On July 16, 2003 the Court entered an order (Docket No. 1746), extending the Exclusivity Period to and including August 14, 2003 with the exclusive right to solicit acceptances thereto through September 23, 2003. At a hearing before the Court on August 13, 2003, the Court extended the Exclusivity Period to and including September 4, 2003. On September 8, 2003, the Court entered an order (Docket No. 2055) extending the Exclusivity Period to and including September 10, 2003. On September 19, 2003, the Court entered an order (Docket No. 2109) extending the Exclusivity Period to and including December 8, 2003, with the exclusive right to solicit acceptances thereto through January 7, 2004. On December 4, 2003, the Court entered an order (Docket No. 2927) extending the Exclusivity Period to and including February 23, 2004, with the exclusive right to solicit acceptances thereto through March 24, 2004.

7. Discussions of Alternative Reorganization Plans

Contemporaneously with the commencement of the Chapter 11 Cases, the Company executed a non-binding letter of intent with the investment firm of Kohlberg Kravis Roberts & Co. ("KKR"), pursuant to which KKR would acquire the Company. After conducting further due diligence, KKR made a further proposal in the third quarter of 2002, substantially along the lines of the letter of intent. The Company sought to negotiate this proposal with KKR to improve its terms for all creditors. Since KKR's proposal was contingent upon the Company's secured bank creditors providing new debt upon emergence, KKR conducted negotiations primarily with the Prepetition Lenders. In February 2003, KKR reduced the value of its offer and, consequently, the Debtors understand that KKR's revised proposal would have resulted in recoveries that are inferior to what creditors would obtain in the proposed Second Plans. KKR, the Company and the Prepetition Lenders have terminated discussions, although KKR has expressed a continuing interest in the Company should other structures not be achieved.

As discussed above, the Debtors initially filed and solicited votes for the ESOP Plans, premised on the ESOP Transaction. The Debtors have adjourned confirmation of the ESOP Plans, and have filed the Second Plans premised on the DHC Transaction. The Debtors, however, reserve the right to pursue the ESOP Plans premised on the ESOP Transaction if the Second Plans, based on the DHC Transaction, cannot be pursued.

The Debtors have an obligation to seek to maximize recoveries for their creditors generally. To that end, even after filing the ESOP Plans and soliciting votes thereon, the Debtors, consistent with their business judgment, continued to consider alternative transactions that would permit recoveries to creditors greater than those expected pursuant to the ESOP Transaction, which ultimately gave rise to the DHC Transaction that is contemplated in connection

with the Second Plans. The Debtors will, consistent with their business judgment, and to the extent permitted by the Exclusivity Provisions of the DHC Agreement, continue to consider alternative transactions, including without limitation the ESOP Transaction, that would permit recoveries to creditors greater than those expected under the Second Plans.

8. Sale of Geothermal Assets

As more fully described herein, the Second Reorganization Plan presumes the consummation of the Geothermal Sale pursuant to Heber Purchase Agreement, as implemented by the Heber Reorganization Plan. The Heber Reorganization Plan was confirmed by the Court on November 21, 2003, following the Auction for the sale of the Geothermal Business. The proceeds of the Geothermal Sale are expected to serve as part of the funding for the Reorganizing Debtors' and Heber Debtors' emergence from their respective Chapter 11 Cases. As confirmed, the Heber Reorganization Plan contemplates (a) the sale of the Geothermal Business, and transfer of ownership to Ormat of the Heber Debtor Project Companies and AMOR 14 Corporation, Covanta SIGC Energy, Inc and Covanta SIGC Energy II, Inc. (collectively, the "Heber Debtor Holding Companies"), unless Ormat exercises a certain option in the Heber Purchase Agreement not to acquire the ownership of the Heber Debtor Holding Companies; (b) the payment in full, or continuation of the GECC Liens; (c) the termination of the DIP Financing Facility with respect to the Heber Debtors; (d) payment of all Claims (other than Intercompany Claims) in full; and (e) distribution of all remaining proceeds of the Geothermal Sale to the Reorganizing Debtors. Other than the holders of Intercompany Claims against or Equity Interests in the Heber Debtors that are insiders, the holders of Claims against or Equity Interests in the Heber Debtors are Unimpaired under the Heber Reorganization Plan. As such, no creditors were entitled to vote to reject or accept the Heber Reorganization Plan and the Heber Debtors did not solicit any such creditors. The Heber Reorganization Plan became effective on December 18, 2003. Because Ormat has excercised its option under Section 2.1 of the Heber Purchase Agreement, as contemplated by Section 6.2 of the Heber Reorganization Plan, Ormat did not acquire ownership of the Heber Debtor Holding Companies. Notwithstanding Ormat's exercise of such option, the Heber Debtor Holding Companies have been reorganized pursuant to the terms of the Heber Reorganization Plan and have emerged from chapter 11.

9. Sale of Non-Core Assets

During these Chapter 11 Cases, the Debtors have disposed of a number of non-core assets that are not necessary to the Reorganizing Debtors' ongoing businesses.

Pursuant to an order of the Court (Docket No. 832), on August 29, 2002, Debtor Ogden Central and South America, Inc. sold its interests in Casino Iguazu.

In addition, pursuant to an order of the Court (Docket No. 1127), on December 3, 2002, Ogden Central and South America, Inc. and Ogden Services Corporation, each Debtors in these Chapter 11 Cases, closed the sale of all issued and outstanding shares of capital stock in Ogden Argentina S.A., thereby disposing of the Company's interest in the La Rural Fairgrounds.

On December 31, 2002, pursuant to an order by the Court (Docket No. 1203), the Company sold its remaining Aviation Fueling Assets, consisting of fueling operations at the three major New York City area airports. As part of this sale, PA Aviation Fuel Holdings, Inc., one of the Debtors in these Chapter 11 Cases, sold all of the issued and outstanding shares of capital stock in the following four entities: Ogden Aviation Service Company of New Jersey, Inc., Ogden Aviation Service Company of New York, Inc., LaGuardia Fuel Facilities Corporation and Newark Automotive Fuel Facilities Corporation (collectively, the "Allied Acquired Companies"). Pursuant to the order approving the sale, the bankruptcy cases of the Allied Acquired Companies were dismissed. In addition, as part of the sale, Ogden New York Services, Inc. sold substantially all of its assets and business operations and certain obligations and liabilities relating thereto. Ogden New York Services retained certain environmental liabilities relating to JFK Airport, as more fully described in the order approving the sale.

On August 5, 2003 Covanta assumed an Amended Option and Usufruct Agreement pertaining to AA 2000, an Argentine airport, which is by and between Eduardo Eurnekian and Covanta in an attempt to transfer Ogden's equity to Eurnekian or designee in exchange for a cash payment to Covanta for approximately $2,500,000. The assumption of the Amended Option and Usufruct Agreement was approved by the Court on July 24, 2003 (Docket No. 1799).

Please see Section VI.C.14 for a discussion of the disposition proceedings in connection with the Team and Arenas.

10. Tulsa, Oklahoma Facility

Prior to October 2003, Covanta Tulsa, Inc. ("Covanta Tulsa") operated the WTE facility located in Tulsa, Oklahoma (the "Tulsa Facility") pursuant to a Service Agreement with the Tulsa Authority for Recovery of Energy, which expires in 2007. Covanta leased the facility from CIT Group/Capital Finance, Inc.

("CIT") under a long-term lease expiring in 2012 (the "CIT Lease").

Covanta Tulsa and CIT engaged in negotiations to restructure the contractual arrangements between Covanta Tulsa and CIT related to Covanta Tulsa's operation of the Tulsa Facility, which was projected to become unprofitable for Covanta Tulsa unless Covanta Tulsa's agreements with CIT were restructured, but those negotiations failed. As a result, the Debtors wound down business operations at the Tulsa Facility, turned over the Tulsa Facility to CIT and rejected the CIT Lease and certain other agreements relating to the Tulsa Facility.

Covanta Tulsa has been classified as a Liquidating Debtor, and as a result unsecured creditors of Covanta Tulsa likely will not receive any recovery on account of their pre-petition claims. In addition, CIT has indicated that it intends to assert a material claim against Covanta, as guarantor of Covanta Tulsa's obligations, which claim the Debtors will treat as a general unsecured Class 6 Claim against Covanta, and it may attempt to assert material administrative claims against Covanta Tulsa.

The Debtors do not believe that the classification of Covanta Tulsa as a Liquidating Debtor and the cessation of operation of the Tulsa Facility will impair the other Debtors' ability to confirm and consummate the Second Plans, or the terms of any exit financing available to such other Debtors.

11. Restructuring of Certain Projects

The Chapter 11 Cases have provided the Reorganizing Debtors with the opportunity to reevaluate operations, including those within their core business segments, to determine which projects will contribute positively to their restructuring efforts. As part of this review, the Reorganizing Debtors have engaged in negotiations with various municipalities and other parties in interest with the goal of enhancing financial performance or reducing risk associated with certain of its projects.

The Debtors and contract parties have reached agreement with respect to, or are in the process of negotiating, material restructuring of their mutual obligations in connection with six (6) WTE projects, as further summarized below. The Debtors also are involved in litigation with respect to certain WTE facilities, described in Section VI.C.15 below, and are involved in litigation with respect to their Tampa Bay, Florida water desalinization project. To the extent agreements have been reached or are reached in the future concerning such restructurings, or litigation is settled, each restructuring or settlement has been or will need to be approved by the Court, and the executory contracts related thereto will be modified and assumed, pursuant to the Second Reorganization Plan or otherwise approved by separate order of the Court. However, with several of these projects, aspects of the potential restructurings remain subject to conditions subsequent and there can be no guarantee that all these conditions will be satisfied on or before the Reorganization Effective Date. As a result, the Reorganizing Debtors have expressly reserved their rights, in the event that such conditions subsequent fail to occur on or before the Reorganization Effective Date, to reject the executory contracts associated therewith, to designate certain Debtors currently identified as Reorganizing Debtors as Liquidating Debtors, or to withdraw the applicable Plan solely as to such Debtors' Estates.

With respect to certain of these restructurings, under the DHC Agreement the Debtors may be required to obtain the Plan Sponsor's approval in order to implement a restructuring other than on the terms described herein. Failure to timely consummate a restructuring transaction with respect to certain of these projects, or an adverse ruling in litigation pending with respect to certain of these projects, could impair the other Debtors' ability to confirm and consummate the Second Plans or the terms of the exit financing available to the Debtors.

(a) Warren County, New Jersey

Debtor Covanta Warren and the Pollution Control Financing Authority of Warren County ("Warren Authority") have been engaged in discussions and negotiations for an extended period of time concerning a potential restructuring of the parties' rights and obligations under various agreements related to Covanta Warren's operation of the Warren Facility. Those negotiations were in part precipitated by a 1997 federal Court of Appeals decision invalidating certain of the State of New Jersey's waste-flow laws, which resulted in significantly reduced revenues for the Warren Facility. Since 1999, the State of New Jersey has been voluntarily making all debt service payments with respect to the project bonds issued to finance construction of the Warren Facility, and Covanta Warren has been operating the Warren Facility pursuant to a letter agreement with the Warren Authority which modifies the existing Service Agreement for the Warren Facility.

Although discussions continue, to date Covanta Warren and the Warren Authority have been unable to reach an agreement to restructure the contractual arrangements governing Covanta Warren's operation of the Warren Facility. The Warren Authority has indicated that a consensual restructuring of the parties' contractual arrangements may be possible in 2004. In addition, the Warren

Authority has agreed to release approximately $1.2 million being held in escrow to Covanta Warren so that Covanta Warren may perform an environmental retrofit during 2004. Based upon the foregoing and internal projections which indicate that Covanta Warren likely will not operate at a loss next year, the Debtors have determined not to propose a plan of reorganization or plan of liquidation for Covanta Warren at this time, and instead that Covanta Warren should remain a debtor-in-possession after the Second Plans are confirmed with respect to the Debtors subject to the Second Plans.

In order to emerge from bankruptcy without uncertainty concerning potential claims against Covanta related to the Warren Facility, Covanta will be rejecting its guarantees of Covanta Warren's obligations relating to the operation and maintenance of the Warren Facility. The Debtors anticipate that if a restructuring is consummated, Reorganized Covanta may at that time issue a new parent guarantee in connection with that restructuring and emergence from bankruptcy.

In the event the parties are unable to timely reach agreement upon and consummate a restructuring of the contractual arrangements governing Covanta Warren's operation of the Warren Facility, the Debtors may, among other things, elect to litigate with counterparties to certain agreements with Covanta Warren, assume or reject one or more executory contracts related to the Warren Facility, attempt to file a plan of reorganization on a non-consensual basis, or liquidate Covanta Warren. In such an event, creditors of Covanta Warren may not receive any recovery on account of their claims.

(b) Onondaga County, New York

Shortly before the First Petition Date, the Onondaga County Resource Recovery Agency ("OCRRA") purported to terminate the Service Agreement between OCRRA and Covanta Onondaga, LP ("Covanta Onondaga") based upon Covanta's failure to provide a letter of credit following its downgrade by rating agencies. Covanta Onondaga challenged that purported termination by OCRRA. The dispute between Covanta Onondaga and OCRRA concerning that termination, as well as disputes concerning which court would decide that dispute, led to contentious litigation in state court and several bankruptcy, district and appellate federal courts.

The Debtors engaged in lengthy negotiations with OCRRA and certain bondholders and limited partners in connection with a WTE facility that the Debtors operate in Onondaga County, New York (the "Onondaga Facility"). The parties eventually reached an agreement to provide for the continued operation of the Onondaga Facility, to restructure the debt related to the Onondaga Facility, and to resolve their disputes, and the Court entered an order approving that compromise and restructuring on October 9, 2003 (Docket No. 2332). That restructuring provides for the continued operation of the Onondaga Facility by Covanta Onondaga, as well as numerous modifications to agreements relating to the Onondaga Facility, including: (i) the restructuring of the bonds issued to finance development and construction of the Onondaga Facility; (ii) reduction in the amount of the service fee payable to Covanta Onondaga; (iii) elimination of the requirement that Covanta provide credit support, and a reduction in the maximum amount of the parent company guarantee; and (iv) material amendments to the agreements between Covanta Onondaga's third party limited partners and the other Debtors. The Onondaga restructuring was completed on October 10, 2003.

(c) Hennepin County, Minnesota

On June 11, 2003, the Debtors received Court approval (Docket No. 1597) to restructure certain agreements relating to the Debtors' WTE project at Hennepin, Minnesota. The key elements of the restructuring are: (i) the purchase by Hennepin County of the ownership interests of GECC in the operating facility, (ii) the termination of certain leases, the existing Service Agreement and certain financing and other agreements; (iii) entry into a new Service Agreement, guarantee and security agreement, which, among other things, reduces the County's payment obligations to the Company's operating subsidiary under the Service Agreement and requires the Company's operating subsidiary to provide a letter of credit in an amount not less than that provided to GECC; (iv) the refinancing of bonds issued in connection with the development and construction of the project; and (v) assumption and assignment to Hennepin County of certain interests in the project's electricity sale agreement. The Hennepin restructuring was completed on July 8, 2003.

(d) Union County, New Jersey

On June 19, 2003, Debtor Covanta Union, Inc. ("Covanta Union") received Court approval (Docket No. 1621) to restructure certain agreements relating to the Debtors' WTE project at Rahway, Union County, New Jersey (the "Union Facility"), and to settle certain disputes with the Union County Utilities Authority (the "Union Authority") related to Covanta Union's operation of the Union Facility. The restructuring facilitates the Union Authority's implementation of a solid waste flow control program and accounts for the impact of recent court decisions upon the agreements between Covanta Union and the Union Authority. Key elements of the restructuring include: (i) modifying the existing project agreements between Covanta Union and the Union Authority and

(ii) executing a settlement agreement and a release and waiver with the Union Authority resolving disputes that had arisen between Covanta Union and the Union Authority regarding unpaid fees. The Union restructuring is complete.

(e) Babylon, New York

The Town of Babylon, New York (the "Babylon") filed a proof of claim against Covanta Babylon, Inc. ("Covanta Babylon") for approximately $13.4 million in prepetition damages and $5.5 million in postpetition damages, alleging that Covanta Babylon has accepted less waste than required under the Service Agreement between Babylon and Covanta Babylon, and that Covanta Babylon's chapter 11 proceeding imposed on Babylon additional costs for which Covanta Babylon should be responsible. The Company filed an objection to Babylon's claim, asserting that it is in full compliance with the express requirements of the Service Agreement and was entitled to adjust the amount of waste it is required to accept to reflect the energy content of the waste delivered. Covanta Babylon also asserted that the costs arising from its chapter 11 proceeding are not recoverable by Babylon. After lengthy discussions, Babylon and Covanta Babylon reached a proposed settlement pursuant to which, in part, (a) the parties shall amend the Service Agreement to adjust Covanta Babylon's operational procedures for accepting waste, reduce Covanta Babylon's waste processing obligations, increase Babylon's additional waste service fee to Covanta Babylon, and reduce Babylon's annual operating and maintenance fee to Covanta Babylon; (b) provides for payment of a specified amount from Covanta Babylon to Babylon in consideration for a release of any and all claims (other than its rights under the settlement documents) that Babylon may hold against the Debtors and in satisfaction of Babylon's administrative expense claims against Covanta Babylon; and (c) allocates additional costs relating to the swap financing as a result of Covanta Babylon's Chapter 11 proceedings until such costs are eliminated. The Company filed a motion seeking approval of the proposed settlement on November 25, 2003 (Docket No. 2835), and on December 17, 2003, the Court entered an order (Docket No. 3085) approving that settlement. As of the date hereof, the proposed settlement has not yet been consummated.

In the event the settlement and restructuring transaction described above is not consummated, it is highly likely that litigation with Babylon would resume. Depending upon the outcome and timing of such litigation with Babylon, the Debtors may, among other things, assume or reject one or more executory contracts related to the Babylon Facility, recharacterize Covanta Babylon as a liquidating Debtor, and/or withdraw Covanta Babylon as a Reorganizing Debtor and subsequently file a separate plan of reorganization for Covanta Babylon. In such event, creditors of Covanta Babylon may not receive any recovery on account of their claims.

(f) Lake County, Florida

In late 2000, Lake County, Florida ("Lake County") commenced a lawsuit in Florida state court against Covanta Lake, Inc. ("Covanta Lake") relating to the WTE facility operated by Covanta in Lake County, Florida (the "Lake Facility"). In the lawsuit, the County sought to have its Service Agreement with Covanta Lake declared void and in violation of the Florida Constitution. That lawsuit was stayed by the commencement of the Chapter 11 Cases. Lake County subsequently filed a proof of claim seeking in excess of $70 million from Covanta Lake and Covanta.

After months of negotiations that failed to produce a settlement between Covanta Lake and Lake County, on June, 20, 2003, Covanta Lake filed a motion with the Court (Docket No. 1627), seeking entry of an order (i) authorizing Covanta Lake to assume, effective upon confirmation of a plan of reorganization for Covanta Lake, its Service Agreement with Lake County, (ii) finding no cure amounts due under the Service Agreement, and (iii) seeking a declaration that the Service Agreement is valid, enforceable and constitutional, and remains in full force and effect. Contemporaneously with the filing of the assumption motion, Covanta Lake filed an adversary complaint (Adv. No. 03-04382-cb) asserting that Lake County is in arrears to Covanta Lake in the amount of more than $8.5 million. Shortly before trial commenced in these matters, the Debtors and Lake County reached a tentative settlement calling for a new agreement specifying the parties' obligations and restructuring of the project. That tentative settlement and the proposed restructuring will involve, among other things, termination of the existing service agreement and the execution of a new Waste Disposal Agreement which shall provide for a put-or-pay obligation on Lake County's part to deliver 163,000 tons per year of acceptable waste to the Lake Facility and a different fee structure; a replacement guarantee from Covanta in a reduced amount; the payment by Lake County of all amounts due as "pass through" costs with respect to Covanta Lake's payment of property taxes; the payment by Lake County of a specified amount in each of 2004, 2005 and 2006 in reimbursement of certain capital costs; the settlement of all pending litigation; and a refinancing of the existing bonds.

The Lake settlement is contingent upon, among other things, receipt of all necessary approvals, as well as a favorable outcome to the Debtors' pending objection to the proof of claims filed by F. Browne Gregg, a third-party claiming an interest in the existing Service Agreement that would be terminated under the proposed settlement. On November 3-5, 2003, the Court conducted a trial on F. Browne Gregg's proofs of claim. At issue in the trial was whether F.

Brown Gregg is entitled to damages as a result of Covanta Lake's proposed termination of the existing service agreement and entry into a waste disposal agreement with Lake County. As of December 18, 2003, the Court has not ruled on the Debtors' claims objections.

In the event the parties are unable to resolve consensually their differences, and depending upon, among other things, the timing, nature and outcome of the litigation with F. Browne Gregg and/or Lake County, the Debtors may determine to, among other things, assume or reject one or more executory contracts related to the Lake Facility, terminate the service agreement with Lake County for its breaches and default and pursue litigation against Lake County, recharacterize Covanta Lake as a Liquidating Debtor, and/or withdraw Covanta Lake as a Reorganizing Debtor and subsequently file a separate plan of reorganization for Covanta Lake. In such an event, creditors of Covanta Lake may not receive any recovery on account of their claims.

(g) Tampa Water Facility

CTC, a Debtor, is currently completing construction of a 25 million gallon per day desalination-to-drinking water facility (the "Tampa Water Facility") under a contract with Tampa Bay Water Authority ("Tampa Bay Water" or "TBW") near Tampa, Florida. Covanta Energy Group, Inc., a Debtor, has guaranteed CTC's performance under its construction contract with TBW. A separate subsidiary, Covanta Tampa Bay, Inc. ("CTB"), a Debtor, has entered into a postpetition contract with TBW to operate the Tampa Water Facility after construction and testing is completed by CTC.

While construction of the Tampa Water Facility is substantially complete, the parties have material disputes, primarily relating to (i) whether CTC has satisfied acceptance criteria for the Tampa Water Facility; (ii) whether Tampa Bay Water has obtained certain permits necessary for CTC to complete start-up and testing, and for CTB to subsequently operate the Tampa Water Facility; and (iii) if and to the extent that the Tampa Water Facility cannot be optimally operated, whether such shortcomings constitute defaults under CTC's agreements with TBW. Prior to October 2003, the Debtors had been discussing potential solutions with Tampa Bay Water.

In October 2003, TBW issued a default notice to CTC, indicated that it intended to commence arbitration proceedings against CTC, and further indicated that it intended to terminate CTC's construction agreement. As a result, on October 29, 2003, CTC filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in order to, among other things, prevent attempts by TBW to terminate the construction agreement between CTC and TBW. CTC's case is being jointly administered with the other Debtors' cases. On November 14, 2003, TBW commenced an adversary proceeding against CTC, Adversary No. 03-92911-cb, and filed a motion seeking a temporary restraining order and preliminary injunction directing that possession of the Tampa Water Facility be turned to TBW. On November 25, 2003, the Court denied the motion for a temporary restraining order and preliminary injunction and ordered, among other things, that the parties initially mediate their disputes. That mediation has not yet occurred. In addition, on November 14, 2003, TBW also filed motions seeking to modify the automatic stay so that it could take possession of the Tampa Water Facility, and also requesting that the Court reconsider certain first-day orders entered in CTC's bankruptcy case. On November 25, 2003, the Court entered orders continuing these motions to a future date. The adversary proceeding remains pending before the Court, and the parties are engaged in discovery.

The Debtors have determined not to propose a plan of reorganization or plan of liquidation for CTC and CTB at this time, and instead that both CTC and CTB should remain as debtors-in-possession after the Second Plans are confirmed with respect to the other Debtors. In order to emerge from bankruptcy without uncertainty concerning potential claims against CEG related to the Tampa Water Facility, CEG will be rejecting its guarantees of CTB's and CTC's obligations relating to the construction, operation and maintenance of the Tampa Water Facility. The Debtors anticipate that if a restructuring is consummated, reorganized CEG or Covanta may at that time issue a new parent guarantee in connection with that restructuring and emergence from bankruptcy. In the event that the parties are unable to resolve their differences consensually, and depending upon, among other things, the outcome of the pending litigation with Tampa Bay Water, the Debtors may, among other things, commence additional litigation against Tampa Bay Water, assume or reject one or more executory contracts related to the Tampa Water Facility, or propose liquidating plans and/or file separate plans of reorganization for CTB and/or CTC. In such an event, creditors of CTC and CTB may not receive any recovery on account of their claims.

12. 9.25% Debentures Adversary Proceeding

On May 15, 2002, pursuant to the Final DIP Order, the Debtors, the Prepetition Lenders and the Bondholders Committee stipulated that the 9.25% Debenture Holders were secured parties. The Final DIP Order includes a provision reserving the Creditors Committee's right to challenge the secured status of the 9.25% Debenture Holders.

On August 6, 2002, pursuant to 11 U.S.C. ss.ss. 1103(c)(5) and 1109(b),

the Creditors Committee commenced an adversary proceeding against Wells Fargo Bank Minnesota, N.A. ("9.25% Indenture Trustee"), as trustee (Adv. No. 02-3004) (the "9.25% Debentures Adversary Proceeding"), challenging the secured status of the 9.25% Debenture Holders. The Bondholders Committee was later added as a defendant-intervener. The Debtors have not been named as parties in the 9.25% Debentures Adversary Proceeding.

Among other things, the Creditors Committee's complaint (as amended) alleges that the applicable provisions of the Indenture, dated as of March 1, 1992 (the "9.25% Indenture"), under which the debentures were issued that would otherwise trigger Covanta's obligation to grant a lien to secure the 9.25% Debenture Holders has never been satisfied. The complaint also alleges that the 9.25% Debenture Holders never properly entered into a security agreement or perfected their lien. Furthermore, the complaint alleges that to the extent any lien was granted, it was granted during the 90 days prior to the First Petition Date and is therefore avoidable as a preferential transfer under 11 U.S.C. ss. 547. The Bondholders Committee and 9.25% Indenture Trustee filed answers refuting such allegations (Docket No. 2).

On October 22, 2002, the 9.25% Indenture Trustee filed a motion (Docket No. 3), to dismiss the Creditors Committee's complaint, arguing that the Creditors Committee did not have standing to prosecute the 9.25% Debentures Adversary Proceeding, on the basis of United States Supreme Court's decision in Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A., 530 U.S. 1 (2000). The Court denied the motion to dismiss. The 9.25% Indenture Trustee has filed an appeal of the Court's decision.

As requested by the Debtors and as ordered by the Court (Docket No. 41), on May 7, 2003, the parties to the 9.25% Debentures Adversary Proceeding commenced a mediation that resulted in an agreement in principle to settle the 9.25% Debentures Adversary Proceeding. Based on the results of the mediation, the Creditors Committee has proposed a basis in principle to resolve the 9.25% Debentures Adversary Proceeding, which is incorporated into the Second Reorganization Plan in the 9.25% Settlement. Each holder of a 9.25% Debenture Claim is provided with an opportunity to opt out of participation in the 9.25% Settlement. In the event that holders of 9.25% Debenture Claims with Claims in excess of $10 million opt out of the 9.25% Settlement, the 9.25% Debentures Adversary Proceeding will continue but only with respect to such holders. The following summary of the contemplated 9.25% Settlement is qualified in its entirety by the actual terms of the Second Reorganization Plan. To the extent that there are any inconsistencies between the description provided herein and the contemplated 9.25% Settlement, the actual terms of the Second Reorganization Plan shall govern. In pertinent part, the contemplated 9.25% Settlement provides as follows:

1. Upon the entry of a Confirmation Order with respect to the Second Reorganization Plan or Substantial Consummation of the Second Reorganization Plan in which the 9.25% Settlement has been accepted by Accepting Bondholders, the Creditors Committee shall be deemed to have acknowledged, for those Accepting Bondholders, the validity, priority, non-avoidability, perfection and enforceability of the liens and claims of the Indenture Trustee for the benefit of the Indenture Trustee and with respect to each such Accepting Bondholder shall be deemed to have been fully released from any right to challenge such liens.

2. Upon confirmation of the Second Reorganization Plan, holders of Allowed Parent and Holding Company Unsecured Claims shall be entitled to receive 12.5% of the first $84 million of value distributable to the Accepting Bondholders pursuant to the Second Reorganization Plan (the "Settlement Distribution," as defined in the Second Reorganization Plan), which entitlement shall be effectuated under the Second Reorganization Plan.

3. Pursuant to the Second Reorganization Plan, fees and expenses incurred by the Creditors Committee relating to the Adversary Proceeding, through the Second Plans Confirmation Date, shall be paid by Covanta (subject to the ordinary fee approval process of the Court), notwithstanding any prior order limiting the amount of cash collateral authorized to be used for such fees and expenses.

4. Pursuant to the Second Reorganization Plan, the holders of Allowed Parent and Holding Company Claims shall receive (A) a waiver by the Indenture Trustee and by the Accepting Bondholders of (i) any deficiency claim on account of the Allowed Subclass 3B Secured Claims held by them, and (ii) the benefits of the subordination provisions contained in the Convertible Subordinated Bonds, and (B) the treatment and distributions set forth in Section 4.6(b) of the Second Reorganization Plan.

5. The Accepting Bondholders agree not to file, sponsor, support or vote for any plan of reorganization or other transaction in the Chapter 11 proceedings which does not contain all of the substantive terms set forth in the 9.25% Settlement which are designated to be included in the Second Reorganization Plan, or which is in any way substantively inconsistent with any such terms.

13. Agreements with the holders of Secured Claims

Throughout the course of these proceedings, the Debtors have engaged in extensive discussions with the Agent Banks, the Secured Bank Lenders and the 9.25% Debenture Holders regarding the treatment of their Allowed Secured Claims and the overall resolution of these Chapter 11 Cases. In particular, the Debtors and these parties are currently discussing, and expect to enter into, the following proposed agreements that have been incorporated into the Second Reorganization Plan and the Second Liquidation Plan:

(a) In order to facilitate the ongoing operations of the Reorganized Debtors, the Second Reorganization Plan contemplates that certain of the holders of Allowed Subclass 3A and 3B Claims will provide a $139 million letter of credit facility that will be secured by a first priority lien on the Post-Confirmation Collateral for the purposes of continuing or replacing the unfunded letter of credit issued under Tranche B of the DIP Financing Facility with respect to the Reorganizing Debtors' Detroit facility and for funding draws with respect thereto.

(b) The Debtors have estimated the Prepetition Lenders' aggregate Allowed Secured Claim in the amount of $415 million, including interest and fees, which amount is subject to final allowance by the Court. As explained in greater detail below, the Prepetition Lenders would accept a Distribution under the Second Reorganization Plan in connection with their Allowed Secured Claim while waiving any Distribution with respect the Prepetition Lender Deficiency Claim and also waiving any Distribution under the Second Liquidation Plan. Similarly, the Debtors have estimated the 9.25% Debenture Holders' Allowed Secured Claims in the aggregate amount of $105 million, which amount is subject to final allowance by the Court. As explained in more detail below, those 9.25% Debenture Holders that become Accepting Bondholders would accept a Distribution under the Second Reorganization Plan in connection with their Allowed Secured Claim, agree to waive their rights to receive the Settlement Distribution, agree to waive any Distribution with respect to the 9.25% Debentures Deficiency Claim and also waive their right to any Distribution under the Second Liquidation Plan.

(c) Additionally, the Second Liquidation Plan currently contemplates that the holders of Class 3A Claims under the Second Liquidation Plan waive their right to any Distributions under the Second Liquidation Plan, and instead are deemed to direct that such Distributions (comprised of certain Liquidation Proceeds and other Claims) be contributed to Reorganized Covanta. More specifically, under this formulation, the Secured Bank Lenders, in their capacity as Prepetition Lenders, and the 9.25% Debenture Holders, would be deemed to direct that (i) the Distribution of Liquidation Proceeds to which they would otherwise be entitled, and (ii) certain other Liquidation Assets, on which they have a lien, be transferred to Reorganized Covanta. Similarly, as further part of this contemplated compromise, the Secured Bank Lenders, in their capacity as DIP Lenders, would be deemed to direct that certain Liquidation Assets or Collateral held by the Liquidating Non-Pledgor Debtors, upon which the DIP Lenders have a first priority lien and otherwise are entitled to the proceeds of under the Second Liquidation Plan, also be contributed to Reorganized Covanta, in lieu of the receipt by the DIP Lenders of any Distributions under the Second Liquidation Plan. Up to $3,000,000 of the Liquidation Proceeds described above will be used to fund the implementation of the Second Liquidation Plan. Ultimately, the acceptance of the Distributions of the secured parties listed above under the Second Reorganization Plan and waiver of their Distributions under the Second Liquidation Plan will ultimately enhance the value of Reorganized Covanta and inure to the benefit of such secured parties via their Distributions under the Second Reorganization Plan.

(e) In connection with the Intercreditor Agreement, certain of the Prepetition Lenders were entitled to receive priority recoveries and ratable paydowns with respect to their Claims against the Debtors (the "Priority Bank Claims"). In order to account for the priority rights arising under the Intercreditor Agreement, the Second Reorganization Plan includes certain provisions that relate solely to the Distribution among holders of Subclass 3A Claims. Specifically, as a first step in making a Subclass 3A Distribution, the Second Reorganization Plan provides that the holders of Allowed Priority Bank Claims will receive first, to the extent available, Additional Distributable Cash, and thereafter New High Yield Secured Notes in an amount equal to the Allowed Priority Bank Claims in full settlement, release and discharge of such Claims. After payment in full of these Priority Bank Claims, the Second Reorganization Plan then provides that the holders of Allowed Non-Priority Subclass 3A Claims shall receive a Distribution consisting of a Pro Rata Share of the remaining Subclass 3A Recovery.

(f) The Bondholders Committee initially stated an objection to the ESOP Plans. The Secured Bank Lenders and the 9.25% Debenture Holders subsequently reached a settlement of this objection (the "Bondholders Committee Settlement"), pursuant to terms described in the First Supplemental Disclosure Statement With Respect to Reorganizing Debtors' Joint Plan of Reorganization Relating to Settlement Between the Secured Bank Lenders and the Informal Committee of 9.25% Debenture Holders, dated November 12, 2003 (Docket No. 2723). Among other things, pursuant to the Bondholders Committee Settlement, the Bondholders

Committee agreed to withdraw without prejudice the Motion of Informal Committee of Secured Debenture Holders for an Order Directing Examination and Production of Documents by Debtors and Banks Pursuant to Federal Rule of Bankruptcy Procedure 2004 (Docket No. 2322) (the "2004 Motion"), and not to refile the 2004 Motion unless the Debtors propose a new plan of reorganization that provides for lesser distributions to the 9.25% Debenture Holders than that then contemplated by the ESOP Reorganization Plan, as amended as per the terms of the Bondholders Committee Settlement. The Bondholders Committee Settlement also included certain modifications to the ESOP Reorganization Plan, which are inapplicable to the Second Plans. As discussed above, the Bondholders Committee has participated in the negotiation of, and has stated its support for, the DHC Transaction and the Second Plans, subject to the Bondholders Committee's reservation of rights with respect to approval of documentation implementing the Second Plans.

14. Proceedings Related to the Team, the Corel Centre and Arrowhead Pond

(a) The Team and the Corel Centre

On January 9, 2003, the Team filed for protection with the Ontario Superior Court of Justice (the "Canadian Court") and was granted protection under Canada's Companies' Creditors Arrangement Act ("CCAA"). PricewaterhouseCoopers Inc. was appointed as monitor under the CCAA insolvency proceedings and is supervising endeavors to sell the Team's franchise under the direction of the Canadian Court. On April 25, 2003, the monitor entered into an asset purchase agreement with Capital Sports & Entertainment Inc. ("CSE") pursuant to which CSE agreed to purchase the Team's franchise and certain related assets, which the Canadian Court approved on May 9, 2003. On May 27, 2003, upon a motion by Covanta as senior secured creditor to Palladium Corporation ("Palladium"), the Canadian Court appointed Ernst & Young Inc. as interim receiver of Palladium, the owner of the Corel Centre. On June 4, 2003, the interim receiver entered into an asset purchase agreement with Capital Sports Properties Inc. ("CSP"), an affiliate of CSE, pursuant to which CSP agreed to purchase the Corel Centre and certain related assets, which the Canadian Court approved on June 20, 2003. The transactions to purchase the Team and the Corel Centre were consummated on August 26, 2003. Upon closing, the Company received approximately CDN$27.5 million and obtained releases from certain guarantees provided to lenders to the Team.

(b) Arrowhead Pond

On November 5, 2003, Covanta and Ogden Facilities Management Corporation of Anaheim's ("Ogden Anaheim") reached an agreement with the City of Anaheim (the "City") to terminate its management agreement and return the rights to manage the Arrowhead Pond to the City (or its designee, Anaheim Arena Management), along with most of the executory contracts in connection with such management. In exchange, the City would make (or cause a designee to make) a payment of approximately $47 million, subject to certain adjustments, to Credit Suisse First Boston ("CSFB") in partial reimbursement of CSFB's secured claim against Covanta. Furthermore, Covanta and Ogden Anaheim would be released from all obligations relating to management of the Arrowhead Pond (except for the residual secured reimbursement claim of CSFB against Covanta), including a leasehold transaction and a municipal bond financing transaction. On November 4, 2003, the Anaheim City Council approved the transaction. On December 8, 2003, the Court entered an order approving the transaction (Docket No. 2951). The transaction was consummated on December 16, 2003.

15. Other Postpetition Litigation

(a) Lake County, Florida

In late 2000, Lake County commenced a lawsuit against Covanta Lake relating to the Lake Facility. In the lawsuit, the County sought to have its Service Agreement with Covanta Lake declared void and in violation of the Florida Constitution. That lawsuit was stayed by the commencement of the Chapter 11 Cases. Lake County subsequently filed a proof of claim seeking in excess of $70 million from Covanta Lake and Covanta.

After several months of negotiations that failed to produce a settlement between Covanta Lake and Lake County, on June, 20, 2003, Covanta Lake filed a motion with the Court (Docket No. 1627), seeking entry of an order (i) authorizing Covanta Lake to assume, effective upon confirmation of a plan of reorganization for Covanta Lake, its Service Agreement with Lake County, (ii) finding no cure amounts due under the Service Agreement, and (iii) seeking a declaration that the Service Agreement is valid, enforceable and constitutional, and remains in full force and effect. Contemporaneously with the filing of the assumption motion, Covanta Lake filed an adversary complaint (Adv. No. 03-04382-cb) asserting that Lake County is in arrears to Covanta Lake in the amount of more than $8.5 million.

As described above, the parties have reached a tentative settlement of this litigation.

The tentative settlement is contingent upon, among other things, receipt of all necessary approvals, as well as a favorable outcome to the Debtors' pending objection to the proofs of claim filed by F. Browne Gregg, a

party claiming an interest in the existing Service Agreement that would be terminating under the tentative settlement.

On November 3-5, 2003, the Court conducted a trial on F. Browne Gregg's proofs of claim. At issue in the trial was whether F. Brown Gregg is entitled to damages as a result of Covanta Lake's proposed termination of the existing service agreement and entry into a new waste disposal agreement with Lake County. Mr. Gregg seeks approximately $30 million in alleged damages relating to Covanta Lake's proposed termination of the existing service agreement. As of the date hereof, the Court has not ruled on the Debtors' claims objections.

(b) Town of Babylon, New York

Babylon filed a proof of claim against Covanta Babylon for approximately $13.4 million in prepetition damages and $5.5 million in postpetition damages, alleging that Covanta Babylon has accepted less waste than required under the Service Agreement between Babylon and Covanta Babylon. Babylon also filed a motion (Docket No. 1405) to modify the automatic stay in order to permit it to commence arbitration against the Company. Covanta Babylon has filed an objection (Docket No. 1418) to Babylon's claim and the motion to modify the stay. The Court has issued a temporary restraining order (Adv. 03-02387, Docket No. 6) barring Babylon from proceeding with the arbitration. The parties agreed that disputes between the parties should be resolved before the Court and a trial was scheduled to commence on November 24, 2003. As described in Section VI.C.11(e), Covanta Babylon and Babylon have reached a settlement of this dispute.

(c) Onondaga County, New York

Prior to the First Petition Date, Covanta Onondaga commenced litigation challenging an effort by OCRRA to terminate its Service Agreement with Covanta Onondaga. Subsequent to the First Petition Date, Covanta Onondaga sought to remove that litigation from New York state court to the Court. On August 13, 2002 the U.S. District Court (NDNY) granted OCRRA's motion to remand the matter to state court and denied Covanta Onondaga's motion to transfer the matter to the Court. After Covanta Onondaga sought a ruling from the Court that the automatic stay applied to the state court litigation, OCRRA obtained another order from the U.S. District Court (NDNY) enjoining Covanta Onondaga and the Court from ruling on Covanta Onondaga's request (which order Covanta Onondaga appealed), and then sought in late 2002 a ruling from the state court declaring that its termination of the Service Agreement had been effective. The U.S. Court of Appeals for the Second Circuit eventually enjoined OCRRA from proceeding with the state court litigation pending disposition of Covanta Onondaga's appeal, and reversed the District Court's injunction in January 2003. The Court thereafter ruled that OCRRA's efforts in state court violated the automatic stay, and enjoined OCRRA from proceeding further with such efforts. OCRRA filed requests with the Court asking that the automatic stay be lifted to permit the state court action to proceed, which requests were twice denied (Docket Nos. 1786 and 1833). OCRRA has appealed all of these Court orders, and those appeals are now pending. Under the settlement described above, the appeals have been stayed, and the appeals and all other litigation involving OCRRA and Covanta Onondaga will be dismissed upon the Effective Date of the Second Plans.

(d) Allied Aviation Litigation

In December 2001, Ogden Allied Maintenance Corporation and Covanta entered into an agreement with Allied Aviation Holdings Corporation ("Allied") and others by which Allied acquired the Company's aviation fueling businesses. In December 2002, Ogden New York Services, Inc., PA Aviation Fuel Holdings, Inc., and Covanta entered into an agreement by which Allied acquired the Debtors' Aviation Fueling business. Following the acquisitions, disputes arose between the Company and Allied.

In the adversary proceeding entitled Covanta Energy Corp. et al., v. Allied Aviation Holdings Corp. et al., Adv. No. 03-3008 (CB) the Debtors assert, among other things, that Allied (i) has come into possession of tax refunds in excess of $2 million (Canadian) that are the property of the Debtors' Estates, (ii) has received certain payments relating to the operations of Ogden New York Services, Inc. in excess of $850,000 that are the property of the Debtors' Estates, (iii) has not reimbursed the Debtors for certain transition services, (iv) has failed to indemnify the Debtors for certain costs, and (v) has failed to provide coverage for certain retirees in breach of its contractual obligations. Allied has filed an answer to the Debtors' complaint, asserting that the Debtors breached certain agreements, and also filed a motion to dismiss the Debtors' complaint, claiming that the matters alleged in the complaint must be mediated and arbitrated, pursuant to the parties' agreements, rather than litigated before the Court. On August 27, 2003, the Court ordered that the parties mediate their dispute. Subsequently, the parties engaged in settlement discussions, and on December 4, 2003, the Court entered an order approving a settlement of the adversary proceeding (Docket No. 2928), pursuant to which Allied agreed that it was responsible for certain of the liabilities set forth above, and also agreed to pay $1.715 million to the Debtors within 60 days of entry of the December 4, 2003, order.

(e) Martin County Coal Corporation Litigation

Motions for relief from the Chapter 11 automatic stay (Docket No. 1281) have been filed with the Court by a group of plaintiffs, led by Martin County Coal Corporation, to join Ogden Environmental and Energy Services ("OEES"), a Liquidating Debtor subsidiary of Covanta, as a third party defendant to several pending Kentucky state court litigations arising from an October 2000 failure of a mine waste impoundment that resulted in the release of approximately 250 million gallons of coal slurry. Plaintiffs allege that OEES is liable to Martin County Coal in an unspecified amount for contribution and/or indemnification arising from an independent contractor agreement to perform engineering and technological services with respect to the impoundment from 1994 to 1996. OEES had not been a party to the underlying litigation to date, some of which had been pending for two (2) years. On April 30, 2003, the Court entered an agreed-upon order (Docket No. 1467) by which Plaintiffs may liquidate their claims (if any) against OEES, but may not recover or execute judgment against OEES. Because OEES is a Liquidating Debtor and it does not appear that creditors will receive any recoveries from OEES's Estate, the Debtors have informed counsel to the plaintiffs and third-party defendants that it does not intend to participate in the litigation or defend against claims asserted against OEES.

(f) Heber Royalty Claims

The HFC Project Company is the lessee under more than 200 leases with landowners in Imperial County, California, pursuant to which the HFC Project Company leases the right to extract geothermal fluids used to run two power plants owned or leased by the HGC Project Company and the SIGC Project Company. The HFC Project Company also enjoys easement, access and other rights with respect to the leased property.

Approximately 100 lessors have formed a group and filed proofs of claim in the Debtors' bankruptcy proceedings seeking more than $68 million from the HFC Project Company, HGC Project Company and/or SIGC Project Company for alleged underpayment of royalties owed to them under their leases, easement violations and violations of "most favored nations" clauses, and also an increase in the prospective royalty rates used to pay them. Following several months of negotiations, in July 2003 the Debtors and the lessor group reached an agreement, subject to Court approval, under which the Debtors have agreed to pay members of the lessor group approximately $3.4 million (including attorneys' fees) upon emergence from bankruptcy (or under certain other circumstances, including sale of the projects). Under that settlement, prospective royalty rates would remain the same as the royalty rates historically paid to the lessors, and any disputes relating to individual easement or most favored nation clause violations would be resolved on a case-by-case basis.

The Debtors filed a motion with the Court (Docket No. 2144) seeking approval of the compromise with the lessor group, and on October 8, 2003 the Court granted the motion. The Court also granted the Debtors permission to enter into individual settlement agreements on substantially similar terms with lessors that are not members of the lessor group, and to settle any disputes relating to individual easement or most favored nation clause violations on a case-by-case basis, not to exceed $50,000.00 per settlement without further court approval. Substantially all disputes concerning royalty and non-royalty payments due under these leases have now been resolved.

(g) EPA Superfund

On September 15, 2003, the EPA issued a "General Notice Letter" identifying Covanta as among 41 PRPs with respect to the Diamond Alkali Superfund Site/"Lower Passaic River Project." The EPA alleges that the PRPs are liable for releases or potential releases of hazardous substances to a 17 mile segment of the Passaic River, located in northern New Jersey, and requests the PRPs' participation as "cooperating parties" with respect to the funding of a five to seven year study to determine an environmental remedial and restoration program. The EPA currently estimates the cost of this study at $20 million. The study also will be used in determining the PRPs' respective shares of liability for costs associated with implementation of the selected cleanup program, as well as potential damages for injury to, destruction of, or loss of natural resources. As a result of uncertainties regarding the source and scope of contamination, the number of PRPs that ultimately may be named in this matter, and the varying degrees of responsibility among classes of PRPs, the Company's share of liability, if any, cannot be determined at this time. Covanta is a Chapter 11 Debtor. The allegations as to Covanta relate to discontinued, non-energy operations.

16. Summary of Claims Process, Bar Dates and Claims Filed

(a) Schedules and Statements of Financial Affairs

On June 14, 2002 the Original Debtors filed with the Court their Original Schedules setting forth, among other things, the assets and liabilities of the Original Debtors as shown by their books and records, subject to the assumptions contained in certain notes filed in connection therewith. On November 22, 2002, the Original Debtors filed their First Amended Schedules with the Court (Docket No. 1107). On December 11, 2002, the Original Debtors filed their Second Amended Schedules with the Court (Docket No. 1146). On December 16,

2002, Covanta Concerts Holdings, Inc. filed its schedules (Adv. 02-16322, Docket No. 2). On June 22, 2003, the New Debtors filed the New Debtor Schedules with the Court (Docket No. 1631-1691). On August 24 and 25, 2003, the Debtors filed their Third Amended Schedules (Docket Nos. 1886-2006), in order to (i) reclassify the claims of a number of scheduled creditors by transferring those creditors' claims from one Debtor's schedules to the applicable schedule for a different Debtor's case, (ii) reflect that certain schedule creditors whose claims were listed in the Original Schedules as contingent, unliquidated and/or disputed are no longer contingent, unliquidated or disputed, and (iii) add additional creditors.

(b) Claims Bar Dates

On June 26, 2002, the Court entered the General Bar Date Order establishing August 9, 2002 as the General Bar Date in the Chapter 11 Cases of the Original Debtors and approved the form and manner of notice to be provided with respect of the General Bar Date, and set deadlines for the Debtors to mail and publish notices of the General Bar Date. In accordance with the General Bar Date Order, on or before June 28, 2002, the Debtors' notice agent, Bankruptcy Services L.L.C. (the "Notice Agent"), gave notice of the General Bar Date by mailing to all scheduled creditors the notice of the General Bar Date approved by the Court and a proof of claim form substantially similar to Official Form No. 10. In addition, the Original Debtors published notice of the General Bar Date in the WALL STREET JOURNAL and USA TODAY on August 11, 2002.

On August 16, 2002, the Court entered the Bank of America Bar Date Order establishing September 30, 2002 as the Bank of America Bar Date. On September 5, 2002, the Court entered the IRS Bar Date Order establishing December 31, 2002 as the IRS Bar Date. On September 20, 2002, the Court entered the Employee Bar Date Order establishing November 15, 2003 as the Employee Bar Date. Employees were provided notice of the Employee Bar Date by mail.

On May 19, 2003, the Court entered the Covanta Concerts Bar Date Order establishing June 27, 2003 as the Covanta Concerts Bar Date. The same order established June 27, 2003 as the Convertible Debentures Bar Date. The Notice Agent mailed notice of the Convertible Debentures Bar Date to all registered holders and other known holders of the Convertible Debentures and published a notice of the same in the FINANCIAL TIMES of London and the LUXEMBURGER WORT, as contemplated under the relevant fiscal agency agreement.

On June 30, 2003, the Court entered an order establishing August 14, 2003 as the New Debtors' Bar Date. Because the Court was closed on August 14 and 15, 2003, as a result of the blackout that affected the Northeast region of the United States, the New Debtors' Bar Date was changed to August 18, 2003. The Notice Agent sent notice of the New Debtor's Bar Date to all known creditors of the New Debtors and published notice of the same in THE WALL STREET JOURNAL and USA TODAY.

On November 6, 2003, the Court entered the Covanta Tampa Construction Bar Date Order establishing December 15, 2003 as the Covanta Tampa Construction Bar Date. The Debtors sent notice of the Covanta Tampa Construction Bar Date to all scheduled creditors of Covanta Tampa Construction, Inc. April 1, 2004 is the Covanta Tampa Construction Government Bar Date, as defined in the Covanta Tampa Construction Bar Date Order.

(c) Proofs of Claim

As of December 2003, approximately 4,550 proofs of claim in the aggregate amount of approximately $13.3 billion were filed. The Debtors believe that the aggregate amount of Claims against the Debtors that ultimately will be allowed is significantly less that the amount asserted by the claimants in their proofs of claim.

(d) Claims Administration

Prior to the commencement of these cases, the Debtors maintained, in the ordinary course of business, books and records that reflected, among other things, the Debtors' liabilities and the amounts thereof owed to their creditors. The Debtors have conducted a review of the proofs of claim filed in the Chapter 11 Cases, including any supporting documentation, the Claims set forth therein, and the Debtors' books and records to determine the validity of the Claims asserted against the Debtors. Based on these reviews, the Debtors determined that certain Claims asserted against the Debtors are objectionable.

The Debtors have filed with the Court certain omnibus objections to Claims and will continue to do so after the applicable Effective Date. To date, the Debtors have filed procedural objections to more than 3,000 claims, primarily seeking to reclassify claims filed in the Debtors' lead case (Case No. 02-40826) to other Debtors' cases, to disallow duplicate, amended or superceded claims, or to reclassify as general unsecured claims certain claims that were filed as secured or priority claims. The Debtors are continuing the process of reviewing all claims, and are preparing to object to claims on substantive grounds.

BECAUSE THE DEADLINE UNDER THE SECOND PLANS FOR OBJECTING TO CLAIMS IS

AFTER THE DATE ON WHICH VOTING ON THE SECOND PLANS WILL BE CONCLUDED, CREDITORS SHOULD NOT RELY ON THE ABSENCE OF AN OBJECTION TO THEIR PROOF OF CLAIM IN DETERMINING WHETHER TO VOTE TO ACCEPT OR REJECT THE SECOND PLANS, OR ANY INDICATION THAT THE DEBTORS OR OTHER PARTY IN INTEREST WILL NOT OBJECT TO THE AMOUNT, PRIORITY, SECURITY OR ALLOWABILITY OF SUCH CLAIM.

17. Development and Implementation of the Business Plan

Commencing in September 1999, the Company implemented a strategic plan to sell or dispose of its non-core assets and, at the same time, underwent a significant change in senior management. From 2000 to 2001, the Company was successful in disposing of a number of its non-core operations, although it was not possible to dispose of the Arenas and the significant contingent liabilities associated therewith, and the Aviation Fueling Assets, as the events of September 11, 2001 impacted the closing of a sale thereof. When the Debtors filed for bankruptcy in 2002, management was provided a means to dispose of the Arenas, by converting the significant contingent liabilities associated thereto into funded debt. Management was also provided opportunity to achieve an orderly exit from the remaining non-core operations. During the pendency of the Chapter 11 Cases, the Company's primary objectives have been to dispose of those remaining non-core assets and to maintain the successful operation of its core WTE, IPP and Water projects (collectively, the "Core Operations").

Since the First Petition Date, the Core Operations have continued to perform well. In 2002 the WTE projects achieved records in all major performance categories. The facilities processed over 10.27 million tons of waste (112,000 tons more than any previous year) and sold over 4.966 GWh of electricity (128,000 MWh more than the previous year). The WTE projects' operating performance through November 2003 is on track to surpass last year's production levels. As of November 30, 2003, the WTE projects have processed over 9.530 million tons of waste and have sold over 4,490 GWh of electricity. These production levels represent a waste processing performance of 165,000 tons more than last year's production level through November. The domestic IPP facilities also performed well in 2002 and 2003, meeting their key production goals and posting a net electrical production of 1,507 through November 2003. In 2002 and 2003 the Company conducted its typical comprehensive scheduled maintenance and plant preservation program, including semi-annual boiler maintenance outages as well as several major turbine/generator overhauls.

In order to adequately evaluate the long-term prospects of the Core Operations and to develop its business plan, the Company undertook a thorough and detailed process including the development of long-term operating and financial forecasts by the management teams at the individual project facilities. The development of the business plan was performed as part of the Company's regular and recurring budgeting process, with additional years of operation added to the focus. The executive management team conducted intensive reviews of the individual project operating and financial forecasts. Factors affecting each project-specific forecast were refined and key assumptions used to establish the forecast were finalized. Concurrently, the corporate forecast was established after extensive review by the Company's executive management and advisors. The corporate forecast includes projections for operational and administrative overhead at a level consistent with the Company's business plan, other non-facility costs and the Company's capital structure. The existing facility financial forecasts were consolidated with the potential WTE expansion projects and the corporate forecast to establish the business plan. The projected financial information in Exhibit D reflects the initial years of the business plan forecast.

These efforts culminated in the Company's strategic business plan (the "Business Plan"), of which the primary components are: (i) maintenance of the Core Operations; (ii) disposal of the remaining non-core assets; and (iii) corporate overhead cost consistent with the business plan.

(a) Maintenance of Core Operations

The Company took steps at the onset of the Chapter 11 Cases to insure that its clients, partners and vendors understood the nature of the bankruptcy proceedings and that the Company intended to continue its tradition of operating excellence. As noted above, the Company has continued to achieve operational success at its Core Operations during the Chapter 11 Cases. With few exceptions, the Business Plan was based on continued operation and/or ownership of the Company's existing Core Operations. The financial forecast was based on the continuation of the Company's historical operational performance and reasonable projections as to future factors that may affect revenues and expenses, including Client Community desire to extend existing Service Agreements upon concluding the initial term and market conditions that will affect such things as waste disposal pricing, energy pricing, commodity pricing, labor cost and insurance cost. Further, where Client Communities of publicly owned facilities intend to expand their existing facility, the Company has included a reasonable financial forecast relating to potential expansion projects.

(b) Disposal of Remaining Non-Core Operations

As of the First Petition Date the Company had the following significant non-core assets remaining: the Aviation Fueling Assets and the Arenas. During

the course of the Chapter 11 Cases, the Company has been actively working to dispose of those assets in a structured environment. The Business Plan assumes that those and the other non-core operations will not be part of Reorganized Covanta.

Since the First Petition Date, the Company has sold assets and resolved a number of issues pertaining to the non-core operations, including: (i) the sale, or disposal otherwise, of its interests in the Argentine Assets, its interests in the Team and Arenas, the Aviation Fueling Assets and certain equipment, furniture and fixtures at former non-core operations; (ii) the collection of deferred purchase prices; and (iii) the settlement of certain claims held by Covanta. For a more detailed discussion of the sale of the non-core operations, see Section VI.C.9.

(c) Corporate Overhead Costs

Shortly after the First Petition Date, the Company re-evaluated its corporate overhead structure and embarked on a reorganization to eliminate organizational redundancy and streamline overall costs. The Company also focused on more tightly aligning its corporate functions with the requirements and expectations of the ongoing WTE, IPP and Water projects.

The Company implemented a reduction in force in September 2002 that eliminated 87 corporate positions (approximately 25% of non-plant personnel), the closure of satellite development offices and the reduction in all other costs not related directly to maintaining operations at their current high levels. As part of the reduction in force, WTE and domestic IPP headquarters management were combined and numerous other structural changes were instituted to improve management efficiency. These changes reduced annual overhead cost by approximately $20 million. In addition, further reductions in overhead staff will be effected primarily with respect to geothermal operations, most notably the closure of its Fairfax Virginia office, which housed its corporate staff responsible for asset management of its domestic IPP operations. Neither reduction affected the staffing at any of the facilities.

18. Changes in Management

On October 10, 2003, the Company filed a motion (Docket No. 2333) with the Court, with the support of the Secured Bank Lenders and the Creditors Committee, seeking entry of an order (i) authorizing Covanta to enter into an agreement (the "Mackin Agreement") with Scott G. Mackin, then President and Chief Executive Officer of Covanta; and (ii) approving the terms of the Mackin Agreement. The Mackin Agreement provided for Mr. Mackin's resignation as President/Chief Executive Officer of Covanta following the approval of the Mackin Agreement by the Court and payment of certain amounts to Mr. Mackin (such date, the "Resignation Date"). In order to retain the critical knowledge and insight of the WTE business that Mr. Mackin possesses and to further strengthen Reorganized Covanta, the Mackin Agreement provided that Covanta would engage Mr. Mackin as a consultant to the Debtors and Reorganized Debtors immediately upon the Resignation Date for a term ending on the second anniversary of the Resignation Date, and Mr. Mackin would remain a member of the Board of Directors of Covanta until the Effective Date. Additionally, pursuant to the Mackin Agreement, Mr. Mackin agreed to a three-year non-compete with Covanta's WTE business and agreed not to work directly or indirectly for Client Communities of Covanta's WTE business for three years following the Resignation Date. A hearing was held before the Court on October 30, 2003, and the Court entered an order approving such motion on November 3, 2003 (Docket No. 2602). Following the approval of the Mackin Agreement by the Court and payment of his severance pay and $1 million in consulting fees, Mr. Mackin resigned as President/Chief Executive Officer of Covanta on November 5, 2003. Mr. Mackin will receive the remaining $750,000 in consulting fees and approximately $2.3 million in long-term incentive plan payments in addition to bonuses and vested retirement benefits over the following two years in accordance with the Mackin Agreement.

19. Development of the ESOP Transaction and the U.S. Trust Agreement

During the Chapter 11 Cases, significant progress was made toward determining that an ESOP could provide a useful framework for a plan of reorganization. To determine the viability of an ESOP, the Debtors appointed a committee originally consisting of three of Covanta's senior managers (the "ESOP Committee"), whose purpose was to foster the exploration of the ESOP structure by devising a course of action pursuant to which the Company could move forward with its inquiries regarding the ESOP alternative. It was the ESOP Committee's belief that a more definitive determination of the viability of an ESOP required the appointment of an independent fiduciary to represent the ESOP and the interests of employees who would participate in the ESOP in reviewing the terms of any proposed ESOP transaction and subsequently deciding whether the ESOP should participate in such a transaction. In addition, the ESOP Committee believed that an independent fiduciary's representation of the ESOP and its participants would be essential to ensuring that any proposed ESOP transaction be structured to comply with all of the applicable fiduciary requirements of ERISA.

After conducting interviews with a number of potential candidates, the ESOP Committee decided to retain U.S. Trust Company, N.A. ("U.S. Trust"),

because of its extensive experience in providing specialized management, fiduciary and consulting services with respect to the formation of ESOPs, to act as independent fiduciary on behalf of the ESOP. The ESOP Committee thereafter negotiated a form of agreement with U.S. Trust for the provision of fiduciary services in connection with a potential ESOP (the "U.S. Trust Agreement"). On July 1, 2003, the Court entered an order (Docket No. 1719) authorizing Covanta to engage U.S. Trust, as well as retain Duff & Phelps ("D&P") as a financial advisor to U.S. Trust, in connection with the potential ESOP Transaction. Pursuant to this order, Covanta, the ESOP Committee and U.S. Trust, effective as of July 1, 2003, entered into the U.S. Trust Agreement. Since entering into the U.S. Trust Agreement, U.S. Trust has reviewed the terms of the ESOP Plans as preparation for its having to make a determination on behalf of the proposed ESOP, whether to accept a proposed contribution of Reorganized Covanta's stock. As part of its review, U.S. Trust has actively been (i) conducting appropriate due diligence on the Company and the proposed ESOP and (ii) negotiating on behalf of the proposed ESOP the terms governing the contribution of Reorganized Covanta's stock to the proposed ESOP.

When making the final determination with regard to whether or not the proposed ESOP will accept the contribution of Reorganized Covanta's stock, U.S. Trust will rely on the opinion of its financial advisor, D&P, that the terms and conditions of the proposed contribution are fair and reasonable to the ESOP from a financial perspective. The Company has agreed to indemnify U.S. Trust for any losses, claims, damages or liabilities, including reasonable attorneys' fees, arising in any manner in connection with the provision of services or exercise of responsibilities under the U.S. Trust Agreement, unless such losses, claims, damages or liabilities are finally adjudged to have resulted from U.S. Trust's bad-faith, self-dealing, breach of fiduciary duty, negligence or willful misconduct.

The fee structure of the U.S. Trust Agreement contemplates, in addition to the reimbursement of reasonable expenses, a flat dollar fee of $300,000, payable to U.S. Trust regardless of whether the ESOP Plans are consummated. The Company has already paid to U.S. Trust $150,000 as compensation for the services it has performed and will continue to perform in connection with the ESOP transaction. The final installment of $150,000 will be paid to U.S. Trust (i) when it is prepared to make a final decision regarding whether or not to accept, on behalf of the ESOP, the proposed contribution of Reorganized Covanta stock or (ii) generally, in the event the Company decides to terminate the U.S. Trust Agreement. In addition, the U.S. Trust Agreement contemplates the payment to D&P of a fee, not to exceed $175,000, and reimbursement of reasonable expenses, not to exceed $25,000, in connection with its rendering of the financial opinion. No portion of the fee payable to U.S. Trust is contingent in any way upon the consummation of the ESOP Plans or an affirmative decision by U.S. Trust to accept the proposed contribution. The ESOP Committee believes the fee structure is a critical component of its efforts to ensure that the ESOP Transaction complies with the fiduciary requirements of ERISA.

On September 8, 2003, the Debtors filed the Reorganization Plan and Second Liquidation Plan, each premised on the ESOP Transaction. On October 3, 2003, the Court approved the ESOP Disclosure Statement, and shortly thereafter the Debtors completed solicitation of the ESOP Plans. In late November 2003, the Debtors reached agreement with the Plan Sponsor on terms of the DHC Transaction that the Debtors determined would bring a higher distribution to creditors than the ESOP Plans. Accordingly, the Debtors adjourned confirmation of the ESOP Plans first to December 17, 2003, and subsequently to March 3, 2004. On December 18, 2003, the Debtors filed in Court the Second Plans, each premised on the DHC Transaction. Assuming the Court approves the adequacy of this Disclosure Statement, the Debtors intend to further adjourn confirmation of the ESOP Plans to a later date, and to withdraw the ESOP Plans upon confirmation of the Second Plans. As a result of such adjournment, U.S. Trust has ceased active review of the terms of a possible ESOP Transaction. However, since the Debtors continue to consider the ESOP Plan as a viable alternative to the current Plans, U.S. Trust has agreed to resume its review of the ESOP Transaction pursuant to the U.S. Trust Agreement in the event the Court does not confirm the Second Plans.

20. Tentative Settlement with the Department of Treasury/Internal Revenue Service

Since 1983 the Debtors and the Department of the Treasury/Internal Revenue Service (the "IRS") have been engaged in negotiations in connection with income tax amounts allegedly due to the IRS (the "Accrued Income Tax") and tax refunds due to Covanta for tax years 1983 through 2001. In connection therewith, the IRS has filed proofs of claim against the Debtors in these Chapter 11 proceedings in the aggregate amount of $36,903,350.53 for the Accrued Income Tax (the "IRS Proofs of Claim"). The Debtors believe that they are owed refunds and credits in excess of $21,000,000.00 (the "Refunds"). The Debtors and the IRS have reached a tentative settlement (the "IRS Settlement") with respect to the Accrued Income Tax and the Refunds. Pursuant to the IRS Settlement, the IRS would amend its proof of claim to state a total claim of $806,146.65, which would be further reduced by an additional $250,000.00 relating to a settlement already approved and owing to a Debtor. The remaining amount, $556,146.55, would be paid out pursuant to the Second Reorganization Plan as an allowed tax claim over a six-year period.

The Debtors intend on submitting to the Court a motion (the "IRS Settlement Motion") seeking approval of the IRS Settlement, which will also be submitted to the Joint Committee on Taxation (of the United States Congress) for review. The IRS Settlement Motion will provide further details about the IRS Settlement, and to the extent the above description of the IRS Settlement is inconsistent with the IRS Settlement Motion, the IRS Settlement Motion will control. To the extent that the Court does not approve the IRS Settlement or the IRS does not finalize the IRS Settlement as tentatively agreed, the Debtors would continue to be subject to the claims of the IRS and believes that it would continue to be owed the Refunds. In such event, the Debtors reserve their rights to contest the IRS Proofs of Claims, and the Debtors and Reorganized Debtors will retain and have the exclusive right to enforce any and all present and future rights, claims and causes of action against the IRS to collect payment of the Refunds.

VII. DANIELSON HOLDING CORPORATION

The Plan Sponsor is a holding company incorporated in Delaware, engaging in the financial services and specialty insurance business through its subsidiaries ("Insurance Services"). The Plan Sponsor engages in the Insurance Services through its indirect subsidiaries, National American Insurance Company of California ("NAICC"), Valor Insurance Company and their related entities. In addition, The Plan Sponsor holds equity interests in separate subsidiaries offering integrated marine transportation and services ("Marine Services"). The Marine Services business are operated through its indirect subsidiaries, American Commercial Lines, LLC ("ACL"), currently, and with certain of its subsidiaries, a debtor under Chapter 11 of the Bankruptcy Code, and its related entities.

A. The Holding Company Business

The Plan Sponsor is a holding company, which prior to May 2002, primarily engaged in the provision of Insurance Services. The Plan Sponsor's strategic and business plan is to acquire businesses that will allow the Plan Sponsor to earn an attractive return on its investments. As part of the Plan Sponsor's implementation of its strategic plan, on May 29, 2002, The Plan Sponsor acquired all of the outstanding equity interests of ACL in connection with a recapitalization of ACL.

The Plan Sponsor holds all of the voting stock of Danielson Indemnity Company ("DIND"). DIND owns 100 percent of the common stock of NAICC, Danielson's principal operating insurance subsidiary, which in turn owns 100 percent of the common stock of each of Valor Insurance Company, Incorporated ("Valor"), Danielson Insurance Company and Danielson National Insurance Company (DIND, NAICC and its subsidiaries being collectively referred to hereinafter as the "Insurance Companies").

The Insurance Companies write non-standard private passenger and commercial automobile insurance, primarily in California. NAICC announced in July, 2003 that it was terminating its commercial automobile insurance business. Prior to 2001, certain of the Insurance Companies also underwrote workers compensation insurance, but have subsequently exited the workers' compensation business in all states.

ACL is an integrated marine transportation and service company. ACL provides barge transportation and ancillary services throughout the inland United States and Gulf Intracoastal Waterway Systems, which include the Mississippi, Ohio and Illinois Rivers and their tributaries and the Intracoastal canals that parallel the Gulf Coast. In addition, ACL is the leading provider of barge transportation services on the Orinoco River in Venezuela and the Parana/Paraguay River System serving Argentina, Brazil, Paraguay, Uruguay and Bolivia. ACL, through its subsidiary Jeffboat LLC ("Jeffboat"), also provides marine construction and repair services.

ACL is an indirect, wholly-owned subsidiary of the Plan Sponsor. The Plan Sponsor also has direct ownership interest in two 50% owned subsidiaries of ACL. It owns 5.4% of the remaining 50% interest in Global Materials Services, LLC ("GMS") and the remaining 50% interest in Vessel Leasings, LLC ("Vessel Leasing"). GMS is an owner and operator of 26 marine terminal and warehouse facilities located in the United States and the Netherlands.

B. The Insurance Services Business

NAICC is engaged in writing almost exclusively non-standard private passenger automobile insurance policies primarily in California. Prior to 2001, NAICC and its subsidiary, Valor, also underwrote workers compensation insurance, but has subsequently exited the workers' compensation business in all states. In July, 2003, NAICC began the process of exiting the commercial automobile insurance market.

NAICC began writing non-standard private passenger automobile insurance in California in July 1993, and in Oregon and Washington in April 1998 and in Arizona in 1999. NAICC began writing non-standard commercial automobile policies in 1995 through independent agents. Non-standard risks are those segments of the driving public which generally are not considered "preferred" business, such as

drivers with a record of prior accidents or driving violations, drivers involved in particular occupations or driving certain types of vehicles, or those who have been non-renewed or declined by another insurance company.

The majority of automobiles owned or used by businesses are insured under policies that provide other coverage for the business, such as commercial multi-peril insurance. Businesses which are unable to insure a specific driver and businesses having vehicles not qualifying for commercial multi-peril insurance are typical NAICC commercial automobile policyholders. Effective July 7, 2003, NAICC ceased quoting new policy applications for commercial automobile insurance and began the process of providing the required statutory notice of its intention not to renew existing policies. It is expected that by September 2004 NAICC will have completely exited the commercial automobile marketplace.

Net written premiums for all private passenger automobile programs were $10.0 million, $25.4 million, $20.1 million and $27.2 million in the first two quarters of 2003, 2002, 2001 and 2000 respectively. Net written premiums for commercial automobile were $11.2 million, $19.5 million, $38.4 million and $23.1 million in the first two quarters of 2003, 2002, 2001 and 2000, respectively.

In its normal course of business in accordance with industry practice, NAICC reinsures a portion of its exposure with other insurance companies so as to effectively limit its maximum loss arising out of any one occurrence. Contracts of reinsurance do not legally discharge the original insurer from its primary liability. Premiums for reinsurance ceded by NAICC in 2002 and 2001 were 6.4% and 9.4% of direct written premiums, respectively.

C. The Marine Services Business

ACL is an integrated marine transportation and service company, providing barge transportation and ancillary services. The principal cargoes carried are steel and other bulk commodities, grain, coal and liquids including a variety of chemicals, petroleum and edible oils. ACL supports its barging operations by providing towboat and barge design and construction, and terminal services. ACL, through its domestic barging subsidiary American Commercial Barge Line LLC ("ACBL"), is a leading provider of river barge transportation throughout the inland United States and Gulf Intracoastal Waterway Systems, which include the Mississippi, Illinois, Ohio, Tennessee and the Missouri Rivers and their tributaries and the Intracoastal Canals that parallel the Gulf Coast. In addition, since expanding its barge transportation operations to South America in 1993, ACL has become a leading provider of barge transportation services on the Orinoco River in Venezuela and the Parana/Paraguay River system serving Argentina, Brazil, Paraguay, Uruguay and Bolivia.

During 2002 and the beginning of 2003, ACL experienced a decline in barging rates, reduced shipping volumes and excess barging capacity during a period of slow economic growth and a global economic recession. Due to these and other factors, ACL's revenues and earnings did not meet expectations and ACL's liquidity was significantly impaired and ACL was unable to comply with its various debt covenants. As a result, ACL was unable to meet certain of its financial obligations as they became due. On January 31, 2003, ACL filed a petition with the U.S. Bankruptcy Court for the Southern District of Indiana, New Albany Division to reorganize under Chapter 11 of the U.S. Bankruptcy Code under case number 03-90305. Included in the filing are ACL, ACL Holdings, ACBL, Jeffboat, Louisiana Dock Company LLC and ten other U.S. subsidiaries of ACL (collectively with ACL, the "ACL Debtors") under case numbers 03-90306 through 03-90319. These cases are jointly administered for procedural purposes before the Bankruptcy Court under case number 03-90305. The Chapter 11 petitions do not cover any of ACL's foreign subsidiaries or certain of its U.S. subsidiaries, GMS or Vessel Leasing. The Plan Sponsor did not file for Chapter 11 protection and is not a party to any proceedings under the Bankruptcy Code.

The ACL Debtors will continue to operate their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As debtors-in-possession, the Debtors may not engage in transactions outside of the ordinary course of business without approval, after notice and hearing, of the Bankruptcy Court. As a result of the bankruptcy filing, while the Plan Sponsor continues to exercise influence over the operating and financial policies of ACL, it no longer maintains control of ACL. Further, the Plan Sponsor does not consolidate ACL's results of operations in the Plan Sponsor's financial statements and reflects its investment in ACL using the equity method of accounting.

As part of the Chapter 11 cases, the ACL Debtors intend to develop and propose for confirmation pursuant to Chapter 11 a plan of reorganization that will restructure the operations and liabilities of the Debtors to the extent necessary to result in the continuing viability of ACL. A filing date for such a plan has not been determined, however, ACL has the exclusive right to submit a plan of reorganization until December 29, 2003. While it cannot presently be determined, the Plan Sponsor believes it will receive little or no value with respect to its equity interest in ACL; consequently, it has recognized its equity loss in ACL.

VIII. SUMMARY OF THE SECOND PLANS

THIS SECTION CONTAINS A SUMMARY OF THE STRUCTURE OF, CLASSIFICATION AND TREATMENT OF CLAIMS AGAINST AND EQUITY INTERESTS IN AND IMPLEMENTATION OF THE SECOND PLANS, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO EACH OF THE SECOND PLANS, WHICH ACCOMPANY THIS SECOND DISCLOSURE STATEMENT, AND TO THE EXHIBITS ATTACHED THERETO OR REFERRED TO THEREIN. CAPITALIZED TERMS NOT DEFINED HEREIN SHALL HAVE THE RESPECTIVE MEANINGS SET FORTH IN THE SECOND PLANS.

THE STATEMENTS CONTAINED IN THIS SECOND DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE SECOND PLANS AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS SECOND DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE SECOND PLANS OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE SECOND PLANS AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE SECOND PLANS THEMSELVES AND THE DOCUMENTS REFERRED TO THEREIN, WHICH ARE OR WILL HAVE BEEN FILED WITH THE COURT, WILL CONTROL THE TREATMENT OF CREDITORS AND HOLDERS OF EQUITY INTERESTS UNDER THE SECOND PLANS AND WILL, UPON THE EFFECTIVE DATES OF THE SECOND PLANS, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN THE REORGANIZED DEBTORS AND/OR LIQUIDATION TRUSTS, AS APPLICABLE, AND OTHER PARTIES IN INTEREST, REGARDLESS OF WHETHER OR HOW THEY HAVE VOTED ON THE SECOND PLANS.

A. Overall Structure of the Second Plans

The Debtors have formulated a Second Reorganization Plan and a Second Liquidation Plan that taken together facilitate the successful resolution of these Chapter 11 Cases.

The overriding purpose of the Second Reorganization Plan is to enable the Reorganizing Debtors to emerge from chapter 11 as a scaled down enterprise focused on its current core business operations in the WTE, domestic IPP and water market segments. Under the Second Reorganization Plan, the Plan Sponsor will recapitalize the Reorganizing Debtors with an investment of $30 million, as a result of which the Plan Sponsor will become the owner of 100% of the common stock of Reorganized Covanta. As described further below, becoming part of the Plan Sponsor's consolidated tax group in accordance with the terms of the Tax Sharing Agreement to be entered into by the Reorganizing Debtors and the Plan Sponsor will further enhance, on a cash flow basis, the value of the Reorganizing Debtors' business as a going concern.

The goal of preserving and enhancing the value of the Reorganizing Debtors' continuing operations is further advanced by the Second Liquidation Plan, pursuant to which the assets which have been deemed to be Non-Core Assets will be sold or liquidated. The assets identified as Non-Core Assets are generally those associated with those entities that have been designated as the Liquidating Debtors. Substantially all of such assets have already been sold in postpetition transactions approved by the Court. Upon consummation of the Second Liquidation Plan, any remaining assets of a Liquidating Debtor will be contributed to a Liquidation Trust, as described below, and the Liquidating Debtors will be wound down and dissolved by the Liquidating Trustee in accordance with applicable law. Upon the exhaustion of Liquidation Assets in the Liquidation Trust and the complete distribution of any Liquidation Proceeds, if any, to holders of Claims, the Second Liquidation Plan requires the Liquidation Trustee to close each of the Liquidating Debtors' Chapter 11 Cases with the Court. The proceeds generated from postpetition sales and many of the Liquidation Assets of the Liquidating Debtors will not be transferred to the Liquidation Trust, but rather transferred to Reorganized Covanta in accordance with the Second Liquidation Plan's Secured Creditor Direction and DIP Lender Direction.

Each of the Second Plans constitute separate plans for each of the respective Debtors thereunder. Each of the Second Plans constitutes a joint plan for the Debtors that are the subject thereof. Pursuant to the Second Plans, the Reorganizing Debtors and the Liquidating Debtors, respectively, have been deemed consolidated solely for purposes of plan administration, procedure and voting. As a result, certain Classes have been established pursuant to the Second Plans as containing Claims against multiple Debtors.

If the Second Plans are confirmed by the Court and consummated, Classes of Claims against and Equity Interests in the Debtors will receive the treatment described in the Second Plans. A description of the Claims and Equity Interests included in each Class of Claims and Equity Interests, the treatment of those Classes under the Second Plans, the terms of the Plan Notes and other property (if any) to be distributed to holders of Allowed Claims in those Classes under the Second Reorganization Plan appears below.

The amounts and forms of distributions under the Second Plans are based upon, among other things, the requirements of applicable law and the Debtors' assessment of their ability to achieve the goals set forth in their Business Plan.

B. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code requires that a plan of reorganization classify the claims of a debtor's creditors and the interests of its equity holders. The Bankruptcy Code also provides that, except for certain claims classified for administrative convenience, a plan of reorganization may place a claim of a creditor or an interest of an equity holder in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class.

The Bankruptcy Code also requires that a plan of reorganization provide the same treatment for each claim or interest of a particular class unless the holder of a particular claim or interest agrees to a less favorable treatment of its claim or interest. The Debtors believe that they have complied with such standard. If the Court finds otherwise, however, it could deny confirmation of the applicable Plan if the holders affected do not consent to the treatment afforded them under the applicable Plan.

The Second Plans classify Claims and Equity Interests in the following Classes:

Class	Second Reorganization Plan
Class 1	Allowed Priority Non-Tax Claims, which consists of all such Claims against each of the Reorganizing Debtors.
Class 2	Subclass 2A: Allowed Project Debt Claims, which consists of the Allowed Secured Claims against the Operating Company Reorganizing Debtors that are secured by Liens on such Reorganizing Debtors' tangible and intangible assets, but excluding the Claims of the Prepetition Lenders and the DIP Lenders. Subclass 2B: Allowed CIBC Secured Claims
Class 3	Subclass 3A: Allowed Secured Bank Claims Subclass 3B: Allowed Secured 9.25% Debenture Claims. Subclass 3C: Allowed Secured Claims Other Than Project Debt Claims and Reorganized Covanta Secured Claims
Class 4	Allowed Operating Company Unsecured Claims, which consists of all Allowed Unsecured Claims against Operating Company Reorganizing Debtors.
Class 5	Allowed Parent and Holding Company Guarantee Claims, which consists of any Claim against Covanta or any Intermediate Holding Company Debtor based on a guarantee of an obligation of any other Reorganizing Debtor or any direct or indirect international subsidiary of a Reorganizing Debtor that will continue operating following the Effective Date, including, without limitation, performance guarantees; provided, however, that Parent and Holding Company Guarantee Claims do not include the Claims of the Prepetition Lenders, the DIP Lenders, the holders of the 9.25% Debentures or Intercompany Claims.
Class 6	Allowed Parent and Holding Company Unsecured Claims, which consists of all Allowed Unsecured Claims against Reorganizing Covanta and any Intermediate Holding Company Debtor and the 9.25% Deficiency Claims of Rejecting Bondholders.
Class 7	Allowed Convertible Subordinated Bond Claims, which consists of any Unsecured Claim that arises out of, or is attributable to, ownership of the Convertible Subordinated Bonds.
Class 8	Class 8 consists of all Allowed Convenience Claims. Convenience Claims are those Unsecured Claims, other than Intercompany Claims, against any Operating Company Reorganizing Debtor in an amount equal to or less than $2,500. For purposes of determining whether an Unsecured Claim qualifies as a Convenience Claim, all Unsecured Claims held by a Person against any Operating Company Reorganizing Debtor shall be considered separately and shall not be aggregated in making such determination.
Class 9	Intercompany Claims, which consists of Claims by any Reorganizing Debtor, Heber Debtor or Liquidating Debtor against any Reorganizing Debtor, Liquidating Debtor or

	Heber Debtor.
Class 10	Subordinated Claims, which consists of all Claims subject to subordination under section 510(b) and (c) of the Bankruptcy Code, or certain Claims for penalties and punitive damages.
Class 11	Equity Interests in Subsidiary Debtors, which consists of the Equity Interests held by any Reorganizing Debtor in any of the Subsidiary Debtors.
Class 12	Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental.
Class 13	Old Covanta Stock Equity Interests, which consists of all Equity Interests of holders of Old Covanta Stock.

Class	Second Liquidation Plan
Class 1	Allowed Priority Non-Tax Claims, which consists of all such Claims against each of the Liquidating Debtors.
Class 3	Subclass 3A: Allowed Liquidation Secured Claims, which consists of all Allowed Secured Bank Claims and all Allowed 9.25% Debentures Claims against each of the Liquidating Pledgor Debtors. Subclass 3B: Allowed Liquidation Secured Claims, which consists of all Allowed Other Liquidation Secured Claims.
Class 7	Allowed Unsecured Liquidation Claims, which consists of all Allowed Unsecured Liquidation Claims against the Liquidating Debtors.
Class 9	Intercompany Claims, which consists of Claims by any Reorganizing Debtor or Liquidating Debtor against any Liquidating Debtor.
Class 11	Equity Interests in Liquidating Debtors, which consists of the Equity Interests held in any Liquidating Debtor.

The Debtors believe that they have classified all Claims and Equity Interests in compliance with the requirements of section 1122 of the Bankruptcy Code. If a holder of a Claim or Equity Interest challenges such classification of Claims or Equity Interests and the Court finds that a different classification is required for the Second Plans to be confirmed, the Debtors, to the extent permitted by the Court, intend to make such modifications to the classifications of Claims or Equity Interests under the Second Plans to provide for whatever classification might be required by the Court for confirmation. UNLESS SUCH MODIFICATION OF CLASSIFICATION ADVERSELY AFFECTS THE TREATMENT OF A HOLDER OF A CLAIM OR EQUITY INTEREST AND REQUIRES RESOLICITATION, ACCEPTANCE OF EITHER PLAN BY ANY HOLDER OF A CLAIM OR EQUITY INTEREST PURSUANT TO THIS SOLICITATION WILL BE DEEMED TO BE A CONSENT TO EACH PLAN'S TREATMENT OF SUCH HOLDER OF A CLAIM OR EQUITY INTEREST, RESPECTIVELY, REGARDLESS OF THE CLASS OF WHICH SUCH HOLDER IS ULTIMATELY DEEMED TO BE A MEMBER.

1. Treatment of Unclassified Claims

(a) Administrative Expense Claims Generally

Administrative Expense Claims consist primarily of the costs and expenses of administration of the Chapter 11 Cases. Subject to the provisions of the Second Plans, they include, but are not limited to, Claims arising under the DIP Financing Facility, the cost of operating the Debtors' businesses since the First Petition Date, the outstanding unpaid fees and expenses of the professionals retained by the Debtors and the Creditors Committee as approved by the Court, and the payments necessary to cure prepetition defaults on unexpired leases and executory contracts that are being assumed under the Second Plans ("Cure"). All payments to professionals in connection with the Chapter 11 Cases for compensation and reimbursement of expenses, and all payments to reimburse expenses of members of the Creditors Committee, will be made in accordance with the procedures established by the Bankruptcy Code and the Bankruptcy Rules and are subject to approval of the Court as reasonable. The Debtors currently anticipate that all Administrative Expense Claims representing (i) Claims

against all the Debtors, generally, arising under the DIP Financing Facility and (ii) claims against the Debtors generally for unpaid professional fees and expenses will be paid in accordance with the applicable Plan.

All Administrative Expense Claims are subject to the applicable Administrative Expense Claim Bar Date, as provided in the applicable Plan, except for the following limited claims: (a) United States Trustee Claims; (b) postpetition liabilities incurred and payable in the ordinary course of business by any Reorganizing Debtor; or (c) fees and expenses incurred by (i) Retained Professionals, (ii) persons employed by the Debtors or serving as independent contractors to the Debtors in connection with their reorganization and/or liquidation efforts, or (iii) Bankruptcy Services, LLC. To the extent that the Administrative Expense Bar Date applies, failure to file a timely request for payment of an Administrative Expense Claim prior to the Administrative Expense Bar Date shall result in the Administrative Expense Claim being forever barred and discharged. All Retained Professionals and other entities seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Dates under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code must file a timely request for payment on or before the date that is specified in the applicable Plan. Any such request for payment of compensation for services rendered or reimbursement of expenses incurred that is not filed by the applicable deadline shall be barred.

As of January 14, 2004, there was no outstanding balance under the DIP Financing Facility. The Reorganizing Debtors and Liquidating Debtors believe that their available cash resources (including funds that will become available pursuant to the sale of the Geothermal Business and funds set aside in the Administrative Expense Claims Reserve) will be sufficient to enable them to pay all Allowed Administrative Expense Claims as of the applicable Effective Date, any professional fees that remain unpaid as of the applicable Effective Date, and all amounts outstanding, if any, under the DIP Financing Facility at such time. Moreover, the Debtors believe that the aggregate amount of Administrative Expense Claims that may become Allowed after the Effective Dates will not exceed the Reorganized Debtors' and/or the Liquidating Trustee's ability to pay such Claims when they are Allowed and/or otherwise become due. The procedures governing allowance and payment of Administrative Claims of the Reorganizing Debtors and Liquidating Debtors are described in Section VIII.B.1.

(i) Administrative Expense Claims under the Second Reorganization Plan

Subject to the provisions of Article 2.2 of the Second Reorganization Plan, on the first Distribution Date occurring after the later of (a) the date an Administrative Claim becomes an Allowed Administrative Expense Claim or (b) the date an Administrative Expense Claim becomes payable pursuant to any agreement between a Reorganizing Debtor (or a Reorganized Debtor) and the holder of such Administrative Expense Claim, the holder of an Allowed Administrative Claim in the Reorganizing Debtors' Chapter 11 Cases shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Administrative Expense Claim, (i) Cash equal to the unpaid portion of such Allowed Administrative Expense Claim or (ii) such other treatment as to which the Reorganizing Debtors (or the Reorganized Debtors) and such holder shall have agreed upon; provided, however, that Allowed Administrative Expense Claims with respect to liabilities incurred by the Reorganizing Debtors in the ordinary course of business during the Chapter 11 Cases shall be paid in the ordinary course of business in accordance with the terms and conditions of the applicable Plan.

(ii) Contingent Administrative Expense Claims under the DIP Financing Facility

On the Reorganization Effective Date, all outstanding and unfunded letters of credit issued under Tranche B of the DIP Financing Facility shall be replaced or otherwise continued by letters of credit to be issued under the First Lien L/C Facility or the Second Lien L/C Facility or otherwise cash collateralized in an amount not less than one hundred and five percent (105%) of the face amount thereof pursuant to documentation in form and substance satisfactory to the DIP Agents and the issuing banks . Once such new letters of credit have been issued or such cash collateral has been posted (and any funded amounts under the DIP Financing Facility have been repaid), the DIP Financing Facility shall be deemed terminated (subject in all respects to any carve-out approved by the Court in the Final DIP Order), and the DIP Lenders shall take all necessary action to confirm the removal of any liens on the properties of the applicable Reorganizing Debtors securing the DIP Financing Facility. To the extent that Claims arising under the DIP Financing Facility will not be paid in full as a result of reinstatement of contingent obligations under the First Lien L/C Facility or Second Lien L/C Facility, acceptance of reinstatement as provided for under the Second Reorganization Plan by a requisite majority of DIP Lenders as contemplated under the DIP Financing Facility shall be binding on all DIP Lenders in full satisfaction of their Administrative Expense Claim.

(iii) Administrative Expense Claim Bar Date

Administrative Expense Claims must be filed with the Court and served

on counsel for the Debtors prior to the Administrative Expense Claim Bar Date, as provided in the applicable Plan. The Administrative Expense Claim Bar Date applies to all holders of Administrative Expense Claims except for holders of the following limited types of claims: (a) United States Trustee Claims; (b) postpetition liabilities incurred and payable in the ordinary course of business by any Reorganizing Debtor or Liquidating Debtor; and (c) fees and expenses incurred by (i) Retained Professionals and (ii) Persons employed by the Reorganizing Debtors or Liquidating Debtors or serving as independent contractors to the Reorganizing Debtors in connection with their reorganization efforts, including without limitation the Balloting Agent.

(iv) Administrative Claims for Compensation and Reimbursement

All Retained Professionals, or Persons employed by the Reorganizing Debtors or Liquidating Debtors or serving as independent contractors to the Reorganizing Debtors or Liquidating Debtors or any other Persons seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Dates under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code must file and serve on counsel for the Reorganizing Debtors and Liquidating Debtors and as otherwise required by the Court and Bankruptcy Code their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred on or before the deadline imposed by the applicable Plan. All such Allowed Administrative Expense Claims shall be paid in full as provided in the applicable Plan, or upon such terms as may be mutually agreed upon between the holder of such an Allowed Administrative Expense Claim and the applicable Debtor.

Any Person who requests compensation or expense reimbursement for a Substantial Contribution Claim must file an application with the clerk of the Court, on or before the applicable Administrative Expense Bar Date, and serve such application on counsel for the applicable Reorganized Debtors and Liquidating Debtors and as otherwise required by the Court and the Bankruptcy Code on or before such date.

The Debtors expect that certain Retained Professionals, and certain other professionals to other parties in interest in the Chapter 11 Cases, will seek compensation for services rendered, reimbursement of expenses incurred, award of success fees, and payments on Substantial Contribution Claims under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code. In particular, the Debtors expect that their investment bankers, Chilmark Partners, LLC ("Chilmark"), will seek payment of a restructuring fee (the "Restructuring Fee") upon the effectiveness and consummation of one or more of the Second Plans, as per the terms of the retention letter between the Debtors and Chilmark, dated March 28, 2002, as approved and modified by order of the Court (Docket No. 607), dated June 27, 2002. The Restructuring Fee is equal to the greater of (i) $7 million, less any monthly fees paid to Chilmark through the date of payment of the Restructuring Fee up to, but not in excess of, $2 million, and (ii) an amount equal to 1% of the aggregate consideration of all transactions, which amount is estimated to be approximately $8 million.

(v) Administrative Expense Claims under the Second Liquidation Plan

Except to the extent that the applicable Liquidating Debtor and any holder of an Allowed Administrative Expense Claim agree to a less favorable treatment and as set forth in Sections 2.3 and 2.5 of the Second Liquidation Plan, each holder of an Allowed Administrative Expense Claims against a Liquidating Debtor, in full satisfaction of such Claims shall be paid Cash in an amount equal to such Claims on the Initial Liquidation Distribution Date from the Administrative Expense Claims Reserve provided that any such liabilities not incurred in the ordinary course of business were approved and authorized by a Final Order of the Court; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by such Liquidating Debtor, as a debtor-in-possession, shall be paid by the Liquidating Trustee from the Administrative Expense Claims Reserve, in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions. To the extent that the Administrative Expense Claim Bar Date applies, failure to file a timely request for payment of an Administrative Expense Claim prior to the Administrative Expense Claim Bar Date shall result in the Administrative Expense Claim being forever barred and discharged.

(b) Priority Tax Claims

(i) Priority Tax Claims under the Second Reorganization Plan

Priority Tax Claims are those tax Claims entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code. The Second Reorganization Plan provides that Priority Tax Claims, if any, are Unimpaired. Specifically, on the Distribution Date, each holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement, release, and discharge of and in exchange for

such Allowed Priority Tax Claim, a note issued by the Reorganizing Debtors or Reorganized Debtors in the principal amount equal to the amount of such Allowed Priority Tax Claim payable over a period not exceeding six (6) years after the date of assessment of the Priority Tax Claim as provided in subsection 1129(a)(9)(C) of the Bankruptcy Code, such note to provide for the payment of simple interest on the unpaid portion of such Claim semiannually without penalty of any kind, at the fixed annual rate equal to four percent (4%), with the first interest payment due on the latest of: (i) six (6) months after the Effective Date, (ii) six (6) months after the date on which such Priority Tax Claim becomes an Allowed Claim, or (iii) such longer time as may be agreed to by the holder of such Priority Tax Claim and the Reorganized Debtor. Notwithstanding the foregoing, subject to the DIP Agents and the Bondholders Committee (which consent shall be requested on or before the Effective Date), the Reorganized Debtors shall have the option, in lieu of issuing a holder of an Allowed Priority Tax Claim a note in accordance with the terms set forth above, to pay any or all Allowed Priority Tax Claims in Cash, without penalty of any kind, in an amount equal to the unpaid portion of such Allowed Priority Tax Claim on the Effective Date or as soon as practical thereafter.

Under the Second Reorganization Plan, no holder of an Allowed Priority Tax Claim will be entitled to any payments on account of any pre-Reorganization Effective Date interest accrued on, or penalty arising after the Petition Date with respect to or in connection with, an Allowed Priority Tax Claim. Any such Claim or demand for any such accrued postpetition interest or penalty will be discharged upon confirmation of the Second Reorganization Plan in accordance with section 1141(d)(1) of the Bankruptcy Code, and the holder of a Priority Tax Claim will be precluded from assessing or attempting to collect such accrued interest or penalty from the Reorganized Debtors or its property.

(ii) Priority Tax Claims under the Second Liquidation Plan

Each holder of an Allowed Priority Tax Claim against a Liquidating Debtor will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim, Cash equal to the unpaid portion of such Allowed Priority Tax Claim on or as soon as practical after the later of: (i) thirty (30) days after the Liquidation Effective Date, or (ii) thirty (30) days after the date on which such Priority Tax Claim becomes Allowed; provided, however, that at the option of the Liquidating Trustee, the Liquidating Trustee may pay Allowed Priority Tax Claims over a period of six (6) years after the date of assessment of the Priority Tax Claim as provided in subsection 1129(a)(9)(C) of the Bankruptcy Code; provided, further, that in no event shall the Liquidating Trustee extend such date of repayment beyond the Final Liquidation Determination Date. If the Liquidating Trustee elects this option as to any Allowed Priority Tax Claim, then the Liquidating Trustee shall make payment of simple interest on the unpaid portion of such Claim semiannually without penalty of any kind, at the fixed annual rate equal to four percent (4%), with the first interest payment due on the latest of: (i) six (6) months after the Liquidation Effective Date, (ii) six (6) months after the date on which such Priority Tax Claim becomes an Allowed Claim, or (iii) such other time as may be agreed to by the holder of such Priority Tax Claim and the Liquidating Trustee; provided, however, that the Liquidating Trustee shall reserve the right to pay any Allowed Priority Tax Claim, or any remaining balance of such Allowed Priority Tax Claim, in full, at any time on or after the Liquidation Effective Date, without premium or penalty.

2. Unimpaired Classes of Claims

The Classes listed below are Unimpaired by the Second Plans.

Second Reorganization Plan

Class 1: Allowed Priority Non-Tax Claims
Class 2: Allowed Project Debt Claims and Allowed CIBC Secured Claims
Class 5: Allowed Parent and Holding Company Guarantee Claims
Class 11: Equity Interests in Subsidiary Debtors
Class 12: Allowed Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental

Second Liquidation Plan

Class 1: Allowed Priority Non-Tax Claims

3. Impaired Classes of Claims and Interests

The Classes listed below are Impaired by the Second Plans.

Second Reorganization Plan

Class 3: Allowed Covanta Secured Claims
Class 4: Allowed Operating Company Unsecured Claims
Class 6: Allowed Parent and Holding Company Unsecured Claims
Class 7: Allowed Convertible Subordinated Bond Claims
Class 8: Allowed Convenience Class Claims
Class 9: Intercompany Claims
Class 10 Subordinated Claims

Class 13: Old Covanta Stock Equity Interests

Second Liquidation Plan

Class 3: Allowed Liquidation Secured Claims
Class 7: Allowed Unsecured Liquidation Claims
Class 9: Intercompany Claims
Class 11: Equity Interests in Liquidating Debtors

4. Treatment of Classified Claims

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of classes of Claims against and Equity Interests in each of the applicable Debtors. All Claims and Equity Interests, except Administrative Expense Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims of the kinds specified in sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been classified, and their treatment is set forth in Article II of each Plan.

A Claim or Equity Interest is placed in a particular Class only to the extent that the Claim or Equity Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Equity Interest falls within the description of such other Classes. A Claim or Equity Interest is also placed in a particular Class only for the purpose of voting on, and receiving distributions pursuant to, the Second Plans only to the extent that such Claim or Equity Interest is an Allowed Claim or an Allowed Equity Interest in that Class and such Claim or Equity Interest has not been paid, released or otherwise settled prior to the applicable Effective Date.

(a) Unimpaired Classes of Claims under the Second Reorganization Plan and Second Liquidation Plan (as applicable).

(i) Class 1 - Allowed Priority Non-Tax Claims. Each holder of an Allowed Class 1 Claim shall receive, in full settlement, release and discharge of its Class 1 Claim, either (i) Cash, on the Distribution Date, in an amount equal to such Allowed Claim, or (ii) on such other less favorable terms as the Reorganizing Debtors and Reorganized Debtors and the holder of an Allowed Priority Non-Tax Claim agree.

(ii) Class 2 - Subclass 2A: Allowed Project Debt Claims. On the Reorganization Effective Date, the legal, equitable and contractual rights of the holders of Allowed Class 2 Claims will be reinstated in full satisfaction, release and discharge of their respective Class 2 Claims and will remain unaltered under the Second Reorganization Plan, except as the Reorganizing Debtors and the holders of Allowed Class 2 Claims may otherwise agree or as such holders may otherwise consent. To the extent that defaults exist in connection with any Allowed Project Debt Claims, the Reorganized Debtors shall comply with section 1124(2) of the Bankruptcy Code on or before the Reorganization Effective Date. Without limiting the generality of the foregoing, the Reorganizing Debtors shall pay in Cash thirty (30) days after the Effective Date of the Second Reorganization Plan any Secured Project Fees and Expenses, which are defined as those reasonable fees, costs or charges that (i) are incurred by a trustee acting on behalf of a bondholder, bond insurer or owner participant under any indenture that relates to an Allowed Project Debt Claim, (ii) represent fees, costs or charges incurred after the Petition Date, (iii) are properly payable under the applicable indenture, and (iv) have been approved by order of the Court; provided, however, that to the extent that any Secured Project Fees and Expenses may have been paid by third parties, then such third parties may only seek reimbursement from the Reorganizing Debtors for payment of such Secured Project Fees and Expenses, if and to the extent permitted by the relevant prepetition transaction documents and the Bankruptcy Code. Notwithstanding the foregoing, no contractual provisions or applicable law that would entitle the holder of an Allowed Class 2 Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim, terminate any contractual relationship or take such other enforcement action (as may be applicable) from and after the occurrence of a default that occurred prior to the Reorganization Effective Date shall be enforceable against the Reorganized Debtors. The indentures, notes and all other documents or agreements with respect to Class 2 Claims shall not be cancelled.

Subclass 2B: Allowed CIBC Secured Claims. On the Reorganization Effective Date, in full settlement, release and discharge of the Allowed CIBC Secured Claim, CIBC shall apply the CIBC cash collateral in full satisfaction of such Allowed CIBC Secured Claim. The remaining balance of the CIBC cash collateral, after satisfaction of the Allowed CIBC Secured Claim, shall be applied by CIBC first in payment of the fees and expenses of the mediator with respect to the Canadian loss sharing litigation and thereafter in payment of a portion of the fees and expenses of the Canadian Loss Sharing Lenders in connection therewith.(4)

---

(4) It is the Debtors' understanding that payments are to be made on the Effective Date by the Prepetition Lenders (other than the Canadian Loss Sharing Lenders) pursuant to the terms of the Intercreditor Agreement in full satisfaction, settlement, release and discharge of their obligations to the Canadian Loss Sharing Lenders.

(iii) Class 5 - Allowed Parent and Holding Company Guarantee Claims. On the Reorganization Effective Date, the legal, equitable and contractual rights of the holders of Allowed Class 5 Claims will be reinstated in full satisfaction, release and discharge of their respective Class 5 Claims and will remain unaltered under the Second Reorganization Plan, except as the Reorganizing Debtors and the holders of Allowed Class 5 Claims may otherwise agree or as such holders may otherwise consent; provided, however, that notwithstanding the foregoing, (i) no contractual provisions or applicable law that would entitle the holder of an Allowed Class 5 Claim to demand or receive payment of such Claim prior to the stated maturity of such Claim, terminate any contractual relationship or take such other enforcement action (as may be applicable) from and after the occurrence of a default that occurred prior to the Effective Date shall be enforceable against the Reorganized Debtors, and (ii) no contractual provisions or applicable law that would require the Reorganizing Debtors to satisfy any financial criteria or meet any financial condition measured by reference to such Debtor's most recent annual audited financial statements with respect to any such Allowed Parent and Holding Company Guarantee Claims during the pendancy of these Chapter 11 Cases shall be enforceable against such Reorganizing Debtors, and (b) the Reorganizing Debtors and Reorganized Debtors shall be deemed to be and to remain in compliance with any such contractual provision or applicable law regarding financial criteria or financial condition (other than contractual requirements to satisfy miniumum ratings from rating agencies). After such year, such financial criteria or financial condition shall be measured by reference to the applicable Debtor's most recent annual audited financial statements.

(iv) Class 11 - Equity Interests in Subsidiary Debtors. As of the Reorganization Effective Date, Equity Interests in the Subsidiary Debtors shall be reinstated, in full satisfaction, release, and discharge of any Allowed Class 12 Equity Interests, and such reinstated Equity Interests shall be evidenced by the existing capital stock, partnership and/or membership interests.

(v) Class 12 - Allowed Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental. As of the Reorganization Effective Date, Equity Interests in Covanta Huntington, Covanta Onondaga and DSS Environmental shall be reinstated, in full satisfaction, release, and discharge of any Allowed Class 12 Equity Interests, and such reinstated Equity Interests shall be evidenced by the existing capital stock, partnership and/or membership interests.

(b) Impaired Classes of Claims under the Second Reorganization Plan and Second Liquidation Plan (as applicable).

(i) Class 3 - Allowed Secured Claims.

(A) Second Reorganization Plan: Class 3 consists of certain Allowed Secured Claims and is divided into three Subclasses for Distribution purposes: Subclass 3A consists of the Allowed Secured Bank Claims and Subclass 3B consists of Allowed Secured 9.25% Debenture Claims, and Subclass 3C consists of Allowed Secured Claims other than Project Debt Claims and Reorganized Covanta Secured Claims.

1. Subclass 3A and 3B Claims. Allowed Class 3A and 3B Claims are all deemed secured by the same Prepetition Collateral for the purpose of the Second Plans. Accordingly, pursuant to the Second Reorganization Plan, an Initial Distribution of the Secured Subclass 3A and 3B Total Distribution is made between Subclass 3A and Subclass 3B, with each Subclass receiving in the aggregate its Pro Rata Share based upon the Allowed Subclass 3A Claim Amount and the Allowed Subclass 3B Claim Amount, respectively. The Secured Subclass 3A and 3B Total Distribution consists of the following types of consideration: (i) Distributable Cash, (ii) Additional Distributable Cash (if any), (iii) Excess Distributable Cash (if any), (iv) the New High Yield Secured Notes, and (v) New CPIH Funded Debt.

As explained above, the Initial Distribution between Subclass 3A and Subclass 3B is made on a pro rata basis. However, the Second Reorganization Plan provides that only those holders of Allowed Subclass 3A and 3B Claims that participate as First Lien Lenders will receive Distributable

Cash as part of their Subclass 3A or 3B Distribution. Accordingly, Distributable Cash will be included in the Initial Distribution to Subclass 3A or Subclass 3B only to the extent that the Allowed Subclass 3A Claim Amount or Allowed Subclass 3B Claim Amount relates to an Allowed Subclass 3A Claim or Subclass 3B Claim, as the case may be, that is held by a First Lien Lender. Similarly, the Second Reorganization Plan provides that only those holders of Allowed Subclass 3A and 3B Claims that are Non-Participating Lenders will receive Additional Distributable Cash as part of their Subclass 3A and 3B Distribution. Accordingly, Additional Distributable Cash will be included in the Initial Distribution to Subclass 3A or Subclass 3B only to the extent that the Allowed Subclass 3A Claim Amount or Allowed Subclass 3B Claim Amount relates to an Allowed Subclass 3A Claim or Subclass 3B Claim, as the case may be, that is held by one of the Non-Participating Lenders.

After implementing the Initial Distribution, the Second Reorganization Plan provides for Distribution among holders of Allowed Claims in Subclass 3A and Subclass 3B as follows:

Distribution Among Holders of Allowed Subclass 3A Claims:

First, in full settlement, release and discharge of the Allowed Priority Bank Claims, the Priority Bank Lenders shall receive first, to the extent available as part of the Subclass 3A Recovery, Additional Distributable Cash and Excess Distributable Cash in an amount equal to the amount of such Allowed Priority Bank Claims and thereafter New High Yield Secured Notes in a principal amount equal to the remaining amount of such Allowed Priority Bank Claims;

Second, immediately after making the Distribution on account of the Allowed Priority Bank Claims, in full settlement, release and discharge of Non-Priority Subclass 3A Claims, the holders of Allowed Non-Priority Subclass 3A Claims shall receive a Pro Rata Subclass Share of the remaining Subclass 3A Recovery; provided, however, that with respect to the Distribution of the remaining Subclass 3A Recovery, (i) the First Lien Lenders in Subclass 3A shall receive their Secured Value Distribution first, to the extent available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes, and (ii) the Additional New Lenders in Subclass 3A shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and further, provided, that Non-Participating Lenders in Subclass 3A shall receive their Secured Value Distribution first, to the extent available, in the form of Additional Distributable Cash and thereafter in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash.

Distribution Among Holders of Allowed Subclass 3B Claims:

First, the Subclass 3B Secured Claim shall be deemed an Allowed Secured Claim in an amount equal to the Allowed Subclass 3B Settlement Amount and in full settlement, release and discharge of the Allowed Secured Claims of the Accepting Bondholders, each holder of an Allowed Subclass 3B Claim that is an Accepting Bondholder shall, subject to payment of its pro-rata share of the Settlement Distribution, receive its Pro Rata Subclass Share of Distributions of the Subclass 3B Accepting Bondholder Recovery; provided, however, that with respect to the Subclass 3B Accepting Bondholder Recovery, (i) the First Lien Lenders in Subclass 3B that are Accepting Bondholders, if any, shall receive their Secured Value Distribution first, to the extent available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes; and (ii) the Additional New Lenders in Subclass 3B that are Accepting Bondholders, if any, shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and provided further that the Non-Participating Lenders in Subclass 3B that are Accepting Bondholders shall receive their Secured

Value Distribution first, to the extent available, in the form of Additional Distributable Cash and thereafter in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash. Distributions made to each Accepting Bondholder of such holder's Allowed Subclass 3B Claim shall be subject to adjustment and modification in accordance with the provisions of the 9.25% Settlement, including the waiver of the 9.25% Deficiency Claims and any subordination benefits with respect to the Convertible Subordinated Bonds, and payment of such holder's pro-rata share of the Settlement Distribution to the holders of Allowed Class 6 Claims as provided under the Second Reorganization Plan.

Second, in the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is equal to or greater than $10 million, the Subclass 3B Claim of each Rejecting Bondholder shall be deemed a Disputed Secured Claim, allowance thereof shall be subject to determination pursuant to the 9.25% Debentures Adversary Proceeding, and on the Reorganization Effective Date, the Reorganizing Debtors shall deliver the Subclass 3B Rejecting Bondholder Recovery into a Reserve Account in accordance with Section 8.4 of the Second Reorganization Plan and be held subject to Distribution pursuant to Section 8.6 of the Second Reorganization Plan.

Third, in the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is less than $10 million, the Subclass 3B Claim of each Rejecting Bondholder shall be deemed an Allowed Secured Claim in its full amount and in full settlement, release and discharge of the Allowed Secured Claims of the Rejecting Bondholders, on the Effective Date, each holder of an Allowed Subclass 3B Claim that is a Rejecting Bondholder shall receive its Pro Rata Subclass Share of Distributions of the Subclass 3B Rejecting Bondholder Recovery; provided, however, that with respect to the Subclass 3B Rejecting Bondholder Recovery, (i) the First Lien Lenders in Subclass 3B that are Rejecting Bondholders, if any, shall receive their Secured Value Distribution first, to the extent available, in the form of Distributable Cash and thereafter in the form of New High Yield Secured Notes; and (ii) the Additional New Lenders in Subclass 3B that are Rejecting Bondholders, if any, shall receive their Secured Value Distribution solely in the form of New High Yield Secured Notes; and further, provided, that the Non-Participating Lenders in Subclass 3B that are Rejecting Bondholders shall receive their Secured Value Distribution first in the form of Additional Distributable Cash, to the extent available, and thereafter solely in the form of New High Yield Secured Notes and shall not receive any Distribution of Distributable Cash. In the event that the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders is less than $10 million, the Distributions made to each Rejecting Bondholder of such holder's Allowed Subclass 3B Claim shall not be subject to adjustment and modification, nor shall they receive a release of claims asserted in the 9.25% Adversary Proceeding (remaining subject to liability to the holders of Class 6 Claims for the Settlement Distribution), in accordance with the provisions of the 9.25% Settlement.

Standby Commitment. In the event that the Additional Distributable Cash included in the Initial Distribution for the Non-Participating Lenders shall be in an amount less than $7.2 million, the Investors shall purchase on the Reorganization Effective Date from the Non-Participating Lenders on a pro rata basis an amount of New High Yield Secured Notes equal to the difference between $7.2 million and the actual amount of Additional Distributable Cash at a price equal to the full accreted nominal value of such Notes paid in Cash.

Additional New CPIH Funded Debt. In the event that on the Determination Date there shall be an increase in the amount of New CPIH Funded Debt in accordance with the

definition of New CPIH Funded Debt as set forth in the Second Reorganization Plan, then each holder of an Allowed Subclass 3A and 3B Claim as of the Effective Date, or its assign as permitted pursuant to the New CPIH Funded Debt agreement, shall receive its Pro Rata Class Share of a Distribution consisting of any such increase in the New CPIH Funded Debt in a manner consistent with the provisions of Section 4.3 of the Second Reorganization Plan, as though such additional New CPIH Funded Debt had been part of the Initial Distribution undertaken pursuant to Section 4.3(c)(I); provided, that with respect to the Distribution of such New CPIH Funded Debt to any Accepting Bondholder, such Distribution shall be subject to adjustment and modification in accordance with the provisions of the 9.25% Settlement, and payment of such holder's pro-rata share of the Settlement Distribution to the holders of Allowed Class 6 Claims as provided under the Second Reorganization Plan.

Excess Distributable Cash. In the event that after the Effective Date there shall be Excess Distributable Cash as determined in accordance with the proviso for the definition of Exit Costs under the Second Reorganization Plan, each holder of an Allowed Subclass 3A and 3B Claim as of the Effective Date or its assign shall receive a Pro Rata Class Share of a Distribution consisting of any such Excess Distributable Cash in a manner consistent with the provisions of Section 4.3 of the Second Reorganization Plan, as though such Excess Distributable Cash had been part of the Initial Distribution undertaken pursuant to Section 4.3(c)(I); provided, that with respect to the Distribution of Excess Distributable Cash to any Accepting Bondholder, such Excess Distributable Cash shall be subject to adjustment and modification in accordance with the provisions of the 9.25% Settlement, and payment of such holder's pro-rata share of the Settlement Distribution to the holders of Allowed Class 6 Claims as provided under the Second Reorganization Plan.

Participation in the Subclass 3B Stock Offering. Additionally, as an incentive offered by the Plan Sponsor, any holder of an Allowed Subclass 3B Claim as of the record date established for voting in connection with the second Reorganization Plan that votes in favor of the Second Reorganization Plan shall have the non-transferable right to participate on a pro rata basis in the Subclass 3B Stock Offering.

2. Subclass 3C Claims. On the Effective Date or as soon as practicable thereafter, at the option of the Reorganizing Debtors and in accordance with section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Subclass 3C will be treated pursuant to one of the following alternatives: (I) the Second Reorganization Plan will leave unaltered the legal, equitable and contractual rights to which each Allowed Secured Claim in Subclass 3C entitles the holder; (II) the Reorganizing Debtors or Reorganized Debtors shall cure any default that occurred before or after the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Allowed Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Secured Claim shall receive such other treatment as the Reorganizing Debtors or Reorganized Debtor and the holder of such Allowed Secured Claim shall agree; or (IV) all of the collateral for such Allowed Secured Claim will be surrendered by the Reorganizing Debtors to the holder of such Claim.

(B) Second Liquidation Plan:

1. Class 3A. Allowed Liquidation Secured Claims, consisting of Secured Bank Claims and the 9.25% Debenture Claims:

Under the Second Liquidation Plan, each holder of an Allowed Liquidation Secured Claim would be entitled, assuming its security interest is valid and absent the Secured Creditor Direction (further described below), to receive on any Liquidation Distribution Date, such holder's Pro Rata Share of any Net Liquidation Proceeds and Liquidation Assets of the Liquidating Pledgor Debtors. On the

Effective Date, each holder of an Allowed Class 3A Liquidation Secured Claim shall be deemed to have received, on account of its Class 3A Allowed Liquidation Secured Claim, the distribution it receives as a holder of a Class 3A or 3B Claim under the Second Reorganization Plan, as applicable, in full satisfaction of its Class 3A Claim, and the Liquidating Trustee and the Liquidating Debtors will implement the Secured Creditor Direction. Furthermore, to the extent that any Liquidating Pledgor Debtors have any Residual Liquidation Assets, which the Liquidating Trustee determines in its sole discretion can profitably be sold or monetized, then the holders of Class 3A Claims under the Second Liquidation Plan, shall be entitled to their Pro Rata Share of the Net Liquidation Proceeds on the succeeding Liquidation Distribution Date resulting from such sale, after the payment of the Liquidation Expenses attributable to such sale.

2. Subclass 3B. Subclass 3B consists of the Allowed Other Secured Liquidation Claims against the Covanta Liquidating Secured Parties:

On the Liquidation Effective Date, the applicable Liquidating Debtors shall cause to be transferred, pursuant to Section 6.1(c) of the Second Liquidation Plan, to the Covanta Liquidating Secured Parties, as holders of the Allowed Covanta Other Secured Liquidating Claims, the Covanta Liquidating Collateral in full settlement, release and discharge of the Subclass 3B Claims.

(ii) Class 4 - Allowed Operating Company Unsecured Claims. On the Distribution Date, each holder of an Allowed Class 4 Claim shall receive, in full settlement, release and discharge of its Class 4 Claim, a Distribution of Reorganization Plan Unsecured Notes in the aggregate principal amount equal to the amount of its Allowed Class 4 Claim. With respect to Allowed Class 4 Claims for and to the extent which insurance is available, the Second Reorganization Plan shall not be deemed to impair or expand the rights of holders of such Allowed Class 4 Claims to pursue any available insurance to satisfy such Claims; provided, however, that to the extent insurance is not available or is insufficient, treatment of such Allowed Class 4 Claims shall be as otherwise provided in Section 4.4 of the Second Reorganization Plan.

(iii) Class 6 - Allowed Parent and Holding Company Unsecured Claims. In consideration of the agreement by the holders of Class 6 Claims to waive any claims, including all alleged avoidance actions, that might be brought against the holders of Subclass 3A Claims and to settle the 9.25% Debentures Adversary Proceeding in accordance with the terms of the 9.25% Settlement, and to secure the support of the holders of Allowed Class 6 Claims for confirmation of the Second Reorganization Plan, the holders of Allowed Subclass 3A and 3B Claims have agreed to provide the holders of Allowed Class 6 Claims from the value that would otherwise have been distributable to the holders of Allowed Subclass 3A and 3B Claims under the Second Reorganization Plan, so that on the Distribution Date each holder of an Allowed Class 6 Claim shall receive, in full satisfaction, release and discharge of its Class 6 Claim, Distributions consisting of (i) such holder's Pro Rata Class Share of the CPIH Participation Interest, (ii) such holder's Pro Rata Class Share of the Class 6 Unsecured Notes, and (iii) such holders Pro Rata Class Share of the proceeds, if any, with respect to the Class 6 Litigation Claims. Additionally, each holder of an Allowed Class 6 Claim (a) shall receive from each Accepting Bondholder, in full satisfaction, release and discharge of its rights with respect to the 9.25% Debentures Adversary Proceeding against each Accepting Bondholder, a Distribution consisting of such holder's Pro Rata Share of the Settlement Distribution and (b) may receive a further Distribution with respect to the Subclass 3B Rejecting Bondholder Recovery subject to the resolution of the 9.25% Debentures Adversary Proceeding, in accordance with Section 8.6(b) of the Second Reorganization Plan. Distributions to holders of Allowed Class 6 Claims (including any Distribution with respect to the Settlement Distribution) shall be made by the Disbursing Agent in accordance with the provisions of Section 8.7 of the Second Reorganization Plan. With respect to Allowed Class 6 Claims for and to the extent which insurance is available, the Second Reorganization Plan shall not be deemed to

impair or expand the rights of holders of such Allowed Class 6 Claims to pursue any available insurance to satisfy such Claims; provided, however, that to the extent insurance is not available or is insufficient, treatment of such Allowed Class 6 Claims shall be as otherwise provided in Section 4.6 of the Second Reorganization Plan.

The Reorganized Debtors shall have the option to delay issuance of the Class 6 Unsecured Notes until immediately after such time as the Disbursing Agent, in consultation with the Class 6 Representative, elects to make an interim or final Distribution to holders of Allowed Class 6 Claims in accordance with Section 8.7 of the Second Reorganization Plan; provided, however, that in the event that the Reorganized Debtors shall elect to delay issuance of the Class 6 Unsecured Notes, any subsequent Distribution of the Class 6 Unsecured Notes shall include all accrued interest, whether made in Cash or otherwise, that a holder of such Notes would have been entitled to receive for the period from the Effective Date through and including the Date of such subsequent Distribution.

Creditors are referred to Section XI.H below for an estimate of the amount of Allowed Claims in Class 6, and the risks that Allowed Claims in Class 6 may materially exceed the Debtors' estimates.

(iv) Class 7 (Second Reorganization Plan) - Allowed Convertible Subordinated Bond Claims. On the Distribution Date, each holder of an Allowed Class 7 Claim shall not receive any Distributions from the Reorganizing Debtors or retain any property under the Second Reorganization Plan in respect of Class 7 Claims, on account of its Class 7 Claim.

(v) Class 7 (Second Liquidation Plan) - Allowed Unsecured Liquidation Claims. The holders of Class 7 Claims shall not be entitled to receive any Distribution under the Second Liquidation Plan, provided, however, that with respect to Allowed Class 7 Claims for and to the extent which insurance is available, the Second Liquidation Plan shall not be deemed to impair or expand the rights of holders of such Allowed Class 7 Claims to pursue any available insurance to satisfy such Claims; provided, further, that to the extent that insurance is not available or is insufficient, treatment of such Allowed Class 7 Claim shall be as otherwise provided in the Second Liquidation Plan.

(vi) Class 8 - Allowed Convenience Claims. On the Distribution Date, each holder of an Allowed Class 8 Claim shall receive, in full satisfaction, release and discharge of its Class 8 Claim, at the Reorganizing Debtors' option either: (i) a payment in Cash, in an amount equal to seventy five percent (75%) of the Allowed amount of such Class 8 Claim, or (ii) a Distribution of Reorganization Plan Unsecured Notes in the aggregate principal amount equal to the amount of its Allowed Class 8 Claim.

(vii) Class 9 - Intercompany Claims.

(A) Second Reorganization Plan: Under the Second Reorganization Plan, Class 9 consists of all Intercompany Claims and is subdivided into three Subclasses for Distribution purposes: Subclass 9A consists of the Liquidating Debtors Intercompany Claims, Subclass 9B consists of the Reorganized Debtors Intercompany Claims and Subclass 9C consists of the Heber Debtors Intercompany Claims. On the Reorganization Effective Date, all Subclass 9A Claims shall be deemed cancelled or waived in exchange for the Reorganizing Debtors' contribution of the Liquidation Plan Funding Amount, if any, to the Operating Reserve. On the Reorganization Effective Date, all Subclass 9B Claims shall, in the sole discretion of the applicable Reorganizing Debtor or Reorganized Debtor, either be: (a) preserved and reinstated, (b) released waived and discharged, (c) contributed to the capital of the obligee corporation, or (d) distributed to the obligee corporation. On the Reorganization Effective Date, all Subclass 9C Claims shall be deemed cancelled or waived in exchange for the Reorganizing Debtors' undertaking certain obligations in connection with the Heber Reorganization Plan.

(B) Second Liquidation Plan: Under the Second Liquidation Plan, Class 9 consists of all Intercompany Claims. On the Liquidation Effective Date, all Intercompany Claims under the Second Liquidation Plan shall be cancelled, annulled and extinguished

(viii) Class 10 -Subordinated Claims. As of the Reorganization Effective Date, holders of Class 10 Claims shall not receive any Distributions or retain any property under the Second Reorganization Plan in respect of Class 10 Claims, on account of such Claims. All instruments evidencing Subordinated Claims shall be cancelled, annulled or extinguished.

(ix) Class 11 - Equity Interests in the Liquidating Debtors. The holders of Equity Interests in each Liquidating Debtor shall not be

entitled to receive any Distribution or retain any property under the Second Liquidation Plan, and on the Liquidation Effective Date such Equity Interests shall be cancelled, annulled and extinguished.

(x) Class 13 - Old Covanta Stock Equity Interests. Holders of Allowed Equity Interests in Old Covanta Stock shall not receive any Distribution or retain any property under the Second Reorganization Plan in respect of Class 13 Equity Interests. All Class 13 Equity Interests in Old Covanta Stock shall be cancelled, annulled and extinguished.

C. Confirmability, Modification and Severability of the Second Plans

The confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each Reorganizing Debtor and each Liquidating Debtor.

Subject to the provisions of Sections 5.5 of the Second Reorganization Plan and the Second Liquidation Plan, the Reorganizing Debtors and Liquidating Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Second Plans at any time prior to the entry of the Confirmation Order. Additionally, the Reorganizing Debtors and Liquidating Debtors reserve the right to alter, amend, modify, revoke or withdraw the Second Plans as they apply to any particular Debtor.

After the entry of the Confirmation Order, the Debtors may, upon order of the Court, amend or modify the Second Reorganization Plan or the Second Liquidation Plan, in accordance with section 1127(b) of the Bankruptcy Code and the applicable Plan, or remedy any defect or omission or reconcile any inconsistency in the Second Plans in such manner as may be necessary to carry out the purpose and intent of the Second Plans. A holder of an Allowed Claim or Allowed Equity Interest that is deemed to have accepted the Second Plans shall be deemed to have accepted the Second Plans as modified if the proposed modification does not materially and adversely change the treatment of the Claim or Equity Interest of such holder.

The Debtors have reserved their rights in the Second Reorganization Plan and the Second Liquidation Plan to redesignate Debtors as Reorganizing Debtors or Liquidating Debtors at any time prior to ten (10) days prior to the Second Plans Confirmation Hearing. Holders of Claims or Equity Interests who are entitled to vote on the Second Reorganization Plan or Second Liquidation Plan and who are affected by any such redesignation shall have five (5) days from the notice of such redesignation to vote to accept or reject the Second Reorganization Plan or the Second Liquidation Plan, as the case may be. The Debtors also have reserved the right to withdraw prior to the Second Plans Confirmation Hearing one or more Debtors from the Second Reorganization Plan and the Second Liquidation Plan, and to thereafter file a plan solely with respect to such Debtor.

If, prior to the applicable Confirmation Date, any term or provision of any of the Second Plans is determined by the Court to be invalid, void or unenforceable, the Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Second Plans will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding alteration or interpretation. The applicable Confirmation Orders will constitute a judicial interpretation that each term and provision of the Second Plans, as it may have been altered or interpreted in accordance with the forgoing, is valid and enforceable pursuant to its terms. Additionally, if the Court determines that any Plan, as it applies to any particular Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code (and cannot be altered or interpreted in a way that makes it confirmable), such determination shall not limit or affect (a) the confirmability of the Second Plans as they apply to any other Debtor or (b) the Debtors' ability to modify the Second Plans, as they apply to any particular Debtor, to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code.

D. Certain Considerations with Respect to Treatment of Subclass 3A and 3B Secured Claims under the Second Reorganization Plan

The Prepetition Lenders and the 9.25% Debenture Holders both assert their Claims are secured by the same Prepetition Collateral consisting of substantially all of the assets of Covanta and all of its existing and future domestic subsidiaries, to the extent permitted, and by a pledge of 100% of the shares of substantially all of Covanta's existing and future domestic subsidiaries, and 65% of the shares of substantially all of Covanta's foreign subsidiaries. Accordingly, the Allowed Secured Claims of the Prepetition Lenders and the 9.25% Debenture Holders have been classified together as Secured Claims in Subclass 3A and 3B pursuant to the Second Reorganization Plan.

While the Claims of the Prepetition Lenders and the 9.25% Debenture

Holders have been classified together because they share in the same Prepetition Collateral, there are nonetheless some differences in their respective rights and interests in these Chapter 11 Cases, as described further below. Consequently, the Second Reorganization Plan establishes separate Subclasses for the Prepetition Lenders and the 9.25% Debenture Holders, placing them in Subclass 3A and 3B, respectively, in order to properly implement redistributions and third party settlements that only relate to Claims within these separate Subclasses.

As a result, the Second Reorganization Plan provides for treatment of Allowed Subclass 3A and 3B Claims on two levels - on the Class level and the Subclass level. In the first instance, all holders of Allowed Subclass 3A and 3B Claims are treated equally as members of the same Class, as a result of their Claims being secured by the same Prepetition Collateral. In that regard, all holders of Allowed Secured Claims in Subclass 3A and 3B will initially receive a Pro Rata Share of Distributions consisting of a mix of Reorganization Plan Notes, Distributable Cash, Additional Distributable Cash and Excess Distributable Cash, if available. The aggregate Distribution to Subclass 3A and 3B is initially divided between Subclass 3A and Subclass 3B strictly on a pro-rata basis, based upon the respective aggregate amount of the Allowed Secured Claims in each Subclass. The form of Secured Value Distribution (consisting of either New High Yield Secured Notes, Distributable Cash or Additional Distributable Cash) will vary depending upon whether the holder of an Allowed Subclass 3A and 3B Claim is a First Lien Lender, an Additional New Lender or a Non-Participating Lender with respect to the Exit Financing Facilities.

Then, as described further below, the Second Reorganization Plan implements certain redistributions on the level of both Subclass 3A and Subclass 3B. As a result, of these redistributions, certain members of Subclass 3A will receive enhanced recoveries, with the result that the percentage recovery for the members of Class 3, while based on an initial pro-rata Distribution, will ultimately vary from Subclass 3A to Subclass 3B, as well as from one member of Subclass 3A to another. The Second Reorganization Plan also implements the 9.25% Settlement, which will potentially resolve the 9.25% Debentures Adversary Proceeding pursuant to which the Creditors Committee had challenged the validity and enforceability of the security interest asserted by and on behalf of the 9.25% Debenture Holders. Members of Subclass 3B may waive their rights to receive a certain portion of their Distribution or elect to opt out of participation in the 9.25% Settlement. In the event that holders of 9.25% Debenture Claims with claims in excess of $10 million opt out of the 9.25% Settlement, the 9.25% Debentures Adversary Proceeding shall continue with respect to such holders, and the Reorganizing Debtors will be obligated to reimburse counsel for the Creditors Committee and counsel for the Bondholders Committee for fees and expenses, each in an amount up to $250,000 in connection with the continuation of such litigation. Payment of such fees and expenses will be subject to approval by order of the Court.

1. Subclass 3A Distribution

Pursuant to the terms of an Intercreditor Agreement by and among the Debtors and the Prepetition Lenders, certain of the Prepetition Lenders were entitled to receive priority recoveries and ratable paydowns with respect to the Priority Bank Claims.

In order to account for the priority rights arising under the Intercreditor Agreement, the Second Reorganization Plan includes certain provisions that relate solely to the Distribution among holders of Subclass 3A Claims. Specifically, as a first step in making a Subclass 3A Distribution, the Second Reorganization Plan provides that the holders of Allowed Priority Bank Claims (the "Priority Lenders") will receive first, to the extent available, Additional Distributable Cash, and thereafter New High Yield Secured Notes in an amount equal to the Allowed Priority Bank Claims in full settlement, release and discharge of such Claims. After payment in full of these Priority Bank Claims, the Second Reorganization Plan then provides that the holders of Allowed Non-Priority Subclass 3A Claims (the "Non-Priority Lenders") shall receive a Distribution consisting of a Pro Rata Share of the remaining Subclass 3ARecovery.

The Subclass 3A Distribution will be made in full settlement, release and discharge of all Claims of the Prepetition Lenders arising in connection with the Master Credit Facility and the Intercreditor Agreement.

In addition, CSFB, a Priority Lender, has stated to the Debtors its position that the Second Reorganization Plan's contemplated distributions to the Prepetition Lenders are inconsistent with the priority and subordination provisions in the Intercreditor Agreement. The Second Reorganization Plan currently contemplates a distribution to the Priority Lenders of High Yield Secured Notes in a face amount equal to the amount of the Priority Lenders' claims against the Debtors after taking into account the Excess Distributable Cash and Additional Excess Distributable Cash such Priority Lenders are paid on the Effective Date ("Net Priority Claims"). CSFB alleges that the Priority Lenders are instead required by the Intercreditor Agreement to receive cash equal to the amount of their Net Priority Claims before the Non-Priority Lenders receive any distributions under the Second Reorganization Plan. Counsel for CSFB

and the agent for the Prepetition Lenders have proposed to the Debtors a resolution that satisfies the concerns of the Priority Lenders. Under this resolution, (a) the Priority Lenders would receive an enhanced amount of High Yield Secured Notes that, when valued at an agreed-upon discounted rate, would equal the value of the Priority Lenders' Net Priority Claims; (b) the Non-Priority Lenders would receive a lesser amount of High Yield Secured Notes than that currently contemplated by the Second Reorganization Plan in order to allow for the enhanced distribution to the Priority Lenders; and (c) the Priority Lenders would enter into a purchase agreement (the "Notes Purchase Agreement") with a third-party purchaser (the "Notes Purchaser"), pursuant to which the Notes Purchaser would purchase the Priority Lenders' High Yield Secured Notes for cash at the agreed-upon discounted price on the Effective Date. Those Priority Lenders who do not execute the Notes Purchase Agreement prior to the Second Plans Confirmation Hearing would receive the face amount, not the enhanced amount, of High Yield Secured Notes in respect of their Net Priority Claims.

CSFB has informed the Debtors that the Priority Lenders and the Notes Purchaser are nearing finalization and execution of the Purchase Agreement. Upon the execution of the Notes Purchase Agreement, the Debtors would make a technical modification to the Second Reorganization Plan effecting the revised distributions to the Prepetition Lenders, and would serve supplemental disclosure of the execution of the Notes Purchase Agreements and such modification to the Second Reorganization Plan to the Prepetition Lenders, the only creditors affected by such modification. In the event the transaction contemplated thereby does not close on the Effective Date, the Priority Lenders would return the enhanced portion of their distribution of High Yield Secured Notes to the Disbursing Agent pending a full and final resolution of their Net Priority Claims, and the priority and subordination provisions of the Intercreditor Agreement would remain in full force and effect.

2. Voting Rights with Respect to Subclass 3A and 3B Distributions and the Settlement Agreements under the Second Reorganization Plan

Since Subclass 3A and 3B Claims are Impaired under the Second Reorganization Plan, the holders of Allowed Claims in Subclass 3A and 3B are entitled to vote to accept or reject the Second Reorganization Plan. The members of Subclasses 3A and 3B shall vote together as a single Class for purposes of accepting or rejecting the Secured Subclass 3A and 3B Total Distribution under the Second Reorganization Plan; provided, however, that the Ballots distributed to holders of Subclass 3B Secured Claims shall permit each such holder the opportunity to elect treatment as a Rejecting Bondholder, it being understood that any such holder who does not expressly make such election by properly marking the Ballot shall be deemed an Accepting Bondholder.

3. Subclass 3B Rejecting Bondholder Recovery

Members of Subclass 3B will have the opportunity to reject being included as a settling party pursuant to the 9.25% Settlement by expressly marking the appropriate box on their Ballot (the "Subclass 3B Rejecting Bondholders"). In the event that the Claims of Subclass 3B Rejecting Bondholders are equal to or greater than $10 million, the Subclass 3B Rejecting Bondholder Recovery shall be held in a Reserve Account in accordance with the Second Reorganization Plan subject to resolution of the 9.25% Debentures Adversary Proceeding.

In the event of entry of a Final Order in connection with the 9.25% Debentures Adversary Proceeding establishing the validity of the Lien asserted on behalf of the holders of the 9.25% Debentures, each holder of an Allowed Subclass 3B Secured Claim that was a Rejecting Bondholder shall receive a Pro Rata Share of the Distribution of the Subclass 3B Rejecting Bondholder Recovery from the Subclass 3B Reserve Account. In the event of entry of a Final Order in the 9.25% Debentures Adversary Proceeding determining that the Lien asserted on behalf of the holder of the 9.25% Debentures did not exist, was invalid or otherwise avoided, then the Subclass 3B Rejecting Bondholder Recovery held in the Subclass 3B Reserve Account shall be Distributed (i) first, so that each holder of a Subclass 3B Claim that was a Rejecting Bondholder shall receive a Distribution with an Estimated Recovery Value equal to the Estimated Recovery Value that such holder would have received on the Effective Date with respect to an Allowed Class 6 Claim of the same principal amount, and (ii) second, the balance of the Subclass 3B Rejecting Bondholder Recovery that remains after making distributions in accordance with clause (i) of this sentence shall be divided as follows: (A) pro rata to each holder of an Allowed Class 6 Claim, additional distributions of Excess Distributable Cash, if any, New High Yield Secured Notes and New CPIH Funded Debt in an amount such that each holder of an Allowed Class 6 Claim will receive the Pro Rata Share of the Settlement Distribution it would have received had all Rejecting Bondholders been Accepting Bondholders; (B) pro-rata to Allowed Subclass 3A Claims, any remaining Cash; and (C) pro-rata among holders of Allowed Subclass 3A Claims and holders of Allowed Class 6 Claims on a ratio of 9 to 1, the remaining balance of the Subclass 3B Rejecting Bondholder Recovery.

In the event there are Rejecting Bondholders holding an aggregate amount of Subclass 3B Claims in excess of $10 million, the Reorganizing Debtors shall be obligated after the Confirmation Date to reimburse

counsel for the Creditors Committee and counsel for the Bondholders Committee for fees and expenses each in an amount up to $250,000 for purposes of enabling continuation of the 9.25% Debentures Adversary Proceeding, subject to approval of such fees and expenses by order of the Court.

Without regard to the aggregate amount of Subclass 3B Claims held by Rejecting Bondholders, the $450,000 limitation on the use of cash collateral imposed on the payment of fees to counsel to the Creditors Committee in connection with the 9.25% Debentures Adversary Proceeding as set forth in the Stipulation And Consent Order Authorizing Creditors Committee To Use Cash Collateral To Investigate And Prosecute The Adversary Proceeding Filed By The Committee On Behalf Of The Debtors With Respect To The Existence Of The 9 1/4 Debentureholders Alleged Lien On The Debtors' Assets, Confirming The Entitlement Of The Informal Committee And Of The Indenture Trustee To Receive Without Risk Of Disgorgement Fees And Expenses, And Certain Other Matters (Docket No. 1088) shall no longer apply, and the Confirmation Order shall provide for the Reorganizing Debtors to pay all accured, unpaid fees and expenses incurred by counsel for the Creditors Committee in prosecuting the 9.25% Debentures Adversary Proceeding without regard to such prior limitation, subject only to approval of such fees and expenses by order of the Court as part of its review of fees and expenses for all Retained Professionals in these Chapter 11 Cases.

In the event there are Rejecting Bondholders holding an aggregate amount of Subclass 3B Claims less than $10 million, the 9.25% Debentures Adversary Proceeding shall be (i) withdrawn with prejudice with respect to the Accepting Bondholders and the Indenture Trustee, and (ii) provided that no holder of a Class 6 Unsecured Claim, or representative thereof, shall file with the Bankruptcy Court a motion for the entry of a scheduling order in connection with the resumption of the 9.25% Debentures Adversary Proceeding within 120 days after the Effective Date, withdrawn without prejudice with respect to the rights, if any, of any holder of an Unsecured Claim to challenge the validity of the Allowed Secured Claims of any such Rejecting Bondholders in their individual capacities; provided, however, that in the event any holder of a Class 6 Unsecured Claim, or representative thereof, challenges the validity of the Allowed Secured Claims of any such Rejecting Bondholders holding an aggregate amount of Subclass 3B Claims of less than $10 million subsequent to the Effective Date, either in the 9.25% Debentures Adversary Proceeding or otherwise, the Reorganized Debtors shall not be obligated to reimburse counsel for such holder of a Class 6 Unsecured Claim, or representative thereof, for any fees or expenses incurred in connection with such challenge; and provided, further, that neither the Bondholders Committee or the Indenture Trustee shall have an obligation to defend or otherwise intervene in any action against any such Rejecting Bondholders (all such obligations of the Indenture Trustee, if any did so exist, being terminated along with the 9.25% Indenture pursuant to Section 6.5 of this Reorganization Plan), and provided that such termination shall not prejudice the prosecution of the 9.25% Debentures Adversary Proceeding against any such Rejecting Bondholders. In connection with any such resumption of the 9.25% Debentures Adversary Proceeding by any holder or holders of Class 6 Unsecured Claims, as herein contemplated, such holder or holders shall be deemed to be the successor in interest to the Committee in all respects, acting on behalf of the Debtors for purposes of prosecuting such 9.25% Debentures Adversary Proceeding.

E. Implementation of the Second Reorganization Plan

1. DHC Transaction

On the Reorganization Effective Date, the Reorganized Debtors are authorized to effect all transactions and take any actions provided for in or contemplated by the DHC Agreement. The purpose of the DHC Agreement is to enable the Plan Sponsor to acquire the entire equity interest in Reorganized Covanta. Upon consummation of the DHC Agreement, Reorganized Covanta will become a wholly owned subsidiary of the Plan Sponsor. The following is a summary of the material terms of the DHC Agreement. This summary is not a complete description of the terms and conditions thereof and is qualified in its entirety by reference to the full text thereof, which is incorporated herein by reference. Capitalized terms used in this section and not defined elsewhere in the Second Disclosure Statement shall have the meaning ascribed to such terms in the DHC Agreement. The form of DHC Agreement is available on Covanta's website at http://www.covantaenergy.com (Corporate Restructuring).

The Share Purchase. The DHC Agreement provides that, upon the terms and subject to the conditions of the DHC Agreement, the Plan Sponsor will purchase, for the sum of $30,000,000, 100% of the equity interests of Reorganized Covanta (the "Share Purchase") immediately following the Closing. Concurrent with the execution and delivery of the DHC Agreement, and pursuant to the DHC Agreement, the Plan Sponsor paid via wire transfer of immediately available funds, $15,000,000 (the "Initial Deposit"), to the Bank of Nova Scotia (the "Escrow Agent") to be held pursuant to an escrow agreement (the "Deposit Escrow Agreement"). Within two (2) Business Days following the entry of the Approval Order, the Plan Sponsor has agreed to pay or cause to be paid by wire transfer of immediately available funds, $15,000,000 (the "Final Deposit" and, together with the Initial Deposit, the "Deposit") to the Escrow Agent to be held pursuant to the Deposit Escrow Agreement. Upon receipt of each of the Initial Deposit and the Final Deposit, the Escrow Agent shall immediately deposit such Deposit into

an interest-bearing account.

Representations and Warranties. The DHC Agreement contains various representations and warranties of the parties thereto. These include representations and warranties by the Company with respect to corporate existence and good standing, capital structure, subsidiaries, investment entities, corporate authorization, absence of changes, filings with the SEC, consents and approvals, no defaults under agreements, investment banking fees, employee benefits, labor relations, litigation, taxes, compliance with applicable laws, environmental matters, intellectual property, title to real property, insurance, material contracts, financial statements, projects, regulatory matters, agreements with regulatory agencies, and other matters. The Plan Sponsor has also made certain representations and warranties with respect to corporate existence and good standing, corporate authorization, investment intent, consents and approvals, no violations of other agreements, financing arrangements, tax matters, utility regulatory status, insurance regulations, its marine services affiliates, absence of changes, filings with the SEC and other matters.

Exclusivity Provisions. The Company has agreed that it shall not, and shall cause each Subsidiary and each of their respective directors, officers, employees, financial advisors, representatives and agents not to, directly or indirectly, (i) solicit, initiate, engage or participate in or encourage discussion or negotiations with any Person or entity (other than the Plan Sponsor) concerning any merger, consolidation, sale of material assets, tender offer for, recapitalization of or accumulation or acquisition of securities issued by the Company or any Subsidiary, proxy solicitation, other business combination involving the Company or any Subsidiary or any other plan of reorganization of the Company or any Subsidiary (including, without limitation, any ESOP structure) (collectively, "Alternative Transaction"), or (ii) provide any non-public information concerning the business, properties or assets of the Company or any Subsidiary to any Person or entity (other than to the Plan Sponsor); provided, however, that prior to entry of the Confirmation Orders, the Debtors may, to the extent required by the Bankruptcy Code, the Bankruptcy Rules, the operation and information requirements of the Office of the United States Trustee, or any orders entered or approvals or authorizations granted by the Court prior to Closing (collectively, the "Bankruptcy-Related Requirements"), or to the extent that the board of directors of the Company determines, in good faith after consultation with outside legal counsel, that such board's fiduciary duties under applicable Governmental Rule require it to do so, participate in discussions or negotiations with, and furnish information to, any Person, entity or group after such Person, entity or group has delivered to the Debtors, in writing, an unsolicited bona fide offer to effect an Alternative Transaction that the board of directors of the Company in its good faith judgment determines, after consultation with its independent financial advisors, would result in a transaction more favorable to the stakeholders of the Debtors from a financial point of view than the transactions contemplated hereby and for which financing, to the extent required, is then committed (or which, in the good faith judgment of the board of directors, is reasonably capable of being obtained) and which (in the good faith judgment of the board of directors) is likely to be consummated (a "Superior Proposal"); provided further, however, that Debtors shall, within one (1) Business Day of the occurrence thereof, notify the Plan Sponsor orally and in writing of the receipt of a Superior Proposal. Such notice to the Plan Sponsor shall indicate in reasonable detail the identity of the potential acquirer and the material terms and conditions of such Superior Proposal, to the extent known.

The Company has also agreed, as of the date of the DHC Agreement that the Company shall, and shall cause each of its Subsidiaries to, immediately cease any and all existing activities, discussions and negotiations with any Person other than the Plan Sponsor with respect to any Alternative Transaction. The Company shall immediately notify the Plan Sponsor of, and shall disclose to the Plan Sponsor all details of, any inquiries, discussions or negotiations. Notwithstanding the foregoing, the Company may still solicit indications of interest with respect to its international operations.

Consents and Approvals. Subject to certain conditions, each of the Company and the Plan Sponsor have agreed to proceed diligently and in good faith and will use all commercially reasonable efforts to do, or cause to be done, all things necessary, proper or advisable to, as promptly as practicable, obtain all consents, approvals or actions of, make all filings with and give all notices to governmental or regulatory authorities or any other public or private third parties that may be required of the Plan Sponsor, the Company or any of their subsidiaries in order to consummate the transactions contemplated by the DHC Agreement.

Expenses. As soon as commercially practicable (but in no event later than two (2) Business Days following the entry of the Approval Order), the Company has agreed to pay or cause to be paid to the Plan Sponsor up to a maximum of $3,000,000 of Expense Reimbursement incurred by the Plan Sponsor that is covered by the Approval Order, by wire transfer of immediately available funds to an account designated in writing by the Plan Sponsor. In addition, the Company has agreed, effective from and after the entry of the Approval Order, to reimburse Laminar for out-of-pocket fees and expenses incurred by Laminar that are covered by the Approval Order, up to a maximum amount of $350,000. The

$350,000 of Laminar Expense Reimbursement shall be incremental to any expense reimbursements to which Laminar may otherwise be contractually entitled, except that Laminar shall not be entitled to any duplicative recoveries. At Closing or termination of the DHC Agreement, as the case may be, and subject to certain other conditions, the Company has also agreed to pay or cause to be paid to the Plan Sponsor by wire transfer of immediately available funds to an account designated in writing by the Plan Sponsor an amount equal to the actual documented costs, fees and expenses incurred by the Plan Sponsor and covered by the Approval Order outstanding on the Closing Date or as of the date of such termination as set forth in an invoice from the Plan Sponsor, such amount not to exceed $1 million (in addition to any other amounts payable pursuant to the DHC Agreement). Subject to, and upon receiving, court approval, the Company has also agreed to reimburse the Investors for their payments to Bank One of a commitment fee of $125,000 and an initial expense deposit of $75,000. To the extent that Bank One incurs actual costs and expenses in connection with the Second Lien L/C Facility in an amount less than $75,000 and any excess amounts are returned to the Investors, the Investors shall return any such excess amounts in full to the Company.

Termination. The DHC Agreement may be terminated: (a) at the election of the Plan Sponsor, if any one or more of the conditions to the obligation of the Plan Sponsor has not been fulfilled as of June 15, 2004, (or with respect to any individual condition, the date specified therein); (b) at the election of the Company, if any one or more of the conditions to the obligation of Company to close has not been fulfilled as of June 15, 2004, (or with respect to any individual condition, the date specified therein); (c) at the election of either party, if there is any Order of any nature of any Governmental Authority of competent jurisdiction that is in effect that restrains, enjoins or otherwise prohibits the consummation of the Contemplated Transactions; (d) at the election of the Company, if the Plan Sponsor has materially breached any material covenant or agreement contained in the DHC Agreement, which breach cannot be or is not cured prior to June 15, 2004, provided that the Company is not then in material breach of any material covenant or agreement contained in the DHC Agreement; (e) at the election of the Plan Sponsor, if the Company has materially breached any material covenant or agreement contained in the DHC Agreement, which breach cannot be or is not cured prior to June 15, 2004, provided that the Plan Sponsor is not then in material breach of any material covenant or agreement contained in the DHC Agreement; (f) at the election of the Company, if (i) the Company accepts a Superior Proposal or (ii) the Court approves an Alternative Transaction, provided that the Company has complied with its obligations with respect to the exclusivity provisions of the DHC Agreement and provided further that the Company shall not terminate the DHC Agreement pursuant to paragraph (f) until the expiration of five (5) Business Days following the Plan Sponsor's receipt of written notice advising the Plan Sponsor that the Company has received an offer for an Alternative Transaction specifying the material terms and conditions of such Alternative Transaction (and including a copy thereof with all accompanying documentation), identifying the Person making such an offer for an Alternative Transaction and stating whether the Company intends to enter into a definitive agreement with respect thereto. After providing the notice referred to in the preceding sentence, the Company shall provide a reasonable opportunity to the Plan Sponsor during such five (5) Business Day period to make any adjustments in the terms and conditions of this Agreement as are necessary to cause the Contemplated Transactions to proceed on terms and conditions equivalent to or better than such Alternative Transaction; (a) at the election of the Plan Sponsor, if (i) the Company enters into an agreement with respect to an Alternative Transaction or (ii) the Court approves an Alternative Transaction; (b) at any time after December 18, 2003, at the election of the Plan Sponsor, if by such date the Approval Order has not been entered or if such order has been vacated, reversed or materially modified or amended or stayed; or (c) at any time on or prior to the Closing Date, by mutual written consent of the Company and the Plan Sponsor.

Termination Fee. The DHC Agreement provides for payment of a termination fee in the amount of $12 million to the Plan Sponsor under certain circumstances (the "Termination Fee") in consideration for the Plan Sponsor's efforts and expenses in connection with the DHC Agreement and the Second Plans. The Termination Fee would be payable only in the event that (i) the DHC Agreement is terminated for any of the reasons set forth above, other than (a) a material breach of a material covenant by the Plan Sponsor that cannot be cured before June 15, 2004 (provided that Covanta is not then in material breach of any material covenant) or (b) the non-fulfillment of certain conditions precedent to the obligations of Covanta under the DHC Agreement; and (ii) Covanta closes an Alternative Transaction within six (6) months of such termination, or contracts to close an Alternative Transaction within six (6) months of such termination and such Alternative Transaction subsequently closes. On December 17, 2003, the Bankruptcy Court granted a motion, among other things, seeking authorization to pay the Termination Fee (Docket No. 3084).

2. Exit Financing

(a) Domestic Facilities

Upon emergence from chapter 11, the Reorganizing Debtors, other than those identified as CPIH Borrowers, as defined below, and those Reorganizing Debtors that are subject to existing contractual restrictions prohibiting

certain borrowings (together the "Domestic Borrowers") expect to enter into two credit facilities to provide letters of credit in support of the Reorganizing Debtors' domestic operations. Specifically, the Domestic Borrowers will enter into a letter of credit facility (the "First Lien L/C Facility"), secured by a first priority lien on the Post-Confirmation Collateral, consisting of commitments for the issuance of letters of credit in the aggregate face amount of up to $139 million with respect to the Reorganizing Debtors' Detroit facility. The holders of Allowed Subclass 3A and 3B Claims shall have the opportunity to participate as lenders on the First Lien L/C Facility on a pro rata basis. Additionally, the Domestic Borrowers will enter into a $118 million letter of credit facility (the "Second Lien L/C Facility"), secured by a second priority lien on the Post-Confirmation Collateral, junior only to duly perfected and unavoidable prior liens, including the lien with respect to the First Lien L/C Facility, consisting of commitments for the issuance of standby letters of credit up to $118 million, up to $10 million of which shall also be available for cash borrowings on a revolving basis for purposes of further supporting the Reorganizing Debtors' domestic business operations. Among other things, the Second Lien L/C Facility will provide the Reorganizing Debtors with the ability to issue letters of credit as may be required with respect to various domestic WTE facilities, including a new letter of credit in favor of the Northeast Maryland Waste Disposal Authority in connection with the facility operated by Covanta Montgomery, Inc.

Pursuant to the commitment letter dated December 2, 2003, among Covanta Bank One and the Investors, Bank One is providing the commitments with respect to the Second Lien L/C Facility. The Domestic Borrowers also expect to enter into the Domestic Intercreditor Agreement, with the respective lenders under the First Lien L/C Facility and Second Lien L/C Facility and the trustee under the High Yield Indenture, that sets forth, among other things, certain provisions regarding the application of payments made by the Domestic Borrowers among the respective lenders and certain matters relating to priorities upon the exercise of remedies with respect to the collateral pledged under the loan documents.

(b) CPIH Facilities

Upon emerging from bankruptcy, Covanta Power International Holdings, Inc. ("CPIH") and each of its subsidiaries (including certain domestic entities holding the equity interests in Covanta's foreign operations) holding the assets and operations of the international IPP business (the "CPIH Borrowers") expect to enter into two credit facilities: (i) a new revolving credit facility (the "New CPIH Revolver Facility"), secured by a first priority lien on substantially all of the CPIH Borrowers' assets, junior only to duly perfected and unavoidable prior liens, consisting of commitments for cash borrowings of up to $10 million for purposes of supporting the international IPP business and (ii) a term loan facility of up to $95 million (the "New CPIH Term Loan"), secured by a second priority lien on substantially all of the CPIH Borrowers' assets, junior only to duly perfected and unavoidable prior liens, including the lien with respect to the CPIH Revolver, representing the New CPIH Funded Debt. Laminar and certain other lenders are providing the commitments with respect to the New CPIH Revolver Facility. On the Effective Date, the New CPIH Term Loan will be in the original aggregate principal amount of $90 million (subject to adjustment as described below), with a maturity date of three (3) years after the Effective Date, bearing interest at the rate per annum of ten and one half percent (10.5%) (6.0% of such interest to be paid in cash and the remaining 4.5% to be paid in cash to the extent available and otherwise such interest shall be paid in kind by adding it to the outstanding principal balance); provided, however, that on the Determination Date the aggregate amount of the New CPIH Term Loan shall be increased dollar for dollar by an amount equal to (if positive) the difference between (x) $75 million and (y) Total Unsecured Plan Debt on the Determination Date, but in no event shall such debt exceed $95 million in original principal amount.

The CPIH Borrowers also expect to enter into the International Intercreditor Agreement, with the respective lenders under the New CPIH Revolver Facility and the New CPIH Term Loan and Reorganized Covanta, that sets forth, among other things, certain provisions regarding the application of payments made by the CPIH Borrowers among the respective lenders and Reorganized Covanta and certain matters relating to the exercise of remedies with respect to the collateral pledged under the loan documents, and pursuant to which Reorganized Covanta will be entitled to reimbursements of operating expenses made on behalf of the CPIH Borrowers and payments made with respect to various parent guarantees being retained on behalf of the CPIH Borrowers.

(c) Documentation; Court approval

Documents evidencing the First and Second Lien L/C Facilities and the New CPIH Revolver Facility, will be filed by the Debtors with the Court as part of the Plan Supplement no later than five (5) days prior to the last day for voting with respect to the Second Reorganization Plan. In the Confirmation Order the Court will approve the First and Second Lien L/C Facilities and the New CPIH Revolver Facility in substantially the same form filed with the Court and authorize the Reorganizing Debtors to execute the same together with such other documents as the First Lien Lenders and the Additional New Lenders may reasonably require in order to effectuate the treatment afforded to such parties under the respective Facilities.

3. Reorganization Plan Notes

Pursuant to the Second Reorganization Plan, the Reorganizing Debtors will issue Reorganization Plan Notes for Distribution to holders of Allowed Claims. The material terms of the Reorganization Plan Notes are as follows:

New High Yield Secured Notes: New High Yield Secured Notes will be issued by Reorganized Covanta at discount in an aggregate principal amount of $205 million accreting to an aggregate principal amount of $230 million upon maturity seven (7) years after the Reorganization Effective Date. Interest will be paid semi-annually in arrears on the principal amount at stated maturity of the outstanding New High Yield Secured Notes at a rate of 8.25% per annum. The New High Yield Secured Notes will be secured by a third priority lien on the Post-Confirmation Collateral.

Reorganization Plan Unsecured Notes: Reorganization Plan Unsecured Notes will be issued in a principal amount of between $35 and $39 million with a maturity date eight (8) years after the Reorganization Effective Date. Interest thereon will be payable semi-annually at an interest rate of 7.5%. Annual amortization payments of approximately $3.9 million (paid at the end of the year) will be paid beginning in year 2, with the balance due on maturity. The Reorganization Plan Unsecured Notes are subordinated in right of payment to all senior indebtedness including, the First Lien Credit Facility, the Second Lien Credit Facility, the New High Yield Secured Notes, and any other indebtedness of the Company with a principal amount of up to $50 million that is designated by its express terms to be senior to the Reorganization Plan Unsecured Notes. The Reorganization Plan Unsecured Notes will otherwise rank pari passu with, or be senior to, all other indebtedness of the Company.

Reorganization Plan Unsecured Notes in the aggregate principal amount of $4 million will be distributed to holders of Allowed Class 6 Claims in accordance with Section 4.6 of the Second Reorganization Plan, which defines such amount of Reorganization Plan Unsecured Notes as the "Class 6 Unsecured Notes."

Tax Notes: Tax Notes will be issued in an aggregate principal amount equal to the aggregate amount of Allowed Priority Tax Claims with a maturity six (6) years after the date of assessment. Interest will be payable semi-annually at the rate of four percent (4%).

4. DHC Tax Sharing Agreement

On the Effective Date, the Plan Sponsor and Reorganized Covanta will enter into the Tax Sharing Agreement, which will determine Reorganized Covanta's tax obligations vis-a-vis other members of the Plan Sponsor consolidated group for taxable years ending after the Effective Date. The Tax Sharing Agreement assumes that $571 million of NOLs are available to offset the future taxable income of Reorganized Covanta and its subsidiaries and certain Plan Sponsor entities, subject to certain adjustments. If Reorganized Covanta's actual tax liability for any taxable year is higher than the liability to the Plan Sponsor computed under the Tax Sharing Agreement, the Plan Sponsor will have an obligation to indemnify and hold harmless Reorganized Covanta for any such excess.

5. Continued Corporate Existence

Each of the Reorganized Debtors will continue to exist after the Reorganization Effective Date as a separate corporate entity, with all the powers of a corporation under applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated and pursuant to the respective certificate of incorporation and bylaws in effect prior to the Reorganization Effective Date, except to the extent such certificate of incorporation and bylaws are amended pursuant to the Second Reorganization Plan.

6. CPIH Matters

The Reorganizing Debtors and certain of their international subsidiaries that own or operate businesses outside of the United States shall become direct or indirect subsidiaries of CPIH. The Reorganizing Debtors intend to retain various parent guarantees relating, among other things, to financial, operating and performance agreements for certain CPIH subsidiaries and international projects. CPIH intends to issue preferred stock for an issuance price of $25,000. This preferred stock will be redeemable at par by CPIH after the third anniversary of issuance, and will have an entitlement to elect one director out of the three directors of CPIH. The Preferred Shares shall vote together with the Common Stock on all matters brought to a vote before the stockholders of CPIH and the holders of the Preferred Shares shall be entitled to 33% of the voting power of all issued and outstanding shares of CPIH eligible to vote on any such matters.

7. Revesting of Corporate Assets

The Reorganized Debtors shall be revested with the assets of their bankruptcy Estates (except for leases and executing contracts that have not yet

been assumed or rejected, which shall only be deemed vested if and when they are assumed) on the Reorganization Effective Date. Assets revested in the Reorganizing Debtors shall include all ownership interest of any Reorganizing Debtor in any Subsidiary Debtor, by virtue of the deemed consolidation of the Reorganizing Debtors for purposes of the Second Reorganization Plan, subject to the terms of the corporate restructuring described below.

8. Directors and Officers of Reorganized Covanta and CPIH

(a) On the Reorganization Effective Date, the operation of the Reorganized Debtors shall become the general responsibility of their respective boards of directors who shall, thereafter, have the responsibility for the overall management, control and operation of the Reorganized Debtors.

(b) The board of directors of Reorganized Covanta and CPIH shall consist initially of those persons identified in a filing submitted to the Court by the Reorganizing Debtors prior to the Second Plans Confirmation Hearing.

(c) The officers of the Reorganized Debtors and the directors of the Reorganized Debtors other than Reorganized Covanta and CPIH that are in office immediately before the Reorganization Effective Date shall continue to serve immediately after the Reorganization Effective Date in their respective capacities. Such persons shall be deemed elected pursuant to the Confirmation Order, and such elections shall be effective on and after the Reorganization Effective Date, without any requirement of further action by stockholders or other owners of the Reorganized Debtors.

9. Right of Certain Holders of Allowed Subclass 3B Claims to Purchase Common Stock of the Plan Sponsor

Additionally, as an incentive offered by the Plan Sponsor, any holder of an Allowed Subclass 3B Claim that votes in favor of the Second Reorganization Plan shall have the non-transferable right to participate on a pro rata basis in a stock offering that the Plan Sponsor intends to initiate subsequent to the Effective Date pursuant to an effective registration statement to be filed after the Effective Date. As part of this offering, those holders of Allowed Subclass 3B Claims that vote in favor of the Second Reorganization Plan will have the right to purchase up to but no more than 3,000,000 shares of common stock (the actual number of shares issued will depend upon the level of public participation in the DHC Rights Offering, the issuance of common stock pursuant to the Plan Sponsor's backstop arrangements with the Investors for the DHC Rights Offering and the related Ownership Change Limitation, and such factors may preclude issuance of any shares) issued by the Plan Sponsor at an exercise price of $1.53 per share in accordance with the terms of the Subclass 3B Stock Offering term sheet set forth in the Reorganization Plan Supplement.

10. Certificate of Incorporation and Bylaws

The certificates of incorporation and bylaws of the Reorganized Debtors will be amended as may be required in order that they are consistent with the provisions of the Second Reorganization Plan and the Bankruptcy Code. On the Reorganization Effective Date, the Reorganized Debtors are authorized to, and shall, without the need for any further corporate action, adopt and, as applicable, file their respective amended organizational documents with the applicable Secretary of State. The amended organizational documents shall prohibit the issuance of nonvoting equity securities, as required by sections 1123(a) and (b) of the Bankruptcy Code, subject to further amendment as permitted by applicable law. Any modification to the certificate of incorporation of any of the Reorganized Debtors as originally filed may be filed after the Confirmation Date and may become effective on or prior to the Reorganization Effective Date.

11. Employment, Retirement and Other Agreements

Employment Agreements

Pursuant to applicable provisions of the Bankruptcy Code, the Second Reorganization Plan currently contemplates the rejection of all existing prepetition employment agreements.

Employee Benefit Plans

Following the Reorganization Effective Date, except as set forth herein, the Plan Sponsor, in accordance with Section 6.15 of the DHC Agreement, generally intends to maintain or to cause the Reorganizing Debtors to maintain the existing employee benefit plans of the Debtors, subject to the Plan Sponsor's right to amend, terminate or modify these employee benefit plans as permitted by such employee benefit plans or applicable law. In addition, the Debtors intend to merge outstanding participant account balances in the Resource 401(k) Plan into the Savings Plan and expect such merger to have become effective prior to the consummation of the Second Reorganization Plan. The Debtors are currently in the process of terminating the (i) Metropolitan 401(k) Plan, (ii) Energy Services 401(k) Plan and (iii) Select Plan since no obligations or liabilities currently exist thereunder and expect such terminations to have been completed prior to the consummation of the Second

Reorganization Plan. For a more in-depth discussion of the employee benefit plans of the Debtors please refer to Section III.B.4.

Retiree Medical Programs

Following the Reorganization Effective Date, the Plan Sponsor, with certain adjustments and exceptions as discussed below, intends to continue or to cause the Reorganizing Debtors to continue the Retiree Medical Programs for those participants currently eligible to receive post-retirement benefits. Consistent with the terms and intent of the Core Retiree Program, the Debtors are currently in the process of adjusting the levels of medical coverage provided to that small group of former senior executives, or core retirees, participating in the Core Retiree Program so that the medical coverage they are provided is equivalent in scope to the medical coverage currently afforded active senior executives of the Company. The Company has provided each of the affected retirees with written notice of such adjustment. The rate of contribution for such retirees will generally remain at the same cost. The Company does not believe that such an adjustment in benefits falls within the scope of section 1114 of the Bankruptcy Code, but certain of the affected retirees have challenged this position. The Debtors are in the process of negotiating an amicable resolution to these challenges with the affected retirees.

There are also certain other former employees and/or their dependents (approximately five individuals in all), who have been receiving post-retirement or post-termination medical benefits whom the Company believes are not entitled to protection under Section 1114 of the Bankruptcy Code. The Company has informed these retirees and/or dependents and the former employees that, as a result, they will be solely responsible for the cost associated with the continuation of medical coverage from the Company. Certain of the affected individuals have challenged this position. The Debtors are in the process of negotiating an amicable resolution to these challenges.

The Plan Sponsor generally intends to continue or cause the Reorganizing Debtors to continue to maintain the dental benefits provided for under the Core Retiree Program, as applicable, and the life insurance benefits provided to core retirees, as applicable, at the levels and for the duration of the periods that the Plan Sponsor is otherwise obligated to provide such benefits.

Following the Reorganization Effective Date, the Plan Sponsor generally intends to continue or cause the Reorganizing Debtors to continue to maintain the benefits provided under the Non-Core Retiree Program and the life insurance benefits provided to applicable retirees at the levels and for the duration of the periods that the Plan Sponsor is otherwise obligated to provide such benefits.

The Plan Sponsor will continue to maintain all of its existing rights with respect to the Retiree Medical Programs, including the right to amend, modify or terminate the Retiree Medical Programs.

Other Agreements

Other than as set forth herein or as otherwise prohibited by applicable law, to the extent the Reorganized Debtors have in place as of the Reorganization Effective Date any severance, change in control, retirement, indemnification and other agreements (excluding any existing employment agreements) with their active directors, officers and employees who will continue in such capacities or a similar capacity following the Reorganization Effective Date, or retirement income plans, welfare benefit plans and other plans for such persons, such agreements, programs and plans will remain in place after the Reorganization Effective Date and the Plan Sponsor will continue to, or cause the Reorganizing Debtors to continue to, honor such agreements, programs and plans. Such agreements, programs and plans also may include equity, bonus and other incentive plans in which officers and other employees of the Reorganized Debtors may be eligible to participate, subject in each case to the Plan Sponsor's rights to amend, terminate or modify such agreements, programs and plans at any time as permitted by the terms and provisions thereof or applicable non-bankruptcy law.

12. Management Agreements

The terms of certain post-Reorganization Effective Date management incentive employment and non-competition agreements are currently under discussion by the Company and the Plan Sponsor.

13. Corporate Action

Each of the matters provided for under the Second Reorganization Plan involving the corporate structure of the Reorganizing Debtors or corporate action to be taken by or required of the Reorganizing Debtors will, as of the Reorganization Effective Date, as the case may be, be deemed to have occurred and be effective as provided herein, and will be authorized and approved and, to the extent taken prior to the Reorganization Effective Date, ratified in all respects without any requirement of further action by stockholders, creditors,

or directors of the Reorganizing Debtors.

14. Effective Date Payments and Post-Effective Date Financing

All Cash necessary for the Reorganized Debtors to make payments pursuant to the Second Reorganization Plan will be obtained from the Reorganized Debtors' cash balances and operations, borrowings under the Exit Financing Agreements and the purchase price payable with respect to the DHC Agreement.

On the Reorganization Effective Date, the Reorganized Debtors are authorized to enter into and shall enter into the Exit Financing Agreements and effect all transactions and take any actions provided for in or contemplated by the Exit Financing Agreements, including without limitation, the payments of all fees and other amounts contemplated by the Exit Financing Agreements.

15. Plan Notes and Collateral Documents; Further Transactions

On the Reorganization Effective Date, in accordance with the terms and conditions of the Second Reorganization Plan and without the need for any further corporate action, Reorganized Covanta is authorized to issue the (i) the New High Yield Secured Notes, and (ii) the Reorganization Plan Unsecured Notes, and Reorganized CPIH is authorized to issue the New CPIH Funded Debt and preferred stock, in accordance with the DHC Agreement. On the Reorganization Effective Date, in accordance with the provisions of the Second Reorganization Plan, the Reorganized Debtors shall execute and deliver the new collateral documents providing a security interest with respect to the Post-Confirmation Collateral securing the obligations under the Exit Financing Agreements.

16. Preservation of Causes of Action

On and after the Reorganization Effective Date, and except as may otherwise be agreed to by the Reorganizing Debtors or as provided in the Second Reorganization Plan, the Reorganized Debtors will retain and have the exclusive right to enforce any and all present or future rights, claims or causes of action against any Person (other than holders of Unsecured Claims against the Reorganizing Debtors) and rights of the Reorganizing Debtors that arose before or after the applicable Petition Date, and asserting any rights of counterclaim and set-off, as discussed further below, including, but not limited to, rights, claims, causes of action, avoiding powers, suits and proceedings arising under sections 541, 542, 544, 545, 548, 549, 550 and 553 of the Bankruptcy Code. The Reorganized Debtors may pursue, abandon, settle or release any or all such rights of action, as they deem appropriate, without the need to obtain approval or any other or further relief from the Court. The Reorganized Debtors may, in their discretion, offset any such claim held against a Person against any payment due such Person under this Second Reorganization Plan; provided, however, that any claims of any of the Reorganizing Debtors arising before the applicable Petition Date shall first be offset against Claims against any of the Reorganized Debtors arising before the applicable Petition Date.

On and after the Reorganization Effective Date, counsel for the Creditors Committee shall serve as Class 6 Counsel for purpose of evaluating the Class 6 Litigation Claims. The Class 6 Counsel shall have the exclusive right to enforce any such Class 6 Litigation Claim as it deems appropriate to be brought. On and after the Reorganization Effective Date, the Reorganizing Debtors shall be responsible for payment of reasonable legal fees and expenses to the Class 6 Counsel incurred in connection with the evaluation and enforcement of any such Class 6 Litigation Claims in an amount up to $150,000, subject to order of the Court; provided, however, that reasonable fees and expenses incurred by the Class 6 Counsel in excess of $150,000 may be recovered, subject to order of the Court, from the proceeds of any settlement or recoveries received in connection with any such Class 6 Litigation Claim.

The Debtors are currently unaware or have insufficient knowledge of any material claims or causes of action (or the underlying facts giving rise to such material claims or causes of action) against any Person that would constitute a material asset of the estates other than such claims or causes of action disclosed on the Debtors' schedules of assets and liabilities or in this Disclosure Statement (including claims, causes of action and counterclaims in proceedings listed in the Debtors' statement of financial affairs). All creditors should be aware, however, that the Reorganized Debtors may have additional material claims or causes of action against Persons of which (1) the Debtors are currently unaware or have insufficient knowledge; (2) the Debtors are currently unaware or have insufficient knowledge of the underlying facts giving rise to such material claims or causes of action; or (3) the underlying facts giving rise to such material claims or causes of action have not yet occurred. All creditors should further be aware that the Reorganized Debtors explicitly reserve their rights to pursue all such claims and causes of action, among others, pursuant to Section 11.8 of the Second Reorganization Plan and as discussed above.

17. Cancellation of Existing Equity Securities and Agreements

Except for purposes of evidencing a right to distributions under the Second Reorganization Plan or otherwise provided under the Second Reorganization Plan or in the event there are more than $10 million in Rejecting Bondholders'

Claims, on the Reorganization Effective Date, all the agreements and other documents (including, but not limited to, the 9.25% Indenture) evidencing (i) any Claims or rights of any holder of a Claim against the applicable Reorganizing Debtor, including all indentures and notes evidencing such Claims and (ii) any options or warrants to purchase Equity Interests, obligating Reorganizing Covanta to issue, transfer or sell Equity Interests or any other capital stock of Reorganizing Covanta, shall be cancelled; provided, however, that notwithstanding the foregoing, the Reorganized Debtors shall remain obligated with respect to liens, security interests or encumbrances in property of the Reorganized Debtors that have been granted pursuant to any executory contracts that have been assumed in accordance with Article IX of the Second Reorganization Plan or pursuant to the Exit Financing Agreements; and provided, further, that notwithstanding the foregoing the Indenture Trustee may be entitled to a charging lien with respect to any Distribution to holders of Allowed Subclass 3B Claims made after the Reorganization Effective Date. The Indenture Trustee shall be relieved of all further duties and responsibilities related to the 9.25% Indenture, which shall be discharged and terminated as of the Effective Date. Subject to a determination by Reorganized Covanta pursuant to Section 7.3(a) of the Second Reorganization Plan, Wells Fargo Bank Minnesota may act under the Second Reorganization Plan as a Disbursing Agent with respect to payments to be made to holders of Allowed 9.25% Debenture Claims. Subsequent to any such performance of its obligations as Disbursing Agent, if any, Wells Fargo Bank Minnesota, National Association and its agents shall be relieved of all further duties and responsibilities.

Notwithstanding anything to the contrary in the Second Reorganization Plan, the indentures, notes and all other documents or agreements with respect to Class 2 Claims shall not be cancelled.

18. Exclusivity Period

The Reorganizing Debtors will retain the exclusive right to amend or modify the Second Reorganization Plan, and to solicit acceptances of any amendments to or modifications of the Second Reorganization Plan, through and until the Effective Dates.

19. Reorganizing Debtors' Reservation of Rights with Respect to the Manner of Certain Distributions

Pursuant to the Second Reorganization Plan, the Reorganizing Debtors have reserved their right with respect to the Distributions to holders of Allowed Class 6 Claims (including any Distribution included as part of the Settlement Distribution), to make all or any portion of such Distribution, at the option of the Reorganizing Debtors, either directly to the holders of Allowed Class 6 Claim or through a depository or trust arrangement that provides the holders of Allowed Class 6 Claims with the equivalent economic benefits they would have received through a direct Distribution; provided, however, that the costs of implementing any such depository or trust arrangement shall be paid for from the proceeds of the Distributions that holders of Allowed Class 6 Claims would otherwise be entitled to receive.

20. Deemed Exercise of Put

In implementation of the resolution of the Allowed CIBC Secured Claim and the Allowed Secured Claims of the Canadian Loss Sharing Lenders and in connection with the Ogden Put/Call Agreement, on the Effective Date CIBC, as administrative agent, will be deemed to exercise, and the Reorganizing Debtors will be deemed on such date to accept, the put to the Reorganizing Debtors of the $72 million of the outstanding class B preferred shares issued by Palladium Finance Corporation II and all rights related thereto.

F. Implementation of the Second Liquidation Plan

1. The Secured Creditor Direction and the DIP Lender Direction

Based upon the Debtors' extensive negotiations with the Secured Bank Lenders and the 9.25% Debenture Holders and the compromises reached by the Debtors generally in their Chapter 11 Cases, further described in Section VI.C.13 above, the Debtors have proposed that the Secured Bank Lenders and the 9.25% Debenture Holders contribute their Distributions, to which they would otherwise be entitled under the Second Liquidation Plan (consisting of (i) the proceeds of certain postpetition asset sales and (ii) certain other Claims of the Liquidating Debtors upon which the Secured Bank Lenders and 9.25% Debenture Holders have a first priority secured lien (some of which Claims shall be treated as Class 6 Litigation Claims under the Second Reorganization Plan)) to Reorganized Covanta. The transfers described above are referred to in the Second Liquidation Plan as the Secured Creditor Direction and the DIP Lender Direction. Under the Secured Creditor Direction and the DIP Lender Direction, the Secured Bank Lenders and the 9.25% Debenture Holders are deemed to direct that the Distributions (consisting of the collateral referred to above) to which they are otherwise entitled to under the Second Liquidation Plan be transferred to Reorganized Covanta. Furthermore, as the Secured Bank Lenders and 9.25% Debenture Holders hold Claims under both Second Plans, the Secured Creditor Direction and the DIP Lender Direction is intended to enhance the value of Reorganized Covanta and, thus, derivatively inure to the benefit of the such

creditors via their Distributions under the Second Reorganization Plan. It is estimated that (i) the amount of Cash proceeds to be transferred pursuant to the Secured Creditor Direction and the DIP Lender Direction is approximately $10,639,000 and (ii) the approximate value of all other Liquidation Assets transferred pursuant to the Secured Creditor Direction and the DIP Lender Direction is $1,999,318. The Debtors further propose that up to $3,000,000 of the Cash subject to the transfers described above be transferred to the Operating Reserve and the Administrative Expense Claims Reserve, which shall be used by the Liquidating Trustee to fund the implementation of the Second Liquidation Plan. The Liquidating Debtors believe that after the transfers contemplated by the Secured Creditor Direction and the DIP Lender Direction, there will be de minimis Residual Liquidation Assets, if any, remaining with the Liquidating Debtors and thereby transferred to the Liquidating Trust pursuant to the Second Liquidation Plan.

2. Funding of the Implementation of the Second Liquidation Plan

As described in Section VIII.G.1 above, the Debtors currently contemplate that on the Liquidation Effective Date, the Liquidating Debtors and the Liquidating Trustee will implement the Secured Creditor Direction and the DIP Lender Direction. The Secured Creditor Direction and the DIP Lender Direction will operate to fund the implementation of the Second Liquidation Plan by requiring that the Reorganizing Debtors fund the Administrative Claims Reserve and the Operating Reserve in an amount not to exceed $2,500,000 and $500,000, respectively. On the Effective Date, or as soon thereafter as practicable, (i) any Liquidating Debtor Cash shall be transferred to the Operating Reserve and (ii) the Reorganizing Debtors shall transfer (a) $2,500,000 to the Administrative Expense Claims Reserve and (b) $500,000 less the amount of any Liquidating Debtor Cash to the Operating Reserve. Based on (i) the aggregate amount of Administrative Expense Claims that the Liquidating Debtors expect will be filed against the Liquidating Debtors in accordance with Article II of the Second Liquidation Plan, (ii) the Priority Tax Claims and Non-Priority Tax Claims that have been asserted against the Liquidating Debtors and (iii) the anticipated fees and expenses of the Liquidating Trustee and the Oversight Nominee, the Liquidating Debtors believe that the funding of the Operating Reserve and the Administrative Expense Claims Reserve in an aggregate amount of up to $3,000,000 will be sufficient to fund the implementation of the Second Liquidation Plan in accordance with Sections 9.14(b) and 9.14(c) of the Second Liquidation Plan.

3. Transfer of Liquidation Assets

On the Liquidation Effective Date, each Liquidating Debtor shall irrevocably transfer and assign its Residual Liquidation Assets, if any, or cause such Residual Liquidation Assets to be transferred and assigned to the Liquidating Trust, to hold in trust for the benefit of all holders of Allowed Claims with respect to each such Liquidating Debtor pursuant to the terms hereof and of the Liquidating Trust Agreement, provided, however, that prior to the transfers contemplated hereby, the Liquidating Trustee and Liquidating Debtors, as applicable, shall make the transfers contemplated by the Secured Creditor Distribution and the DIP Lender Direction to Reorganized Covanta and to the Operating Reserve and the Administrative Expense Claims Reserve. In accordance with section 1141 of the Bankruptcy Code and except as otherwise provided by the Second Liquidation Plan or the Liquidating Trust Agreement, upon the Liquidation Effective Date, title to the Residual Liquidation Assets shall pass to the Liquidating Trust free and clear of all Claims and Equity Interests. The Liquidating Trustee shall pay, or otherwise make Distributions on account of, all Claims against the Liquidating Debtors whose Residual Liquidation Assets were contributed to such Liquidating Trust strictly in accordance with the Second Liquidation Plan. The Liquidation Debtors do not believe that the Residual Liquidation Assets, if any, will provide value for a distribution to creditors.

4. Distribution of the Covanta Liquidating Collateral

The Second Liquidation Plan provides that on the Liquidation Effective Date, or as soon thereafter as practicable, the applicable Liquidating Debtors shall cause to be transferred to the Covanta Liquidating Secured Parties, as holders of the Allowed Other Secured Liquidation Claims, all rights, title and interest to the Covanta Liquidating Collateral free and clear of all Claims and Equity Interests, in accordance with section 1141 of the Bankruptcy Code, and except as otherwise provided by the Liquidation Plan.

5. Dissolution of the Liquidating Debtors

Following the transfers contemplated by the Secured Creditor Direction and the DIP Lender Direction, each Liquidating Debtor shall be dissolved by the Liquidation Trustee pursuant to applicable state law. The Liquidating Trustee shall have all the power to wind up the affairs of each Liquidating Debtor under applicable state laws (including the filing of certificates of dissolution) in addition to all the rights, powers and responsibilities conferred by Bankruptcy Code, the Second Liquidation Plan, the Confirmation Order and the Liquidating Trust Agreement.

6. The Liquidating Trustee

(a) The Liquidating Trustee shall be designated by the Liquidating Debtors in the Notice of Designation, which shall be filed with the Court on or before ten (10) days prior to the Second Plans Confirmation Hearing. The Liquidating Trustee's appointment shall become effective upon the occurrence of the Liquidation Effective Date.

(b) Compensation of the Liquidating Trustee for Dissolution Expenses. The Liquidating Trustee shall be paid for all reasonable and necessary Dissolution Expenses (including the reasonable and necessary fees and expenses of Retained Liquidation Professionals) out of the Operating Reserve in the following manner. On or before any Liquidating Trustee Billing Date, the Liquidating Trustee shall send the Liquidating Trustee Fee Notice and any Retained Liquidation Professional Fee Notices to the Oversight Nominee. Fifteen (15) days after sending the Liquidating Trustee Fee Notice and any Retained Liquidation Professional Fee Notices to the Oversight Nominee, the Liquidating Trustee shall be entitled to withdraw from the Operating Reserve the Dissolution Expenses claimed in such Liquidating Trustee Fee Notice and such Retained Liquidation Professional Fee Notice, provided, however, that if the Oversight Nominee sends a Fee Dispute Notice within such fifteen (15) day period to the Liquidating Trustee or a Retained Professional, then the Liquidating Trustee shall only be entitled to withdraw any undisputed portion of such Dissolution Expenses from the Operating Reserve on such date. As to the disputed portion of such Dissolution Expenses, within five (5) days receipt of the Fee Dispute Notice, the Liquidating Trustee or applicable Retained Liquidation Professional must either (a) notify the Oversight Nominee that it will reduce the Dissolution Expenses in accordance with the Fee Dispute Notice or (b) commence a proceeding in the Court to determine the reasonableness, accuracy or proper scope of the disputed Dissolution Expenses. The Liquidating Trustee shall be paid for all Liquidation Expenses in the manner specified in Section 9.3 of the Second Liquidation Plan.

(c) Recovery or Realization of Liquidation Proceeds. To the extent that the Liquidating Trustee determines in its sole discretion that it could profitably realize Liquidation Proceeds from the sale, transfer, collection or monetization of any Residual Liquidation Assets, which shall not include any of the Liquidation Assets transferred to Reorganized Covanta pursuant to the Secured Creditor Direction or the DIP Lender Direction or any Cash transferred to the Operation Reserve or the Administrative Expense Claims Reserve, then the Liquidating Trustee shall liquidate such Residual Liquidation Assets in accordance with the provisions of the Second Liquidation Plan. Alternatively, if the Liquidating Trustee determines that it would not be profitable to pursue the sale, transfer, collection or monetization of any Residual Liquidation Assets of any respective Liquidating Debtor, then the Liquidating Trustee shall abandon such assets in accordance with Section 9.10 of the Second Liquidation Plan. All Liquidation Expenses incurred by the Liquidating Trustee in the sale, transfer, collection or monetization of Residual Liquidation Assets shall be paid only from the recoveries thereon.

(d) Distributions. On the Liquidation Distribution Date following the realization of any Liquidation Proceeds from the sale, transfer, collection or monetization of any Residual Liquidation Assets in accordance with Section 9.3 of the Second Liquidation Plan, the Liquidating Trustee shall distribute any Net Liquidation Proceeds to the holders of Allowed Claims in accordance with the Second Liquidation Plan. The Liquidating Trustee shall provide notice to the Oversight Nominee in the Liquidation Trustee Billing Notice of (i) the realization of any Liquidation Proceeds; and (ii) any planned Distribution of any Net Liquidation Proceeds to be made on the next Liquidation Distribution Date.

(e) Engagement of Professionals. The Liquidating Trustee shall obtain the approval of the Oversight Nominee prior to retention and engagement of any Retained Liquidation Professionals. Such approval shall not be unreasonably delayed or withheld. Each Retained Liquidation Professional shall submit its Retained Liquidation Professional Fee Notice to the Liquidating Trustee five (5) days prior to the Liquidating Trustee Billing Date. The fees and expenses of such professionals shall be (i) paid by the Liquidating Trustee out of the Operating Reserve so long as such fees and expenses constitute Dissolution Expenses and (ii) paid from the sale, transfer, collection or monetization of any Liquidation Assets, so long as the fees and expenses constitute Liquidation Expenses. The fees and expenses of Retained Liquidation Professionals are subject to the approval of the Oversight Nominee and any disputes concerning the fees and expenses of Retained Professionals will be dealt with in accordance with Section 9.2 of the Second Liquidation Plan.

(f) Status of the Liquidating Trustee. Effective on the Liquidation Effective Date, the Liquidating Trustee shall be the representative of each particular Liquidating Debtor's Estate as that term is used in section 1123(b)(3)(B) of the Bankruptcy Code and shall have the rights and powers provided for in the Liquidating Trust Agreement. In its capacity as the representative of an Estate, the Liquidating Trustee shall be the successor-in-interest to each Liquidating Debtor with respect to any action commenced by such Liquidating Debtor prior to the Confirmation Date, except with respect to the Claims of the Liquidating Pledgor Debtors and the Liquidating Non-Pledgor Debtors that are transferred to Reorganized Covanta pursuant to the

Secured Creditor Direction or the DIP Lender Direction (some of which Claims shall be treated as Class 6 Litigation Claims under the Second Reorganization Plan). All such actions and any and all other claims or interests constituting Residual Liquidation Assets, and all claims, rights and interests thereunder shall be retained and enforced by the Liquidating Trustee as the representative of such Estate pursuant to section 1123(b)(3)(B) of the Bankruptcy Code (except as provided for in the Secured Creditor Direction and the DIP Lender Direction). The Liquidating Trustee shall be a party in interest as to all matters over which the Court has jurisdiction.

(g) Authority. Subject to the limitations contained in the Second Liquidation Plan, the Liquidating Trustee shall have the following powers, and authorities, and duty, by way of illustration and not of limitation:

(i) Manage, sell and convert all or any portion of the Liquidation Assets to Cash and distribute the Net Liquidation Proceeds as specified in the Second Liquidation Plan;

(ii) Release, convey or assign any right, title or interest in or about the Residual Liquidation Assets or any portion thereof;

(iii) Pay and discharge any costs, expenses, fees of Retained Liquidation Professionals or obligations deemed necessary to preserve or enhance the value of the Residual Liquidation Assets, discharge duties under the Second Liquidation Plan or perform the purposes of the Second Liquidation Plan;

(iv) Open and maintain bank accounts and deposit funds and draw checks and make disbursements in accordance with the Second Liquidation Plan;

(v) Engage and have such attorneys, accountants, agents, tax specialists, financial advisors, other professionals, and clerical assistance as may, in the discretion of the Liquidating Trustee, be deemed necessary for the purposes specified under the Second Liquidation Plan;

(vi) Sue and be sued and file or pursue objections to Claims and seek to estimate them;

(vii) Enforce, waive or release rights, privileges or immunities of any kind;

(viii) In general, without in any manner limiting any of the foregoing, deal with the Residual Liquidation Assets or any part or parts thereof in all other ways as would be lawful for any person owning the same to deal therewith, whether similar to or different from the ways specified in the Second Liquidation Plan;

(ix) Abandon any Residual Liquidation Assets in accordance with Section 9.10 of the Second Liquidation Plan;

(x) File certificates of dissolution and take any other action necessary to dissolve and wind up the affairs of the Liquidating Debtors in accordance with applicable state law;

(xi) As soon as is practicable after the Final Distribution Date of each Liquidating Debtor, ask the Court to enter the Final Order closing the Chapter 11 Case of each such Liquidating Debtor; and

(xii) Without limitation, do any and all things necessary to accomplish the purposes of the Second Liquidation Plan.

(h) Objectives. In selling the Residual Liquidation Assets, or otherwise monetizing them, the Liquidating Trustee shall use his or her best efforts to maximize the amount of Liquidation Proceeds derived therefrom. The Liquidating Trustee shall cause all Residual Liquidation Assets not otherwise abandoned to be sold or otherwise monetized by the second anniversary of the Liquidation Effective Date.

(i) Distributions. The Liquidating Trustee shall be responsible for making Distributions described in the Second Liquidation Plan, and shall coordinate, as necessary, to make the transfers of the Distributions and other Liquidation Assets as contemplated by the Secured Creditor Direction and the DIP Lender Direction.

(j) Abandonment. The Liquidating Trustee may abandon, on thirty (30) days' written notice to the Oversight Nominee and United States Trustee, any property which he or she determines in his or her reasonable discretion to be of de minimis value to the Liquidating Trust, including any pending adversary proceeding or other legal action commenced or commenceable by the Liquidating Trust. If either the Oversight Nominee or the United States Trustee provides a written objection to the Liquidating Trustee prior to expiration of such thirty-day period with respect to the proposed abandonment of such property, then such property may be abandoned only pursuant to an application made to the

Court.

(k) Resignation. The Liquidating Trustee may resign at any time by giving at least thirty (30) days' written notice to the Oversight Nominee and the United States Trustee. In case of the resignation, removal or death of a Liquidating Trustee, a successor shall thereupon be appointed by agreement of the Oversight Nominee and the United States Trustee.

(l) Reserves. The Liquidating Trustee shall establish and maintain the Disputed Claims Reserve, the Operating Reserve and the Administrative Expense Claims Reserve. The Office of the United States Trustee has advised the Debtors that at the Second Plans Confirmation Hearing, it will request the posting of a defalcation bond for the performance of the Liquidating Trustee in the amount of cash held in the Disputed Claims Reserve, the Operating Reserve and the Administrative Expense Claims Reserve. The Debtors estimate the cost of a defalcation bond to be approximately $1.00 per $1,000.00 in amount of such bond.

The Disputed Claims Reserve. Upon (i) the Liquidating Trustee's determination that Disputed Claims have been asserted against a Liquidating Debtor and (ii) the Liquidating Trustee's identification of Liquidation Proceeds that are not Collateral, the Liquidating Trustee shall establish the Disputed Claims Reserve, in order to make disbursements to each holder of a Disputed Claim against the applicable Liquidating Debtor, as provided in Article VII of the Second Liquidation Plan, whose Claim is or becomes an Allowed Claim, as the case may be, in the amount specified in the Final Order allowing such Disputed Claim on the Liquidation Distribution Date occurring after such order becomes a Final Order.

The Operating Reserve. On the Liquidation Effective Date, the Liquidating Trustee shall establish the Operating Reserve in order to pay all Priority Tax Claims, Priority Non-Tax Claims of the Liquidating Debtors and any Oversight Nominee Expenses and Dissolution Expenses. The Operating Reserve shall be funded in an amount not to exceed $500,000, pursuant to the Secured Creditor Direction. Such $500,000 shall be funded by the Liquidating Debtors, to the extent of any Liquidating Debtor Cash and the Reorganizing Debtors, to the extent of the Reorganizing Debtors' Operating Reserve Obligations. Upon the latest to occur of (i) the entry of the Final Order closing each of the Liquidating Debtors' Chapter 11 Cases, (ii) the Final Liquidation Determination Date and (iii) the final payment of any Dissolution Expenses and Oversight Nominee Expenses, to the extent that there is any Cash in the Operating Reserve, the Liquidating Trustee shall contribute such Cash to Reorganized Covanta.

The Administrative Expense Claims Reserve. On the Liquidation Effective Date, the Liquidating Trustee will establish the Administrative Expense Claims Reserve in order to pay all Administrative Expense Claims of the Liquidating Debtors. The Administrative Expense Claims Reserve shall be funded in an amount up to $2,500,000, pursuant to the Secured Creditor Direction. Such amount shall be funded by the Reorganizing Debtors, to the extent of the Reorganizing Debtors' Administrative Expense Claims Reserve Obligations. Upon the latest to occur of (i) the entry of the Final Order closing each of the Liquidating Debtors' Chapter 11 Cases, (ii) the Final Liquidation Determination Date and (iii) the final payment of any Dissolution Expenses and Oversight Nominee Expenses, to the extent that there is any Cash in the Administrative Expense Claims Reserve, the Liquidating Trustee shall contribute such Cash to Reorganized Covanta.

(m) Statements. The Liquidating Trustee shall maintain a record of the names and addresses of all holders of Allowed Unsecured Liquidation Claims against the applicable Liquidating Debtor for purposes of mailing Distributions to them. The Liquidating Trustee may rely on the name and address set forth in the applicable Liquidating Debtor's schedules filed with the Court, except to the extent a different name and/or address shall be set forth in a proof of claim filed by such holder in the cases, and the Liquidating Trustee may rely on the names and addresses in such schedules and/or proof of claim as being true and correct unless and until notified in writing. The Liquidating Trustee shall file all tax returns and other filings with Governmental Authorities on behalf of the Liquidation Trust and the Assets it holds.

(n) Further Authorization. The Liquidating Trustee shall be entitled to seek such orders, judgments, injunctions and rulings, as he or she deems necessary to carry out the intentions and purposes, and to give full effect to the provisions, of the Second Liquidation Plan.

7. The Oversight Nominee

(a) Appointment of the Oversight Nominee. The Oversight Nominee shall be designated by the Liquidating Debtors in the Notice of Designation, which shall be filed with the Court on or before ten (10) days prior to the Second Plans Confirmation Hearing. The appointment of the Oversight Nominee shall become effective upon the occurrence of the Liquidation Effective Date.

(b) Authority and Responsibility of the Oversight Nominee. The Oversight Nominee shall have the authority and responsibility to review the activities and performance of the Liquidating Trustee, and shall have the authority to remove and replace the Liquidating Trustee. It shall have such further authority as may be specifically granted or necessarily implied by the Second Liquidation Plan.

(c) The Oversight Nominee Expenses. The Oversight Nominee Expenses shall be paid by the Liquidating Trustee out of the Operating Reserve.

8. Exclusivity Period

The Debtors will retain the exclusive right to amend or modify the Second Liquidation Plan, and to solicit acceptances of any amendments to or modifications of the Second Liquidation Plan, through and until the Liquidation Effective Date.

G. Distributions and Disputed Claims under the Second Reorganization Plan

1. Time of Distributions

Unless otherwise provided in the Second Reorganization Plan, any Distributions and deliveries to be made hereunder shall be made on the Reorganization Effective Date or as soon thereafter as is practicable. In the event that any payment or act under the Second Reorganization Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the initial due date.

2. Distributions to Allowed Class 6 Claims After the Reorganization Effective Date

The Disbursing Agent shall have the option, subject to consultation with the Class 6 Representative, to make an interim Distribution (including any Distributions with respect to the Settlement Distribution) to holders of Allowed Class 6 Claims before final resolution with respect to the allowance of all Class 6 Claims, subject to retaining sufficient reserves with respect to any still Disputed Class 6 Claims in accordance with Section 8.4 of the Second Reorganization Plan. From time to time, the Class 6 Representative shall advise the Disbursing Agent as to the appropriateness of making any such interim Distribution to the holders of Allowed Class 6 Claims. It is possible that interim Distributions to holders of Allowed Class 6 Claims will not be made and thus there is a substantial likelihood that Distributions to Allowed Class 6 Claimholders will be subject to substantial delay.

The Class 6 Representative shall designate an escrow agent or depository for the purposes of holding Cash, the CPIH Participation Interest and any proceeds thereof and the interest in the New CPIH Funded Debt for the benefit of holders of Allowed Class 6 Claims prior to such time as the Disbursing Agent makes an interim or final Distribution to holders of Allowed Class 6 Claims. All costs of implementing and maintaining any such depository or escrow arrangement shall be paid for from the proceeds of the Distribution to holders of Allowed Class 6 Claims.

3. Distribution Record Date

As of the close of business on the applicable Distribution Record Date, the applicable Reorganizing Debtor's books and records for each of the Classes of Claims or Equity Interests as maintained by such Reorganizing Debtor or its respective agent, or, in the case of the 9.25% Debentures, the Indenture Trustee therefor, shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Equity Interests. The applicable Reorganizing Debtor shall have no obligation to recognize any transfer of Claims or Equity Interests occurring on or after the applicable Distribution Record Date. The applicable Reorganizing Debtor shall be entitled to recognize and deal for all purposes hereunder only with those record holders stated in the books and records of the applicable Reorganizing Debtor or its respective agent, or, in the case of the 9.25% Debentures, the Indenture Trustee thereof, as of the close of business on the Distribution Record Date, to the extent applicable.

4. Disbursing Agent

Reorganized Covanta and such other Persons as may be selected by Reorganized Covanta and approved by the Court shall act as Disbursing Agents under the Second Reorganization Plan. No Court approval shall be required for using Bank of America, N.A., as a Disbursing Agent for distributions to the Prepetition Lenders or, subject to agreement with Wells Fargo Bank Minnesota, National Association, for using Wells Fargo Bank Minnesota as a Disbursing Agent for distributions to holders of 9.25% Debentures after the Effective Date. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court, and, in the event that a Disbursing Agent is so otherwise ordered, the costs and expenses that are directly related to procuring any such bond or

surety shall be borne by the Reorganized Debtors.

The Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Second Reorganization Plan, (ii) make all Distributions contemplated thereby, (iii) employ professionals to represent it with respect to its responsibilities, and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Court, pursuant to the Second Reorganization Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions thereof.

5. Surrender of Securities or Instruments

As a condition to receiving any distribution under the Second Reorganization Plan, each holder of an Allowed Claim represented by a certificated instrument or note must surrender such instrument or note held by it to the Disbursing Agent or its designee, unless such certificated instrument or note is being reinstated or being left unimpaired under the Second Reorganization Plan. Any holder of such instrument or note that fails to (i) surrender such instrument or note or (ii) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Disbursing Agent and furnish a bond in form, substance and amount reasonably satisfactory to the Disbursing Agent before the first anniversary of the Reorganization Effective Date, shall be deemed to have forfeited all rights and Claims and may not participate in any distribution under the Second Reorganization Plan in respect of such Claim. Any other holder of an Allowed Claim who fails to take such action reasonably required by the Disbursing Agent or its designee to receive its Distribution thereunder before the first anniversary of the Reorganization Effective Date, or such earlier time as otherwise provided for in the Second Reorganization Plan, may not participate in any Distribution under the Second Reorganization Plan in respect of such Claim. Any Distribution forfeited under the Second Reorganization Plan shall become property of the applicable Reorganized Debtor.

6. Delivery of Distributions

Distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Court unless superseded by the address as set forth on the proofs of claim filed by such holders or other writing notifying the applicable Reorganized Debtor of a change of address. If any holder's Distribution is returned as undeliverable, no further Distributions to such holder shall be made unless and until the applicable Reorganized Debtor is notified of such holder's then current address, at which time all missed Distributions shall be made on or before one hundred and twenty (120) days after the date such undeliverable Distribution was initially made. After such date, all unclaimed property shall, in the applicable Reorganized Debtor's discretion, be used to satisfy the costs of administering and fully consummating the Second Reorganization Plan or become property of the applicable Reorganized Debtor, and the holder of any such Claim shall not be entitled to any other or further distribution under the Second Reorganization Plan on account of such Claim.

7. DeMinimis Distributions and Fractional Distributions

Unless written request addressed to the Reorganized Debtors or Disbursing Agent is received within one hundred and twenty (120) days after the Reorganization Effective Date, the Disbursing Agent or such other entity designated by such Reorganized Debtor as a Disbursing Agent on or after the Reorganization Effective Date will not be required to distribute Cash or Second Reorganization Plan Notes to the holder of an Allowed Claim in an Impaired Class if the amount of Cash or the Estimated Recovery Value of such Reorganization Plan Notes combined to be distributed on any Distribution Date under the Second Reorganization Plan on account of such Claim is less than $100. Any holder of an Allowed Claim on account of which the amount of Cash or the combined Estimated Recovery Value of Reorganization Plan Notes to be distributed is less than $100 will have its Claim for such Distribution discharged and will be forever barred from asserting any such Claim against the Reorganized Debtors or their respective property. Any Cash or Reorganization Plan Notes not distributed pursuant to this Section 7.8 will become the property of the Reorganized Debtors, free of any Liens, encumbrances or restrictions thereon. Any other provision of the Second Reorganization Plan notwithstanding, neither the Reorganized Debtors nor the Disbursing Agent shall be required to make distributions or payments of fractions of dollars. Whenever any payment of a fraction of a dollar under the Second Reorganization Plan would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down. Any other provision of the Second Reorganization Plan notwithstanding, payments of fractions of Reorganization Plan Notes will not be made and shall be rounded (up or down) to the nearest whole number, with fractions equal to or less than 1/2 being rounded down.

8. No Distribution on Disputed Claims

Under the Second Reorganization Plan, no payments or distributions will be made with respect to all or any portion of a Disputed Claim unless and until

all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

9. Objections to Claims

Unless otherwise ordered by the Court after notice and a hearing, the Reorganizing Debtors or Reorganized Debtors shall have the exclusive right to make and file objections to Claims (other than Administrative Expense Claims) and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred and twenty (120) days after the Effective Date; provided, however, that the period for making objections may be automatically extended by the Reorganizing Debtors without any further application to, or approval by, the Court, for up to an additional thirty (30) days. The foregoing deadlines for filing objections to Claims shall not apply to Claims for tort damages as to which objections may be filed at any time.

10. No Distribution Pending Allowance

Notwithstanding any other provision of the Second Reorganization Plan, no Cash, Reorganization Plan Notes shall be distributed under the Second Reorganization Plan on account of any Disputed Claim, unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

11. Resolution of Disputed Claims and Equity Interests

Unless otherwise ordered by the Court after notice and a hearing, the Reorganizing Debtors or Reorganized Debtors shall have the exclusive right to make and file objections to Claims (other than Administrative Expense Claims) and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred and twenty (120) days after the Reorganization Effective Date; provided, however, that such one hundred and twenty (120) day period may be automatically extended by the Reorganizing Debtors without any further application to, or approval by, the Court, for up to an additional thirty (30) days. The foregoing deadlines for filing objections to Claims shall not apply to Claims for tort damages and, accordingly, no such deadline shall be imposed by the Second Reorganization Plan. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the holder thereof if the Reorganizing Debtors effect service in any of the following manners: (i) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (ii) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto; or (iii) by first class mail, postage, on any counsel that has appeared on the holder's behalf in the Chapter 11 Cases.

Except with respect to Administrative Expense Claims as to which the Administrative Expense Claim Bar Date does not apply, Administrative Expense Claims must be filed with the Court and served on counsel for the Reorganizing Debtors on or before the Administrative Expense Claim Bar Date. The Reorganizing Debtors, Reorganized Debtors, or any other party in interest permitted under the Bankruptcy Code may make and file objections to any such Administrative Expense Claim and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred and eighty (180) days after the Reorganization Effective Date. In the event the Reorganizing Debtors or Reorganized Debtors file any such objection, the Court shall determine the Allowed amount of any such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim that is paid or payable by the Reorganizing Debtors in the ordinary course of business.

12. Estimation of Certain Claims

The Reorganizing Debtors may, at any time, request that the Court estimate any contingent, unliquidated or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Reorganizing Debtors previously objected to such Claim or whether the Court has ruled on any such objection, and the Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim. In the event that the Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Reorganizing Debtors may elect to pursue a supplemental proceeding to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessary exclusive of one another.

13. Reserve Account for Disputed Claims

On and after the Distribution Date, the Disbursing Agent shall hold in

one or more Disputed Claims Reserves, for each Class in which there are any Disputed Claims, Cash or Reorganization Plan Notes in an aggregate amount sufficient to pay to each holder of a Disputed Claim the amount of Cash or Reorganization Plan Notes that such holder would have been entitled to receive pro rata under the Second Reorganization Plan if such Claim had been an Allowed Claim in such Class; provided, however that with respect to Disputed Claims in Class 4, the Reorganized Debtors shall not be required to establish a Disputed Claims Reserve but instead shall issue new Reorganization Plan Unsecured Notes if and when any Disputed Claim in Class 4 becomes an Allowed Claim. Cash withheld and reserved for payments to holders of Disputed Claims in any Class shall be held and deposited by the Disbursing Agent in one or more segregated interest-bearing reserve accounts for each Class of Claims in which there are Disputed Claims entitled to receive Cash, to be used to satisfy the Disputed Claims if and when such Disputed Claims become Allowed Claims.

14. Allowance of Disputed Claims

With respect to any Disputed Claim that is subsequently deemed Allowed, on the Distribution Date for any such Claim the Reorganizing Debtors shall distribute from the Disputed Claims Reserve Account corresponding to the Class in which such Claim is classified to the holder of such Allowed Claim the amount of Cash or Reorganization Plan Notes that such holder would have been entitled to recover pro rata under the Second Reorganization Plan if such Claim had been an Allowed Claim on the Reorganization Effective Date, together with such claimholder's Pro Rata Class Share of net interest, if any, on such Allowed Claim. For purposes of the immediately preceding sentence, such holder's Pro Rata Class Share of net interest shall be calculated by multiplying the amount of interest on deposit in the applicable Disputed Claims Reserve account on the date immediately preceding the date on which such Allowed Claim is to be paid by a fraction, the numerator of which shall equal the amount of such Allowed Claim and the denominator of which shall equal the amount of all Claims for which deposits are being held in the applicable Disputed Claims Reserve account on the date immediately preceding the date on which such Allowed Claim is to be paid.

15. Release of Funds from Disputed Claims Reserve

If at any time or from time to time after the Reorganization Effective Date, there shall be Cash or Reorganization Plan Notes in the Disputed Claims Reserve account with respect to Class 6 Claims in an amount in excess of the Reorganizing Debtors' maximum remaining payment obligations to the then existing holders of Disputed Claims in the Class of Claims corresponding to such Disputed Claims Reserve account under the Second Reorganization Plan, such excess funds, and the Pro Rata Class Share of net interest in respect thereof, shall become available for Distribution to the holders of Allowed Claims in the Class corresponding to the Disputed Claims Reserve Account at issue in accordance with the Second Reorganization Plan.

16. Allowance of Certain Claims

(a) Professional Claims and Substantial Contribution Claims

(i) Under the Second Reorganization Plan, all Retained Professionals and other entities seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code must file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses no later than forty-five (45) days after the Reorganization Effective Date. Subject to the Court determination that any such Claim is Allowed, the Reorganized Debtors shall pay in full any such Allowed Administrative Expense Claims on the Distribution Date, or upon such other less favorable terms as may be mutually agreed upon between the holder of such an Allowed Administrative Expense Claim and the Reorganizing Debtors or, on and after the Reorganization Effective Date, the Reorganized Debtors, and, in each case, approved by the Court after notice and a hearing. Any request for payment of an Administrative Expense Claim of the type which is not filed by the applicable deadline shall be barred.

(ii) Any Person who requests compensation or expense reimbursement for a Substantial Contribution Claim in the Chapter 11 Cases must file an application with the clerk of the Court, on or before the Administrative Expense Bar Date, which is thirty (30) days after the Effective Date, and serve such application on counsel for the Reorganized Debtors and as otherwise required by the Court and the Bankruptcy Code on or before such date. Failure to file a Substantial Contribution Claim on or before such date will result in that Person being forever barred from seeking compensation or expense reimbursement for such Substantial Contribution Claim.

(iii) All other requests for payment of an Administrative Expense Claim (other than as set forth above) that are subject to the Administrative Expense Claim Bar Date must be filed with the Court and served on counsel for the Reorganizing Debtors and as otherwise required by the Court and Bankruptcy Code on or before the Administrative Expense Bar Date. Unless the Reorganizing Debtors, Reorganized Debtors, or any other party in interest in the Chapter 11 Cases objects to an Administrative Expense Claim by the Claims Objection Deadline, such Administrative Expense Claim shall be deemed Allowed in the

amount filed. In the event that the Reorganizing Debtors, Reorganized Debtors, or any other party in interest in the Chapter 11 Cases objects to an Administrative Expense Claim, the Court shall determine the Allowed amount of such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim that is incurred and payable by the Reorganizing Debtors or Reorganized Debtors in the ordinary course of business.

(b) DIP Financing Facility Claims

On the Reorganization Effective Date, the Reorganizing Debtors shall pay all funded and additional amounts outstanding under the DIP Financing Facility (other than amounts outstanding with respect to Tranche C thereunder) and all commitments thereunder shall automatically and irrevocably terminate; provided, however, that on the Effective Date, all outstanding and unfunded letters of credit issued under Tranche A of the DIP Financing Facility shall be replaced by letters of credit to be issued under the Second Lien L/C Facility and, subject to acceptance by the requisite number of Tranche B DIP Lenders in accordance with section 2.13 of the DIP Financing Facility, all outstanding letters of credit issued under Tranche B of the DIP Financing Facility shall be replaced or otherwise continued by letters of credit to be issued under the First Lien L/C Facility or the Second Lien L/C Facility (as applicable) or otherwise cash collateralized in an amount not less than one hundred and five percent (105%) of the face amount thereof pursuant to documentation in form and substance satisfactory to the DIP Agents and the issuing banks. Once all such payments have been received by the DIP Lenders or cash collateralized and all commitments thereunder have been terminated and such letters of credit have been issued under the First Lien L/C Facility or the Second Lien L/C Facility (as applicable), the DIP Financing Facility shall be terminated with respect to the Reorganizing Debtors (subject in all respects to any carve-out approved by the Court in the Final DIP Order and any other terms of the DIP Financing Facility and the Final Order that by their express terms survive the termination of the Facility), and the DIP Lenders shall take all steps necessary to confirm the removal of any liens on the properties of the applicable Reorganizing Debtors securing the DIP Financing Facility at the sole cost of the Reorganized Debtors. To the extent that Claims arising under Tranche B of the DIP Financing Facility will not be paid in full as a result of reinstatement and continuation of such letters of credit under the First Lien L/C Facility or Second Lien L/C Facility, acceptance of such treatment in full satisfaction of their Administrative Claim by the requisite majority of DIP Lenders as provided under section 2.13 of the DIP Financing Facility shall be binding on all DIP Lenders.

H. Distributions and Disputed Claims under the Second Liquidation Plan

1. The Secured Creditor Direction and the DIP Lender Direction

As previously described herein, the Debtors currently contemplate that on the Liquidation Effective Date, the Liquidating Debtors and the Liquidating Trustee will implement the Secured Creditor Direction and the DIP Lender Direction. In accordance therewith, on the Liquidation Effective Date, any Liquidation Assets or Distributions subject to the Secured Creditor Direction or the DIP Lender Direction will be transferred to Reorganized Covanta, to the extent that such Distributions or Liquidation Assets have not already been so transferred, provided, however, that an amount not to exceed $3,000,000 shall be transferred by the Liquidating Debtors, to the extent of any Liquidating Debtor Cash and the Reorganizing Debtors, to the extent of the Reorganizing Debtors' Reserve Obligations to fund the Administrative Expense Claims Reserve and the Operating Reserve in the respective amounts set forth in the Second Liquidation Plan. Any Residual Liquidation Assets, which are not subject to the Secured Creditor Direction or the DIP Lender Direction, will be dealt with in accordance with paragraph VIII.F.6(c) and any proceeds resulting from the liquidation thereof will be distributed in accordance with paragraph VIII.H.3.

2. Time of Distributions

Except as otherwise provided for in the Second Liquidation Plan, by the Secured Creditor Direction or the DIP Lender Direction or ordered by the Court, distributions under the Second Liquidation Plan will be made on (i) the Initial Liquidation Distribution Date, as to Priority Tax Claims and Priority Non-Tax Claims from the Operating Reserve and as to Administrative Expense Claims from the Administrative Expense Claims Reserve or (ii) any subsequent Liquidation Distribution Date. The Initial Liquidation Distribution Date shall occur on the later of the Liquidation Effective Date (or as soon thereafter as reasonably practicable) and the First Business Day after the date that is thirty (30) calendar days after the date a Claim becomes Allowed. Each subsequent Liquidation Distribution Date shall occur on last Business Day of each calendar quarter if, on such date, prior to the distribution to holders of Allowed Claims, there are any Net Liquidation Proceeds. In the event that any payment or act under the Second Liquidation Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the initial due date.

3. Order of Distributions

Distributions will be made from the Liquidation Trust to the holders of Claims against the Liquidating Debtors, upon the realization of any Net Liquidation Proceeds from the Residual Liquidation Assets contained in the Liquidation Trust, which were not otherwise transferred pursuant to the Secured Creditor Direction or the DIP Lender Direction. To the extent that the Liquidating Trustee is able to extract any Net Liquidation Proceeds from the Residual Liquidation Assets, such Net Liquidation Proceeds shall be distributed in the following manner: (i) the Liquidating Trustee shall first deduct and pay itself any Liquidation Expenses incurred in extracting such Net Liquidation Proceeds and (ii) the Liquidating Trustee shall distribute any remaining Net Liquidation Proceeds pro rata to (a) the holders of Class 3A Claims, to the extent that the Net Liquidation Proceeds are attributable to a Liquidating Pledgor Debtor; and (b) to the DIP Lenders, to the extent that the Net Liquidation Proceeds are attributable to a Liquidating Non-Pledgor Debtor.

4. No Distribution Pending Allowance

Notwithstanding any other provision of the Second Liquidation Plan, no Net Liquidation Proceeds or other Distribution shall be distributed under the Second Liquidation Plan on account of any Disputed Claim, unless and until all objections have been settled or withdrawn or have been determined by a Final Order and the Disputed Claim or some portion thereof, has become an Allowed Claim.

5. Resolution of Disputed Claims and Equity Interests

(a) Unless otherwise ordered by the Court after notice and a hearing, the Liquidating Trustee shall have the exclusive right to make and file objections to Claims (other than Administrative Expense Claims) and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred and twenty (120) days after the Effective Date; provided, however, that such one hundred and twenty (120) day period may be automatically extended by the Liquidating Trustee, without any further application to, or approval by, the Court, for an additional thirty (30) days. The foregoing deadlines for filing objections to Claims shall not apply to filing objections to Claims for tort damages and, accordingly, the Second Liquidation Plan shall impose no such deadline.

(b) Except with respect to Administrative Expense Claims as to which the Administrative Expense Claim Bar Date does not apply, Administrative Expense Claims must be filed with the Court and served on counsel for the Liquidating Debtors (if prior to the Liquidation Effective Date) and counsel for the Liquidating Trustee (if after the Liquidation Effective Date) on or before the Administrative Expense Claim Bar Date. The Liquidating Debtors, the Liquidating Trustee or any other party in interest permitted under the Bankruptcy Code may make and file objections to any such Administrative Expense Claim and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than the Claims Objection Deadline. In the event the Liquidating Debtors or the Liquidating Trustee file any such objection, the Court shall determine the Allowed amount of any such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim that is paid or payable by the Liquidating Debtors or the Liquidating Trustee in the ordinary course of business.

6. Estimation of Claims

The Liquidating Trustee may, at any time request that the Court estimate any contingent, unliquidated or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Liquidating Debtors previously objected to such Claim or whether the Court has ruled on any such objection, and the Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim. In the event that the Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Liquidating Trustee may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessary exclusive of one another.

7. Reserve Account for Disputed Claims

Upon (i) the Liquidating Trustee's determination that Disputed Claims have been asserted against a Liquidating Debtor and (ii) the Liquidating Trustee's identification of Liquidation Proceeds that are not Collateral, the Liquidating Trustee shall establish the Disputed Claims Reserve in accordance with Section 9.14(a) of the Second Liquidation Plan and hold in the Disputed Claims Reserve, for each Class in which such Disputed Claims exist, Cash in an aggregate amount sufficient to pay to each holder of a Disputed Claim the amount of Cash that such holder would have been entitled to receive under the Second Liquidation Plan if such Claim had been an Allowed Claim in such Class. Cash withheld and reserved for payments to holders of Disputed Claims in any Class shall be held and deposited by the Liquidating Trustee in one or more segregated interest-bearing reserve accounts for each Class of Claims in which there are

Disputed Claims entitled to receive Cash, to be used to satisfy the Disputed Claims if and when such Disputed Claims become Allowed Claims.

8. Allowance of Disputed Claims

As to each Liquidating Debtor, to the extent that a Disputed Claim ultimately becomes an Allowed Claim, payments and distributions on account of such Allowed Claim shall be made in accordance with the provisions of the Second Liquidation Plan governing the Class of Claims to which such Claim belongs. On the succeeding Liquidation Distribution Date, after the date that the order or judgment of the Court allowing such Claim becomes a Final Order, any property that would have been distributed prior to the date on which a Disputed Claim becomes an Allowed Claim shall be distributed on the next Liquidation Distribution Date, together with such claimholder's Pro Rata Class share of net interest, if any, on such Allowed Claim.

9. Allowance of Certain Claims

(a) Professional Claims, Substantial Contribution Claims and DIP Financing Facility Claims

In accordance with Section VIII.G, hereof, the Reorganizing Debtors shall pay and/or satisfy all Claims asserted against the Debtors generally, with respect to (i) all Retained Professionals (other than Retained Liquidation Professionals) and other entities seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code, including any Person making a Substantial Contribution Claim and (ii) all amounts outstanding under the DIP Financing Facility.

(b) Other Administrative Claims

All other requests for payment of an Administrative Claim against a Liquidating Debtor (other than those seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code) must be filed with the Court and served on the Liquidating Trustee no later than the Administrative Claims Bar Date, which is thirty (30) days following the Liquidation Effective Date. Unless the Liquidating Trustee objects to an Administrative Expense Claim by the Claims Objection Deadline, such Administrative Expense Claim shall be deemed Allowed in the amount filed. In the event that the Liquidating Trustee objects to an Administrative Expense Claim, the Court shall determine the Allowed amount of such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim that is paid or payable by the Liquidating Trustee in the ordinary course of business.

I. Treatment of Executory Contracts and Unexpired Leases; Bar Date for Rejection Damage Claims

1. General Treatment

(a) Reorganizing Debtors: For the Rejecting Debtors, on the Reorganization Effective Date and subject to the provisions of Section 4.5 of the Second Reorganization Plan, all executory contracts and unexpired leases to which each of the Rejecting Debtor is a party shall be deemed rejected, except for any executory contract or unexpired lease of the Rejecting Debtors that (i) has been previously assumed or rejected pursuant to a Final Order of the Court, (ii) is specifically designated as a contract or lease on the Rejecting Debtors' Schedule of Assumed Contracts and Leases, filed as Exhibit 9.1A(s) of the Second Reorganization Plan, as may be amended, (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors at or prior to the Second Plans Confirmation Hearing, or (iv) is an executory contract or lease to which any other Reorganizing Debtor is counterparty. The Rejecting Debtors expressly reserve the right to add or remove executory contracts and unexpired leases to or from the Rejecting Debtors' Schedule of Assumed Contracts and Leases at any time prior to the Reorganization Effective Date. The listing of a document on the Rejecting Debtors' Schedule of Assumed Contracts and Leases shall not constitute an admission that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

For the Assuming Debtors, on the Reorganization Effective Date all executory contracts and unexpired leases to which each of the Assuming Debtors is a party shall be deemed assumed, except for any executory contract or unexpired lease of the Assuming Debtors that (i) has been previously assumed or rejected pursuant to a Final Order of the Court, (ii) is specifically designated as a contract or lease on the Assuming Debtors' Schedule of Rejected Contracts and Leases, filed as Exhibit 9.1B(s) of the Second Reorganization Plan, as may be amended, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors at or prior to the Second Plans Confirmation Hearing. The Assuming Debtors expressly reserve the right to add or remove executory contracts and unexpired leases to

or from the Assuming Debtors' Schedule of Rejected Contracts and Leases at any time prior to the Reorganization Effective Date. The listing of a document on the Assuming Debtors' Schedule of Assumed Contracts and Leases shall not constitute an admission that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

Each executory contract and unexpired lease listed or to be listed on the Contract Schedules shall include modifications, amendments, supplements, restatements or other agreements, including guarantees thereof, made directly or indirectly by any Reorganizing Debtor in any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on the Contract Schedules. The mere listing of a document on the Contract Schedules shall not constitute an admission by the Reorganizing Debtors that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

(b) Liquidating Debtors: For Liquidating Debtors, on the Liquidation Effective Date all executory contracts and unexpired leases shall be deemed rejected other than those executory contracts or unexpired leases that are or have been (a) specifically designated as a contract or lease on the Schedule of Assumed Contracts and Leases, filed as Exhibit 5 of the Second Liquidation Plan, as may be amended; (b) previously assumed or rejected pursuant to a Final Order of the Court; or (c) subject to a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the applicable Liquidating Debtor prior to the Confirmation Date. On the Effective Date, each of the executory contracts and unexpired leases listed on the Schedule of Assumed Contracts and Leases shall be deemed to be assumed by the applicable Liquidating Debtor and assigned to Reorganized Covanta on the Reorganization Effective Date. The Liquidating Debtors reserve the right to add or remove executory contracts and unexpired leases to or from the Schedule of Assumed Contracts and Leases at any time prior to the Liquidation Effective Date.

2. Cure of Defaults

Except to the extent that (i) a different treatment has been agreed to by the nondebtor party or parties to any executory contract or unexpired lease to be assumed pursuant to Section 9.1 of the Second Reorganization Plan or Section 8.2 of the Second Liquidation Plan, or (ii) any executory contract or unexpired lease shall have been assumed pursuant to an order of the Court which order shall have approved the cure amounts with respect thereto, the applicable Debtor shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, no later than thirty (30) days after the Confirmation Date, file with the Court and serve one or more pleadings listing the cure amounts of all executory contracts or unexpired leases to be assumed, subject to the Reorganizing Debtors right to amend any such pleading or pleadings any time prior to thirty (30) days after the Confirmation Date. The parties to such executory contracts or unexpired leases to be assumed by the applicable Debtor shall have fifteen (15) days from service of such pleading to object to the cure amounts listed by the applicable Debtor. Service of such pleading shall be sufficient if served on the other party to the contract or lease at the address indicated on (i) the contract or lease, (ii) any proof of claim filed by such other party in respect of such contract or lease, or (iii) the Debtors' books and records, including the Schedules; provided, however, that if a pleading served by a Debtor to one of the foregoing addresses is promptly returned as undeliverable, the applicable Debtor shall attempt reservice of the pleading on an alternative address, if any, from the above listed sources. If any objections are filed, the Court shall hold a hearing. Any party failing to object to the proposed cure amount fifteen (15) days following service of the proposed cure amount by the Debtors shall be forever barred from asserting, collecting, or seeking to collect any amounts in excess of the proposed cure amount against the Reorganizing Debtors or Reorganized Debtors. Notwithstanding the foregoing or anything in Section 9.3 of the Second Reorganization Plan or Section 8.3 of the Second Liquidation Plan, at all times through the date that is five (5) Business Days after the Court enters an order resolving and fixing the amount of a disputed cure amount, the Debtors shall have the right to reject such executory contract or unexpired lease.

3. Approval of Assumption of Certain Executory Contracts

Subject to Sections 9.1 and 9.2 of the Second Reorganization Plan and Sections 8.1 and 8.2 of the Second Liquidation Plan, the executory contracts and unexpired leases on the Rejecting Debtors' Schedule of Assumed Contracts, the executory contracts and unexpired leases of the Assuming Debtors other than those listed on the Assuming Debtors' Schedule of Rejected Contracts and Leases, and the executory contracts and unexpired leases listed on the Liquidating Debtors' Schedule of Assumed Contracts shall be assumed by and, as applicable, assigned to the relevant Reorganizing or Liquidating Debtors as of the applicable Effective Date. Except as may otherwise be ordered by the Court, the Reorganizing Debtors and Liquidating Debtors shall have the right to cause any assumed executory contract or unexpired lease to vest in the Reorganized Debtor designated for such purpose by the Reorganizing Debtors and Liquidating Debtors.

4. Approval of Rejection of Executory Contracts and Unexpired Leases

Entry of the Confirmation Order shall constitute the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of any executory contracts and unexpired leases to be rejected as and to the extent provided in the Second Plans.

5. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Second Plans

Claims arising out of the rejection of an executory contract or unexpired lease pursuant to each Plan must be filed with the Court no later than the later of (i) twenty (20) days after the Effective Date and (ii) thirty (30) days after the entry of an order rejecting such executory contract or lease. Any Claims not filed within such time period will be forever barred from assertion against any of the applicable Debtors and/or their corresponding Estates.

6. Deemed Consents and Deemed Compliance with Respect to Executory Agreements

Unless a counterparty to an executory contract, unexpired lease, license or permit objects to the applicable Debtor's assumption thereof in writing on or before seven (7) days prior to the applicable Confirmation Hearing, then, unless such executory contract, unexpired lease, license or permit has been rejected by the applicable Debtor or will be rejected by operation of the Second Reorganization Plan or the Second Liquidation Plan, the Reorganized Debtors and Reorganized Covanta (as assignee of all executory contracts and unexpired leases assumed by the Liquidating Debtors), shall enjoy all the rights and benefits under each such executory contract, unexpired lease, license and permit without the necessity of obtaining such counterparty's written consent to assumption or retention of such rights and benefits.

To the extent that any executory contract or unexpired lease contains a contractual provision that would require the applicable Debtor to satisfy any financial criteria or meet any financial condition measured by reference to the applicable Debtor's most recent annual audited financial statements, then upon the assumption of any such executory contract or unexpired lease such Debtor shall be deemed to be and to remain in compliance with any such contractual provision regarding financial criteria or financial condition (other than contractual requirements to satisfy a minimum rating from rating agencies) for the period through one year after the Effective Date, and thereafter such financial criteria or financial condition shall be measured by reference to the applicable Debtor's most recent annual audited financial statements.

7. Reorganizing and Liquidating Debtors' Reservation of Rights Under Insurance Policies and Bonds

The enforceability by beneficiaries of (i) any insurance policies that may cover Claims against any Reorganizing or Liquidating Debtor, or (ii) any bonds issued to assure the performance of any such Debtor, is not affected by the Second Plans, nor shall anything contained therein constitute or be deemed to constitute a waiver of any cause of action that the Debtors or any entity may hold against any insurers or issuers of bonds under any such policies of insurance or bonds. To the extent any insurance policy or bond is deemed to be an executory contract, such insurance policy or bond shall be deemed assumed in accordance with Article IX of the Second Reorganization Plan or Article VIII of the Second Liquidation Plan as applicable. Notwithstanding the foregoing, the Debtors do not assume any payment or other obligations to any insurers or issuers of bonds, and any agreements or provisions of policies or bonds imposing payment or other obligations upon the Debtors shall only be assumed as provided pursuant to a separate order of the Court.

American International Group and certain of its subsidiaries or affiliates (collectively, "AIG") were the Debtors' primary casualty insurer during the policy periods from 1985 through 2002 pursuant to certain insurance policies (collectively, the "AIG Policy"). Under the terms of the AIG Policy, the Debtors indemnify AIG for a portion of each claim paid under the AIG Policy. These obligations are currently secured by an undrawn letter of credit of approximately $8.5 million relating to prepetition policies, an undrawn letter of credit of approximately $2.6 million relating to postpetition policies, and approximately $57 million in cash (portions of which represent proceeds from drawn letters of credit and surety bonds, and $2 million of which relates to a postpetition collateral fund) (collectively, the "AIG Collateral"). Based on their current actuarial assumptions, the Debtors believe that the AIG Collateral exceeds the Debtors' estimated reimbursement obligations under the AIG Policy by several millions of dollars and that the Debtors should be reimbursed for any portion of the AIG Collateral that actually exceeds the Debtors' obligations under the AIG Policy (the "Excess AIG Collateral"), plus interest. The full extent of aggregate claims to be paid under the AIG Policy, the Debtors' total reimbursement obligations (if any) and amount of the Excess AIG Collateral owed to the Debtors (if any) is not known at this time. Accordingly, the Debtors are uncertain as to the amount, if any, of the Excess AIG Collateral. Under the Reorganization Plan and the Liquidation Plan, the Reorganized Debtors shall retain the exclusive right to enforce any and all present and future rights, claims and causes of action against AIG or any other person with respect to the AIG Policy, including the collection of any Excess AIG Collateral plus interest,

any claim for damages relating to any failure to properly reimburse the Debtors or Reorganized Debtors for any Excess AIG Collateral plus interest, and any other rights to the Excess AIG Collateral under the AIG Policy.

8. Survival of Reorganizing and Liquidating Debtors' Corporate Indemnities

Any obligations of any of the Reorganizing or Liquidating Debtors pursuant to the applicable Debtor's corporate charters and bylaws or agreements entered into any time prior to the applicable Effective Date, to indemnify the Specified Personnel, with respect to all present and future actions, suits and proceedings against such Debtor or such Specified Personnel, based upon any act or omission for or on behalf of such Debtor, shall not be discharged or impaired by confirmation of the applicable Plan. Such obligations shall be deemed and treated as executory contracts to be assumed by the applicable Debtor pursuant to the applicable Plan, and shall continue as obligations of the applicable Debtor. To the extent a Debtor is entitled to assert a Claim against Specified Personnel (whether directly or derivatively) and such Specified Personnel is entitled to indemnification, such Claim against Specified Personnel is released, waived and discharged.

J. Effect of Confirmation

The Debtors have been informed by counsel to the Creditors Committee that the Creditors Committee might object at the Second Plans Confirmation Hearing to the below-stated release provisions, see Section VII.J.3, as improperly broad to the extent that they release certain third parties, including the Debtors' officers and directors, from any claims, including prepetition claims under U.S. securities laws, in connection with the Debtors. The Securities and Exchange Commission and Office of the United States Trustee have also stated to the Debtors certain potential objections to, or made certain requests for additional language in connection with, the scope of certain of the discharge, release, injunction and exculpation provisions of the Second Plans described in this section. The Debtors believe that the provisions are appropriate as presently drafted and in compliance with all relevant provisions of the Bankruptcy Code, as they will be prepared to demonstrate at the Second Plans Confirmation Hearing. Nonetheless, the Debtors intend to continue discussions with the Creditors Committee, Securities and Exchange Commission and Office of the United States Trustee regarding these potential objections and requests, and hope to resolve these potential objections and requests on a consensual basis prior to the Second Plans Confirmation Hearing.

1. Revesting of Reorganization Assets

Upon the applicable Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, except for leases and executory contracts that have not yet been assumed or rejected (which leases and contracts shall be deemed vested when and if assumed), all property of each Reorganizing Debtor's Estate shall vest in the applicable Reorganized Debtor free and clear of all Claims, Liens, encumbrances, charges and other interests to the extent provided in the Second Reorganization Plan and Plan Documents. Each Reorganized Debtor may operate its businesses and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as provided in the Second Reorganization Plan.

2. Discharge under the Second Plans

(a) Discharge under the Second Reorganization Plan. Upon the Reorganization Effective Date and in consideration of the distributions to be made under the Second Reorganization Plan, except as otherwise expressly provided in the Second Reorganization Plan or in the Confirmation Order, each holder (as well as any trustees and agents on behalf of each holder) of a Claim or Equity Interest of such holder shall be deemed to have forever waived, released and discharged each of the Reorganizing Debtors, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Equity Interests, rights and liabilities (other than the right to enforce the Reorganizing Debtors' or Reorganized Debtors' obligations under the Second Reorganization Plan or Plan Documents) that arose prior to the Confirmation Date, whether existing in law or equity, whether based on fraud, contract or otherwise, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, whether based in whole or in part on any act, omission or occurrence taking place on or before the Confirmation Date. Upon the Reorganization Effective Date, all such Persons shall be forever precluded and enjoined, pursuant to section 524 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or canceled Equity Interest in each of the Reorganizing Debtors.

(b) Discharge under the Second Liquidation Plan. Pursuant to section 1141(d)(3) of the Bankruptcy Code, occurrence of the Confirmation Date will not discharge Claims against the Liquidating Debtors; provided, however, that no holder of a Claim against any Liquidating Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, any Liquidating Debtor, Reorganizing Debtor, Heber Debtor, their respective successors or their respective property, except as otherwise provided

in the Second Liquidation Plan.

3. Release of Certain Parties under the Second Plans

(a) Releases under the Second Reorganization Plan. As of the Effective Date, the Reorganizing Debtors, on behalf of themselves and their Estates, shall be deemed to release unconditionally all claims, obligations, suits, judgments, damages, rights, causes of action, and liabilities whatsoever, against the Liquidating Debtors, the Heber Debtors, the Plan Sponsor, the Investors and the Liquidating Debtors', Heber Debtors', Plan Sponsors' and Reorganizing Debtors' respective present or former officers, directors, employees, partners, members, advisors, attorneys, financial advisors, accountants, investment bankers and other professionals, and the Committee's, the steering committee for the holders of the Secured Bank Claims, and the Bondholders Committee's members, advisors, attorneys, financial advisors, investment bankers, accountants and other professionals, in each case whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken with respect to any omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Reorganizing Debtors, the Liquidating Debtors, the Heber Debtors, and the Plan Sponsor, the Investors, the Chapter 11 Cases, the Heber Reorganization Plan, the Second Liquidation Plan, the DHC Agreement or the Second Reorganization Plan; provided that, with respect to the Plan Sponsor and the Investors, nothing herein shall release the Plan Sponsor or the Investors with respect to obligations pursuant to their contractual obligations under the DHC Agreement and the documents executed in connection therewith or as specifically provided pursuant to the Second Reorganization Plan; and further provided that, with respect to the members of the steering committee for the holders of the Secured Bank Claims and the members of the Bondholders Committee, nothing herein shall release any such parties with respect to obligations pursuant to their contractual obligations, if any, under the Exit Financing Agreements or as otherwise provided pursuant to the Second Reorganization Plan.

(b) Releases under the Second Liquidation Plan. As of the Liquidation Effective Date, the Liquidating Debtors, on behalf of themselves and their Estates, shall be deemed to release unconditionally all claims, obligations, suits, judgments, damages, rights, causes of action, and liabilities whatsoever, against the Reorganizing Debtors, Heber Debtors, the Plan Sponsor, the Investor Group and the Reorganizing Debtors', Heber Debtors', Liquidating Debtors', Reorganization Plan Sponsor's and Investor Group's respective officers, directors, employees, partners, members, affiliates, advisors, attorneys, financial advisors, accountants, investment bankers and other professionals, and the Committee's, the Agent Banks', the DIP Agents', the steering committee for the holders of the Secured Bank Claims' and the Bondholders Committee's members, advisors, attorneys, financial advisors, investment bankers, accountants and other professionals, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken in their respective capacities described above with respect to any omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Liquidating Debtors, the Reorganizing Debtors, the Heber Debtors, the Plan Sponsor and the Investor Group, the Chapter 11 Cases, the Second Reorganization Plan, the Heber Reorganization Plan, the Investment Purchase Agreement or the Second Liquidation Plan; provided that, with respect to the Plan Sponsor and the Investor Group, nothing herein shall release the Plan Sponsor or the Investor Group with respect to their contractual obligations pursuant to the Investment and Purchase Agreement or as specifically provided pursuant to the Second Liquidation Plan.

4. Exculpation

As more fully described in the Second Plans, as of the applicable Effective Date, none of (i) the Reorganizing Debtors, Reorganized Debtors, or their respective officers, directors and employees, (ii) the Specified Personnel, (iii) the Committee and any subcommittee thereof, (iv) the Agent Banks, the DIP Agents, the steering committee for the holders of the Secured Bank Claims and the Bondholders Committee, (v) the accountants, financial advisors, investment bankers, and attorneys for the Reorganizing Debtors or Reorganized Debtors, (vi) the Plan Sponsor, (vii) the Investors and (viii) the directors, officers, employees, partners, members, agents, representatives, accountants, financial advisors, investment bankers, attorneys or affiliates for any of the persons or entities described in (i), (iii), (iv),(v), (vi) or (vii) of Section 11.7 of the Second Reorganzation Plan shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the commencement or conduct of the Chapter 11 Cases; the liquidations of the Liquidating Debtors; formulating, negotiating or implementing the Second Reorganization Plan and the Heber Reorganization Plan; formulating, negotiating, consummation or implementation of the DHC Agreement (except, with respect to the Plan Sponsor and the Investors, as explicitly provided pursuant to the Investment and Purchase Agreement); formulating, negotiating or implementing the Geothermal Sale under the Heber Reorganization Plan; the solicitation of acceptances of the Second Reorganization Plan and the Heber Reorganization Plan; the pursuit of confirmation of the Second Reorganization Plan and the Heber

Reorganization Plan; the confirmation, consummation or administration of the Second Reorganization Plan and the Heber Reorganization Plan or the property to be distributed under the Second Reorganization Plan and the Heber Reorganization Plan, except for their gross negligence or willful misconduct, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Second Reorganization Plan. Nothing with respect to the exculption provided in Section 11.7 of the Second Reorganization Plan is intended to limit the liability or obligation of an issuer of a letter of credit to the beneficiary of such letter of credit or obligations of the Plan Sponsor under the DHC Agreement.

5. Injunction under the Second Plans

The satisfaction, release, and discharge pursuant to Article XI of the Second Reorganization Plan shall act as an injunction against any Person commencing or continuing any action, employment of process, or act to collect, offset or recover any Claim or Cause of Action satisfied, released or discharged under the Second Reorganization Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof.

Section 11.9 of the Second Reorganization Plan provides that upon the Reorganization Effective Date and except as otherwise provided therein or in the Confirmation Order, all persons who have held, hold, or may hold Claims against or Equity Interests in the Reorganizing Debtors, Heber Debtors or Liquidating Debtors, and all other parties in interest in the Chapter 11 Cases, along with their respective present or former employees, agents, officers, directors or principals, shall be permanently enjoined on and after the Reorganization Effective Date from directly or indirectly (i) commencing or continuing in any manner any action or other proceeding of any kind to collect or recover any property on account of any such Claim or Equity Interest against any such Reorganizing Debtor, Reorganized Debtors, or Person entitled to exculpation under Section 11.7 of the Second Reorganization Plan, (ii) enforcing, attaching, collecting or recovering by any manner or means of any judgment, award, decree, or order to collect or recover any property on account of any such Claim or Equity Interest against any such Reorganizing Debtor, Reorganized Debtors, the Plan Sponsor or the Investors, (iii) creating, perfecting, or enforcing any encumbrance of any kind against any such Reorganizing Debtor or Reorganized Debtor on account of such Claim or Equity Interest, (iv) except for recoupment, asserting any right of setoff or subrogation of any kind against any obligation due any such Reorganizing Debtor or Reorganized Debtor, the Plan Sponsor or the Investors or against the property or interests in property of any such Reorganizing Debtor or Reorganized Debtor, the Plan Sponsor or the Investors on account of any such Claim or Equity Interest, (v) commencing or continuing any action against the Reorganized Debtors, the Plan Sponsor or the Investors in any manner or forum in respect of such Claim or Equity Interest that does not comply or is inconsistent with the Second Reorganization Plan, and (vi) taking any actions to interfere with the implementation or consummation of the Second Reorganization Plan; provided that nothing herein shall prohibit any holder of a Claim from prosecuting a properly completed and filed proof of claim in the Chapter 11 Cases. In no event shall the Reorganized Debtors or any Person entitled to exculpation under Section 11.7 of the Second Reorganization Plan have any liability or obligation for any Claim against or Equity Interest in any of the Reorganizing Debtors arising prior to the Reorganization Effective Date, other than in accordance with the provisions of the Second Reorganization Plan. In addition, except as otherwise provided in the Second Reorganization Plan or the Confirmation Order, on and after the Reorganization Effective Date, any individual, firm, corporation, limited liability company, partnership, company, trust or other entity, including any successor of such entity, shall be permanently enjoined from commencing or continuing in any manner, any litigation against the Reorganized Debtors or any Person entitled to exculpation under Section 11.7 of the Second Reorganization Plan on account of or in respect of any of the Reorganizing Debtors' prepetition liabilities or other liabilities satisfied pursuant to the Second Reorganization Plan. By accepting Distributions pursuant to the Second Reorganization Plan, each holder of an Allowed Claim or Allowed Equity Interest receiving Distributions pursuant to the Second Reorganization Plan will be deemed to have specifically consented to the injunctions set forth in this Section 11.9 of the Second Reorganization Plan.

6. Reorganized Debtors' Rights of Action

On and after the Reorganization Effective Date, and except as may otherwise be agreed to by the Reorganizing Debtors or as provided in the Second Reorganization Plan, the Reorganized Debtors will retain and have the exclusive right to enforce any and all present or future rights, claims or causes of action against any Person and rights of the Reorganizing Debtors that arose before or after the applicable Petition Date, and asserting any rights of counterclaim and set-off, as discussed further below, including, but not limited to, rights, claims, causes of action, avoiding powers, suits and proceedings arising under sections 544, 545, 548, 549, 550 and 553 of the Bankruptcy Code. The Reorganized Debtors may pursue, abandon, settle or release any or all such rights of action, as they deem appropriate, without the need to obtain approval or any other or further relief from the Court. The Reorganized Debtors may, in their discretion, offset any such claim held against a Person against any payment due such Person under the Second Reorganization Plan; provided, however,

that any claims of any of the Reorganizing Debtors arising before the applicable Petition Date shall first be offset against Claims against any of the Reorganized Debtors arising before the applicable Petition Date.

K. Miscellaneous Matters

1. Liability of the Liquidating Trustee

(a) Limited Liability. The Liquidating Trustee shall not be liable for any act he or she may do or omit to do while acting in good faith and in the exercise of his or her best judgment, and the fact that such act or omission was advised by an authorized attorney (or other Retained Liquidation Professional) for the Liquidating Trustee shall be conclusive evidence of such good faith and best judgment; provided, however, that nothing contained in Paragraph VII.I.5(a) of the Second Liquidation Plan shall affect the liability of any of the Liquidating Trustee for gross negligence or willful misconduct.

(b) No Recourse. No recourse shall ever be had under the Second Liquidation Plan, directly or indirectly, against the Liquidating Trustee, personally or against any agent, attorney, accountant or professional for the Liquidating Trustee, by legal or equitable proceedings or by virtue of any statute or otherwise, nor upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by the Liquidating Trustee under the Second Liquidation Plan, or by reason of the creation of any indebtedness by the Liquidating Trustee under the Second Liquidation Plan for any purpose authorized by the Second Liquidation Plan, it being expressly understood and agreed that all such liabilities, covenants, and agreements of the Liquidating Trustee, whether in writing or otherwise, shall be enforceable only against and be satisfied only out of the Residual Liquidation Assets or such part thereof as shall, under the terms of any such agreement, be liable therefore or shall be evidence only of a right of payment out of the Residual Liquidation Assets, provided, however, that nothing contained in Paragraph VII.I.5(b) of the Second Liquidation Plan shall affect the liability of any of the parties listed above for gross negligence or willful misconduct.

2. Limited Liability of the Oversight Nominee

The Oversight Nominee shall not be liable for anything other than its own acts as shall constitute willful misconduct or gross negligence of its duties. None of the Oversight Nominee's designees, agents, representatives or employees, shall incur or be under any liability or obligation by reason of any act done or omitted to be done, by the Oversight Nominee or its designee, agent, representative or employee. The Oversight Nominee may, in connection with the performance of functions, and in its sole and absolute discretion, consult with counsel, accountants and its agents, and shall not be liable for anything done or omitted or suffered to be done in accordance with such advice or opinions. If the Oversight Nominee determines not to consult with counsel, accountants or its agents, such determination shall not be deemed to impose any liability on the Oversight Nominee.

3. Setoffs

Each Reorganizing Debtor may, in accordance with the provisions of the Second Reorganization Plan, section 553 of the Bankruptcy Code and applicable non-bankruptcy law, set off against any Allowed Claim and the Distributions to be made pursuant to the Second Reorganization Plan on account of such Allowed Claim (before any Distribution is made on account of such Allowed Claim), the Claims, rights and causes of action of any nature that such Reorganizing Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the applicable Reorganizing Debtor of any such Claims, rights and causes of action that the applicable Reorganizing Debtor may possess against such holder; and provided, further that any Claims of each Reorganizing Debtor arising before the applicable Petition Date shall only be set off against Claims against such Reorganizing Debtor arising before the applicable Petition Date.

4. Satisfaction of Subordination Rights under the Second Reorganization Plan

All Claims against the Reorganizing Debtors and all rights and claims between or among Claimholders relating in any manner whatsoever to distributions on account of Claims against the Reorganizing Debtors, based upon any subordination rights, whether asserted or unasserted, legal or equitable, shall be deemed satisfied by the Distributions under the Second Plans to Claims having such subordination rights, and such subordination rights shall be deemed waived, released, discharged, and terminated as of the Reorganization Effective Date. Distributions to the various Classes of Claims hereunder shall not be subject to levy, garnishment, attachment, or like legal process by any Claimholder by reason of any subordination rights or otherwise, so that each Claimholder shall have and receive the benefit of the distributions in the manner set forth in the Second Reorganization Plan.

5. Dissolution of the Creditors Committee

As of the Reorganization Effective Date, the Creditors Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities, and obligations related to and arising from and in connection with the Chapter 11 Cases, and the retention or employment of the Creditors Committee's attorneys, accountants, and other agents, shall terminate.

6. Management of the Reorganized Debtors

The identity of each of the nominees to serve on the Board of Directors of Reorganized Covanta shall be announced fifteen (15) days prior to the Second Plans Confirmation Hearing. In accordance with section 1129(a)(5) of the Bankruptcy Code, as part of such announcement, the Reorganizing Debtors shall disclose (i) the identity and affiliations of any individual proposed to serve, after the Reorganization Effective Date, as a director or officer of the Reorganized Debtors, and (ii) the identity of any "insider" (as such term is defined in section 101(31) of the Bankruptcy Code) who shall be employed and retained by the Reorganized Debtors and the nature of any compensation for such insider. Subject to the preceding sentence, the officers of the Reorganizing Debtors and the directors of the Reorganizing Debtors other than Covanta and certain officers and directors of CPIH that are in office immediately before the Reorganization Effective Date shall continue to serve immediately after the Reorganization Effective Date in their respective capacities.

7. Payment of Statutory Fees

All fees payable pursuant to section 1930 of title 28 of the United States Code shall be paid through the entry of a final decree closing these cases.

As provided in the Second Plans, unless relieved of any of these obligations by further order of the Court, the Reorganized Debtors or the Liquidating Trustee (as defined in the Second Liquidation Plan), as applicable, shall be responsible for the timely payment of fees incurred pursuant to 28 U.S.C. ss. 1930(a)(6), and after the applicable Confirmation Date, such entities shall file with the Court and serve on the United States Trustee a quarterly disbursement report for each quarter, or portion thereof, until a final decree closing the chapter 11 cases has been entered, or the cases dismissed or converted to another chapter, in a format prescribed by and provided by the United States Trustee.

IX. CERTAIN RISK FACTORS TO BE CONSIDERED

The holder of a Claim against the Debtors should read and carefully consider the following factors, as well as the other information set forth in this Second Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or to reject the Second Plans. These factors should not, however, be regarded as constituting the only risks involved in connection with the Second Plans and their implementation.

A. General Considerations

The formulation of a reorganization plan is the principal purpose of a chapter 11 case. The Second Plans set forth the means for satisfying the holders of Claims against and Equity Interests in the Debtors. Certain Claims may receive partial distributions pursuant to the Second Plans, and in some instances, no distributions at all. See Section VIII.B "Classification and Treatment of Claims and Equity Interests," above. The recapitalization of the Debtors realizes the going concern value of the Debtors for their holders of Claims and Equity Interests. Moreover, reorganization of the Reorganizing Debtors business and operations under the applicable Plan also avoids the potentially adverse impact of a liquidation on the holders of Claims and Equity Interests, and the Reorganizing Debtors' employees, and many of their customers, trade vendors, suppliers of goods and services, and lessors.

B. Certain Bankruptcy Considerations

The Debtors are parties to various contractual arrangements under which the commencement of the Chapter 11 Cases and the other transactions contemplated by the Second Plans could, subject to the Debtors' rights and powers under the Bankruptcy Code (and in particular, sections 105, 362 and 365 of the Bankruptcy Code) (i) result in a breach, violation, default or conflict, (ii) give other parties thereto rights of termination or cancellation, or (iii) have other adverse consequences for the Debtors or Reorganized Debtors. The magnitude of any such adverse consequences may depend upon, among other factors, the diligence and vigor with which other parties to such contracts may seek to assert any such rights and pursue any such remedies in respect of such matters, and the ability of the Debtors or Reorganized Debtors to resolve such matters on acceptable terms through negotiations with such other parties or otherwise. The Debtors do not believe that any material enforceable breach of or default under any such agreement has occurred.

There can be no assurance that the requisite acceptances to confirm the Second Plans will be obtained. Even if the requisite acceptances are received,

there can be no assurance that the Court will confirm the Second Plans. A non-accepting creditor or equity security holder of the Debtors might challenge the adequacy of the Second Disclosure Statement or the balloting procedures and results as not being in compliance with the Bankruptcy Code and/or Bankruptcy Rules. Although the Court has determined that the Second Disclosure Statement and the balloting procedures are appropriate, the Court could still decline to confirm the Plan if it were to find that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Court that the confirmation of the Second Plans is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of distributions to non-accepting holders of claims and interests within a particular class under the Second Plans will not be less than the value of distributions such holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. While there can be no assurance that the Court will conclude that these requirements have been met, the Debtors believe that the Second Plans will not be followed by a need for further financial reorganization and that non-accepting holders within each class under the Second Plans will receive distributions at least as great as would be received following a liquidation pursuant to Chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and costs associated with any such Chapter 7 case. See Section XII (Feasibility of the Second Reorganization Plan and the Second Liquidation Plan and the Best Interests Test).

The confirmation and consummation of the Second Plans are also subject to certain conditions. If the Second Plans, or a plan determined not to require resolicitation of any Classes of Claims or Equity Interests by the Court, were not to be confirmed, it is unclear whether the restructuring could be implemented and what distribution holders of Claims and Equity Interests ultimately would receive with respect to their Claims and Equity Interests. If an alternative reorganization could not be agreed to, it is possible that the Debtors would have to liquidate their assets, in which case it is likely that holders of Claims would receive substantially less than the treatment they will receive pursuant to the Second Plans. If a complete liquidation or protracted reorganization were to occur, there is a risk that there would be little, if any, value available for distribution to the holders of Claims and Equity Interests. See Exhibit F attached to this Second Disclosure Statement for a hypothetical liquidation valuation analysis of each individual Debtor.

The continuation of the Chapter 11 Cases, particularly if the Second Plans are not approved or confirmed in the timeframe currently contemplated, could further adversely affect the Debtors' operations and relationships with customers, employees, regulators and other parties. If confirmation and consummation of the Second Plans do not occur expeditiously, the Chapter 11 Cases could result in, among other things, increased costs for professional fees and similar expenses. In addition, further delay could make it more difficult to retain and attract management and other key personnel and would require senior management to spend a significant amount of time and effort dealing with reorganization instead of business operations.

C. Inherent Uncertainty of Financial Projections

The Projections attached as Exhibits C and D to this Second Disclosure Statement cover Reorganized Covanta, its Reorganized Debtor and its non-debtor subsidiaries (collectively, the "Reorganized Company") operations through December 31, 2007. These Projections are based on numerous assumptions including the timing, confirmation and consummation of the Second Plans in accordance with their terms, the anticipated future performance of the Reorganized Debtors, industry performance, general business and economic conditions, the availability of the Plan Sponsor's net operating loss carryforwards, the restructuring of certain projects and the resolution of litigation relating to projects as described above and other matters, many of which are beyond the control of the Reorganized Debtors and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date that this Second Disclosure Statement was approved by the Court may affect the actual financial results of the Reorganized Debtors' operations. These variations may be material and may adversely affect the ability of the Reorganized Debtors to make payments with respect to post-Reorganization Effective Date indebtedness. Because the actual results achieved throughout the periods covered by the Projections may vary from the projected results, the Projections should not be relied upon as a guaranty, representation or other assurance of the actual results that will occur.

Except with respect to the Projections and except as otherwise specifically and expressly stated herein, this Second Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Second Disclosure Statement. The Reorganized Company does not intend to update the Projections; thus, the Projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Projections.

D. Access to Financing and Refinancing

The Reorganizing Debtors' ability to consummate the Second Reorganization Plan and obtain sufficient Cash resources for post-Reorganization

Effective Date working capital depend upon, among other things, implementation of the Exit Financing Agreements. The Reorganizing Debtors believe that they will be able to successfully complete these transactions, although there can be no assurance that sufficient commitments for the Exit Financing Agreements will be obtained. Further, the Company assumes that it will be able to refinance the Exit Financing Agreements before maturity, although there can be no assurance of such refinancing.

E. WTE Projects Restructuring and Litigation

As discussed in Sections VI.C.11 and VI.C.15 above, certain of the Reorganizing Debtors and contract parties have reached agreements with respect to, or are in the process of discussing, material restructuring of their mutual obligations in connection with several projects which have not yet concluded, and also are involved in material litigation with contractual counterparties. One such Reorganizing Debtor (Covanta Lake) has reached a tentative agreement in principle that is subject to material conditions precedent that may not occur. In the event any of such Debtors is either unable to consummate a restructuring of its material obligations or achieves an unsuccessful result in its material litigation, as the case may be, the Debtors may, among other things, reject one or more executory contracts related to such Debtor's facility, recharacterize such Debtor as a Liquidating Debtor, and/or withdraw such Debtor as a Reorganizing Debtor and subsequently file a separate plan of reorganization for such Debtor. In such an event, creditors of the relevant Debtor may not receive any recovery on account of their claims. The Debtors cannot guarantee that each Debtor will successfully restructure, receive Court approval of any restructuring, or achieve a successful result in its litigation, as the case may be. Furthermore, the Debtors cannot guarantee that one or more such events, if they occur, would not impair the other Debtors' ability to confirm and consummate the Second Plans or the terms of any exit financing available to such other Debtors.

F. Impact of Interest

A significant portion of the Reorganized Debtors' debt upon emergence, including the New Credit Facility, will have interest rates that vary with prevailing short-term rates. To the extent that either short-term rates or long-term rates in the future exceed those forecasted by the Reorganized Debtors, interest costs will increase, which could have an adverse effect on the Reorganized Debtors.

G. Claims Estimations

The Debtors' estimates of what distributions certain Classes of creditors will receive under the Second Plans, and under the Second Reorganization Plan in particular, depend on numerous assumptions concerning the ultimate amount of Allowed Claims in certain Classes. Similarly, the value of the securities being issued under the Second Plans depends in significant part upon the amount of Cash available to the Reorganized Debtors upon emergence and thereafter, which in turn depends in significant part upon the amount of Cash required to satisfy certain types of Claims.

There can be no assurance that the estimated Claim amounts set forth herein and in the exhibits hereto are correct, and the actual Allowed amounts of Claims probably will differ from the estimates. Moreover, the estimated amounts are subject to numerous risks, uncertainties and assumptions. Should several of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual Allowed amounts of Claims may materially vary from those estimated herein.

Although all of the Debtors' estimates of Allowed Claims are susceptible to risk and uncertainty, two types of Claims are particularly susceptible to risk and uncertainty, and any allowance of Claims in those Classes in amounts materially in excess of the Debtors' estimates would have a significant negative impact on the distributions received by certain Classes of creditors, and also may have a significant negative impact on the value of the securities being issued under the Second Plans. Those two types of Claims are (i) Allowed Priority Tax Claims, and (ii) Allowed Class 6 Parent and Holding Company Unsecured Claims.

(i) Priority Tax Claims

The Debtors estimate that the amount of Priority Tax Claims (which, as contemplated in the Bankruptcy Code, are not separately classified under the Second Plans) will be in the aggregate no more than $35 million. The bulk of that amount is attributable to Claims asserted by the IRS. Although the Debtors believe that $35 million is conservative and that Priority Tax Claims ultimately will be allowed in a lower amount, there can be no assurance that the IRS Claims will not be allowed in amounts materially greater than $35 million. In particular, certain of the Debtors' older tax returns have been the subject of an IRS review and audit for more than a decade, and the likely outcome of that review and audit process cannot be determined with a high degree of precision. In addition, the time for the IRS to review and audit certain more recent returns has not expired. Finally, if one or more of the Reorganizing Debtors is unable to successfully reorganize and the Debtors cease to operate certain

Projects, the Debtors may suffer significant adverse tax consequences. Any one these factors could lead to the allowance of Priority Tax Claims in amounts materially exceeding the Debtors' estimates.

(ii) Class 6 Allowed Parent and Holding Company Unsecured Claims

The Debtors are estimating that the amount of Class 6 Unsecured Claims will range in the aggregate from $125 million to $400 million. Material Claims within this Class of Claims that the Debtors believe might be Allowed include: (a) general unsecured and uncontested trade claims of at least $15 - $20 million; (b) Claims of holders of Convertible Subordinated Debentures (estimated at $155 million), if those Claims are not subordinated; (c) Claims relating to the Debtors' rejection of their obligations related to their Tulsa Facility (estimated at $50 million); (d) deficiency claims of the lenders under the Master Credit Facility and the holders of 9.25% Debentures, to the extent not waived pursuant to the Second Plans or by agreement; and (e) indemnity and reimbursement claims asserted against the Debtors by entities that pre-petition issued insurance policies and bonds for the benefit of the Debtors and current or former affiliates (estimated at $40 million). In addition, several hundred million dollars in tort and other litigation Claims have been asserted by the holders of Parent and Holding Company Unsecured Claims; although the Debtors contest liability for these Claims and believe them to be without merit, as with any litigation Claims there is a possibility, if not a likelihood, that some of these Claims will be allowed in material amounts. Finally, the Debtors' estimates assume a successful restructuring of most of the Debtors' projects that are subject to material disputes or pending restructuring proposals. Although the Debtors believe that their range of estimates of Class 6 Claims are conservative and that Class 6 Claims ultimately will be allowed at the lower end of the Debtors' range of estimates, there can be no assurance that Class 6 Claims will not be Allowed at the higher end of the Debtors' range of estimates, or even allowed in amounts materially greater than the high end of the Debtors' range of estimates.

H. Environmental Regulation

The Company's operations are subject to various federal, state and local environmental laws and regulations, including the Clean Air Act, the Clean Water Act, CERCLA or Superfund and RCRA. Although the Company's operations are occasionally subject to proceedings and orders pertaining to emissions into the environment and other environmental violations, which may result in fines, penalties, damages or other sanctions, the Company believes that it is in substantial compliance with existing environmental laws and regulations.

The Company may be identified, along with other entities, as being among parties potentially responsible for contribution to costs associated with the correction and remediation of environmental conditions at disposal sites subject to CERCLA and/or analogous state laws. In certain instances the Company may be exposed to joint and several liability for remedial action or damages. The Company's ultimate liability in connection with such environmental claims will depend on many factors, including its volumetric share of waste, the total cost of remediation, the financial viability of other companies that also sent waste to a given site and, in the case of divested operations, its contractual arrangement with the purchaser of such operations.

I. Market for Securities

There can be no assurance that an active market for any of the securities to be distributed pursuant to the Plan, including the New High Yield Secured Notes, Reorganization Plan Unsecured Notes, Tax Notes and New CPIH Funded Debt, will develop and no assurance can be given as to the prices at which such securities might be traded.

J. Assumptions Regarding Value of Debtors' Assets

Pursuant to SOP 90-7, the Projections incorporate "Fresh Start Reporting" principles that the Reorganized Debtors will be required to adopt upon emergence from bankruptcy. These Fresh Start Reporting principles require, among other things, that the Reorganized Debtors' assets and liabilities be recorded at fair value ("Fresh Start Reporting Adjustments"). The Fresh Start Reporting Adjustments included in the Projections are preliminary estimates to adjust the Reorganized Debtors' capital structure and its assets and liabilities to their estimated fair values in accordance with the Second Reorganization Plan and the Valuation Analysis in Exhibit D. These estimated Fresh Start Reporting Adjustments are subject to change and the Debtors can give no assurance that they will not change materially. A material change to the Fresh Start Reporting Adjustment could materially impact the Reorganized Debtors' net income.

K. International Political Risk

The ownership and operation of facilities in foreign countries in connection with the Company's international business entails significant political and financial uncertainties that typically are not involved in such activities in the United States. Key international risk factors include governmentally-sponsored efforts to renegotiate long-term contracts, non-payment of fees and other monies owed to the Company, unexpected changes in electricity

tariffs, conditions in financial markets, currency exchange rates, currency repatriation restrictions, currency convertibility, changes in laws and regulations and political, economic or military instability, civil unrest and expropriation. Such risks have the potential to cause substantial delays or material impairment to the value of the Company's international businesses.

L. DHC Transaction Risks (Non-Tax)

The Second Plans are premised upon the DHC Transaction, and the Debtors will not be able to consummate the Second Plans if the DHC Transaction is not successfully consummated. The Debtors believe that the DHC Transaction, which the Debtors and the Plan Sponsor negotiated over an extended period, can be successfully completed. Nevertheless, there can be no assurance that the closing conditions in the DHC Agreement will be fulfilled and that the DHC Transaction will be successfully consummated. In such event, the Debtors would be unable to consummate the Second Plans. In addition, if the DHC Transaction is completed, there are various risks that might affect Reorganized Covanta's ability to implement its business plan and pay the various debt instruments to be issued pursuant to the Second Reorganization Plan, including failure to meet the various assumptions, as detailed in Section IX.C, on which the Projections are based.

M. DHC Transaction Risks (Tax)

The Reorganizing Debtors cannot be certain that the net operating loss carryforwards ("NOLs") of the Plan Sponsor will be available to offset the Reorganizing Debtors' tax liability. The Plan Sponsor currently expects to have NOLs estimated to be approximately $571 million for federal income tax purposes. The NOLs will expire in various amounts beginning on December 31, 2004 through December 31, 2022, if not used. The amount of NOLs will be reduced by any taxable income generated by members of the Plan Sponsor's consolidated group other than the Reorganizing Debtors. Therefore, there can be no assurance that the full amount of $571 million of NOLs will be available to offset future income of the Reorganizing Debtors.

The existence and availability of the Plan Sponsor's NOLs is dependent on factual and substantive tax issues, including issues in connection with a 1990 restructuring by the Plan Sponsor, the resolution of which is subject to considerable uncertainty. The Internal Revenue Service ("IRS") has not audited any of the Plan Sponsor's tax returns for the years in which the losses giving rise to the NOLs were reported, and it could challenge any past and future use of the NOLs. There can be no assurance that the Plan Sponsor would prevail if the IRS were to challenge the use of the NOLs and therefore, there is considerable uncertainty regarding the availability of the NOLs. If the IRS were successful in challenging the Plan Sponsor's NOLs, the NOLs would not be available to offset future income of the Reorganizing Debtors.

Detailed disclosure regarding the Plan Sponsor's NOLs can be found under Item 1 -"Business - Tax Loss Carryforward" and Note 14 to Plan Sponsor's audited consolidated financial statements as of, and for the fiscal year ended, December 27, 2002 in each case contained in Plan Sponsor's Annual Report on Form 10-K for the fiscal year ended December 27, 2002 that has been filed with the SEC.

If the Plan Sponsor underwent, or were to undergo, an "ownership change" as such term is used in Section 382 of the Internal Revenue Code, the use of its NOLs would be severely limited. The Plan Sponsor will be treated as having had an "ownership change" if there is a more than 50% increase in stock ownership during a 3-year "testing period" by "5% stockholders". For this purpose, stock ownership is measured by value, and does not include so-called "straight preferred" stock. The Plan Sponsor's Certificate of Incorporation contains stock transfer restrictions that were designed to help preserve the Plan Sponsor's NOLs by avoiding an ownership change. The transfer restrictions were implemented in 1990, and the Plan Sponsor expects that they will remain in-force as long as the Plan Sponsor has NOLs. The Plan Sponsor cannot be certain, however, that these restrictions will prevent an ownership change.

If the Plan Sponsor's NOLs cannot be used to offset the consolidated group's taxable income and the Plan Sponsor does not have the ability to pay the consolidated group's tax liability, the Reorganizing Debtors' ability to make payments with respect to post-Reorganization Effective Date indebtedness will in all likelihood be materially adversely affected.

X. RESALE OF SECURITIES RECEIVED UNDER THE SECOND REORGANIZATION PLAN

A. Issuance of New Debt and Equity

Reorganized Covanta does not believe that registration under the Securities Act of 1933 (the "Securities Act") or comparable state securities laws is required with respect to the Reorganization Plan Notes to be distributed to holders of Claims (including, without limitation, to the holders of (i) Reorganized Covanta Secured Claims, (ii) Operating Company Unsecured Claims, or (iii) Covanta Unsecured Claims on account of and in exchange for such Claims).

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of

securities under a plan of reorganization from registration under section 5 of the Securities Act and state securities laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in joint plan with the debtor, or of a successor to the debtor under the plan; (ii) the recipients of the securities must hold claims against or interests in the debtor; and (iii) the securities must be issued in exchange (or principally in exchange) for the recipient's claim against or interest in the debtor. The Reorganizing Debtors believe that the offer and sale of the Reorganization Plan Notes under the Second Reorganization Plan to holders of Claims (including those identified in the immediately preceding paragraph) satisfy the requirements of section 1145(a)(1) of the Bankruptcy Code and are, therefore, exempt from registration under the Securities Act and state securities laws.

B. Subsequent Transfers of Reorganization Plan Notes

To the extent that the Reorganization Plan Notes are issued under the Second Reorganization Plan and are covered by section 1145(a)(1) of the Bankruptcy Code, they may be resold by the holders thereof without registration unless, as more fully described below, the holder is an "underwriter" with respect to such securities. Generally, section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as any person who:

(i) purchases a claim against, an interest in, or a claim for an administrative expense against the debtor, if such purchase is with a view to distributing any security received in exchange for such a claim or interest;

(ii) offers to sell securities offered under a plan for the holders of such securities;

(iii) offers to buy such securities from the holders of such securities, if the offer to buy is:

(A) with a view to distributing such securities; and

(B) under an agreement made in connection with the plan, the consummation of the plan, or with the offer or sale of securities under the plan; or

(iii) is an "issuer" with respect to the securities, as the term "issuer" is defined in section 2(11) of the Securities Act.

Under section 2(11) of the Securities Act, an "issuer" includes any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control of the issuer.

To the extent that Persons who receive Reorganization Plan Notes pursuant to the Second Reorganization Plan are deemed to be "underwriters" as defined in section 1145(b) of the Bankruptcy Code, resales by such Persons would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Such Persons would, however, be permitted to sell such Reorganization Plan Notes without registration if they are able to comply with the provisions of Rule 144 under the Securities Act. Generally, these rules permit the public sale of securities received by such Person if current information regarding the issuer is publicly available and if volume limitations and certain other conditions are met.

Whether or not any particular person would be deemed to be an "underwriter" with respect to the Reorganization Plan Notes to be issued pursuant to the Second Reorganization Plan would depend upon various facts and circumstances applicable to that person. Accordingly, the Reorganizing Debtors express no view as to whether any particular Person receiving Reorganization Plan Notes under the Second Reorganization Plan would be an "underwriter" with respect to such Reorganization Plan Notes or other securities.

Given the complex and subjective nature of the question of whether a particular holder may be an underwriter, the Reorganizing Debtors make no representation concerning the right of any Person to trade in the Reorganization Plan Notes. The Reorganizing Debtors recommend that potential recipients of the Reorganization Plan Notes consult their own counsel concerning whether they may freely trade Reorganization Plan Notes without compliance with the Securities Act, the Exchange Act or similar state and federal laws.

XI. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE REORGANIZATION PLAN

A summary description of certain material United States federal income tax consequences of the Second Reorganization Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Second Reorganization Plan as discussed herein. Only the principal United States

federal income tax consequences of the Second Reorganization Plan to the Reorganizing Debtors and Heber Debtors and to Holders of Claims who are entitled to vote or to accept or reject the Second Reorganization Plan are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Second Reorganization Plan. No rulings or determinations of the Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Second Reorganization Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Second Reorganization Plan to the Reorganizing Debtors and Heber Debtors or any Holder of a Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of United States federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect).

The following discussion does not address foreign, state or local tax consequences of the Second Reorganization Plan, nor does it purport to address the United States federal income tax consequences of the Second Reorganization Plan to special classes of taxpayers. Furthermore, the following discussion does not address United States federal taxes other than income taxes.

In addition, a substantial amount of time may elapse between the confirmation date and the receipt of a final distribution under the plan. Events subsequent to the date of this disclosure statement, such as additional tax legislation, court decisions, or administrative changes, could affect the federal income tax consequences of the plan and the transactions contemplated thereunder.

EACH HOLDER IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE UNITED STATES FEDERAL, STATE AND LOCAL AND ANY FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE SECOND REORGANIZATION PLAN.

A. United States Federal Income Tax Consequences to the Reorganizing Debtors

1. Consequences to Reorganizing Debtors - General

a. Cancellation of Debt

Upon implementation of the Second Reorganization Plan, the amount of Reorganized Covanta's aggregate outstanding indebtedness will be reduced. In general, the discharge of a debt obligation in exchange for an amount of cash and other property, including new debt obligations, having a fair market value (or, in the case of a new debt instrument, an "issue price") less than the "adjusted issue price" of the debt gives rise to cancellation of indebtedness ("COD") income to the debtor. However, COD income is not taxable to the debtor if the debt discharge occurs in a Title 11 bankruptcy case. Instead, under the Code, the COD income will reduce certain of the debtor's tax attributes, generally in the following order: (a) net operating losses and net operating loss carryforwards ("NOLs"); (b) general business credit carryforwards; (c) minimum tax credit carryforwards; (d) capital loss carryforwards; (e) the tax basis of the debtor's depreciable and nondepreciable assets (but not below the amount of its liabilities immediately after the discharge); and (f) foreign tax credit carryforwards. The reduction in tax attributes occurs on a consolidated basis and only after the tax for the year of the debt discharge has been determined (i.e., such attributes may be available to offset taxable income that accrues through the end of the Reorganizing Debtors' taxable year). Any excess COD income over the amount of available tax attributes is not subject to United States federal income tax and has no other United States federal income tax impact. After reduction for the COD income generated by the Second Reorganization Plan, the Reorganizing Debtors do not expect to have significant amounts of remaining tax attributes. If there are tax attributes utilizable by the Reorganizing Debtors after the Effective Date, those attributes will be subject to annual limitations under Code Section 382.

b. Section 382

Section 382 generally provides that if a corporation undergoes an "ownership change", the amount of its pre-change losses that may be utilized to offset future taxable income is subject to an annual limitation. Such limitation may also apply to certain losses or deductions that are "built-in" (i.e., economically accrued but unrecognized) as of the date of the ownership change and that are subsequently recognized. Generally, an ownership change occurs when aggregate changes in stock ownership by 5 percent shareholders exceed 50 percentage points by value over a three-year "testing period."

The issuance of the New Common Stock of Reorganized Covanta to the Plan Sponsor pursuant to the Plan will constitute an ownership change of the Reorganizing Debtors.

As discussed above under "-Cancellation of Debt", the Reorganizing Debtors anticipate that their NOLs and other tax attributes will be substantially reduced or entirely eliminated by reason of excluded COD income. If, however, there are tax attributes remaining subsequent to the Effective Date, such attributes would be subject to the limitation under Section 382. As a result, annual usage of the tax attributes would be limited to the equity value of the Reorganizing Debtors immediately after the Effective Date, multiplied by the highest long-term tax-exempt rate in effect during a three month period ending in the month of the Effective Date. The Reorganizing Debtors may be allowed to increase such limitation by certain built-in gains realized during the five-year recognition period following the change date.

2. Consequences to the Reorganizing Debtors relating to the Plan Sponsor

The Plan Sponsor currently expects to have NOLs estimated to be approximately $571 million for United States federal income tax purposes. In addition, the Plan Sponsor does not expect to have positive taxable income for 2003 that would reduce the amount of its NOLs. The NOLs will expire in various amounts beginning on December 31, 2004 through December 31, 2022, if not used.

On the Effective Date, the Plan Sponsor and Reorganized Covanta will enter into the Tax Sharing Agreement, which will determine Reorganized Covanta's tax obligations vis-a-vis other members of the Plan Sponsor's consolidated group for taxable years ending after the Effective Date. The Tax Sharing Agreement assumes that $571 million of NOLs, reduced over time by the expiration of certain NOLs and by income generated by certain Plan Sponsor entities, are available to offset the future taxable income of Reorganized Covanta and its subsidiaries. If Reorganized Covanta's actual tax liability for any taxable year is higher than its liability to the Plan Sponsor computed under the Tax Sharing Agreement, the Plan Sponsor will have an obligation to indemnify and hold harmless Reorganized Covanta for any such excess. However, in the event the Plan Sponsor's NOLs are not available, and the Plan Sponsor does not have the ability to make the indemnity payments required under the Tax Sharing Agreement, Reorganized Covanta will in all likelihood suffer material adverse consequences since Reorganized Covanta will be jointly and severably liable for such tax liability.

The existence and availability of the Plan Sponsor's NOLs is dependent on factual and substantive tax issues, including issues in connection with a 1990 restructuring by the Plan Sponsor, the resolution of which is subject to considerable uncertainty. The Internal Revenue Service ("IRS") has not audited any of the Plan Sponsor's tax returns for the years in which the losses giving rise to the NOLs were reported, and it could challenge any past and future use of the NOLs. There can be no assurance that the Plan Sponsor would prevail if the IRS were to challenge the use of the NOLs and therefore, there is considerable uncertainty regarding the availability of the NOLs. If the IRS were successful in challenging the Plan Sponsor's NOLs, the NOLs would not be available to offset future income of the Reorganizing Debtors.

Detailed disclosure regarding the Plan Sponsor's NOLs can be found under Item 1 -"Business - Tax Loss Carryforward" and Note 14 to Plan Sponsor's audited consolidated financial statements as of, and for the fiscal year ended, December 27, 2002 in each case contained in Plan Sponsor's Annual Report on Form 10-K for the fiscal year ended December 27, 2002 that has been filed with the SEC.

a. Section 382 - Section 384

If the Plan Sponsor underwent, or were to undergo, an "ownership change" as such term is used in Section 382 of the Code, the use of its NOLs would be severely limited. As a result, the Plan Sponsor's NOLs would not available to offset Reorganized Covanta's future taxable income. In such event, Reorganized Covanta would suffer material adverse consequences if the Plan Sponsor did not have the ability to meet its financial obligations under the Tax Sharing Agreement to indemnify Reorganized Covanta for its tax liabilities.

The Plan Sponsor will be treated as having had an "ownership change" if there is a more than 50 percentage point increase in stock ownership during a 3-year "testing period" by "5% stockholders." For this purpose, stock ownership is measured by value, and does not include so-called "straight preferred" stock. The Plan Sponsor's Certificate of Incorporation contains stock transfer restrictions that were designed to help preserve the NOLs by avoiding an ownership change. The transfer restrictions were implemented in 1990, and the Plan Sponsor expects that they will remain in-force as long as it has NOLs. The Plan Sponsor cannot be certain, however, that these restrictions will prevent an ownership change.

In general, Section 384 prevents a loss company (and any members of its affiliated group) from using its pre-acquisition NOLs and built-in losses (as well as net capital losses and credit carryovers) against any net built-in gains of a company the control of which is acquired by the loss company. The limitation applies to built-in gains recognized within the five-year recognition period after the acquisition date. For purposes of Section 384, the Plan Sponsor will be considered to acquire control of the Reorganizing Debtors on the

Effective Date. Therefore, the Reorganizing Debtors will not be able to offset any built-in gains recognized within five years of the Effective Date with NOLs the Plan Sponsor incurred before the Effective Date. The Reorganizing Debtors will be liable for any tax liability relating to such built-in gains.

B. United States Federal Income Tax Consequences to the Holders of Claims of the Reorganizing Debtors

The following is a summary of the principal United States federal income tax consequences of the Second Reorganization Plan that may be relevant to a beneficial holder of an Allowed Claim that is a citizen or resident of the United States or a domestic corporation or otherwise subject to United States federal income tax on a net income basis in respect of the Claim (a "Holder"). The discussion does not deal with special classes of Holders, such as dealers in securities or currencies, banks, financial institutions, insurance companies, tax-exempt organizations, persons holding Claims as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction or persons that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the United States federal estate and gift tax or alternative minimum tax consequences of the Second Reorganization Plan or of the ownership or retirement of the Second Reorganization Plan Notes issued pursuant to the Second Reorganization Plan and does not address the United States federal income tax treatment of Holders that acquire such instruments subsequent to the Reorganization Effective Date. This discussion generally assumes that the Reorganization Plan Notes will be held as "capital assets" within the meaning of Section 1221 of the IRC.

For United States federal income tax purposes, the treatment of Holders and the character and amount of income, gain or loss recognized as a consequence of the Second Reorganization Plan will depend upon, among other factors, whether the Allowed Claims and the Reorganization Plan Notes constitute "securities in a corporation a party to a reorganization" for the purposes of IRC Section 354 ("Section 354 Securities").

The rules for determining whether an obligation constitutes a "security" for purposes of IRC Section 354 are unclear. The term security is not defined in the IRC or the Treasury Regulations and has not been clearly defined by judicial decisions. The test as to whether a debt instrument is a security involves an overall evaluation of the nature of the debt instrument and the extent of the investor's proprietary interest in the issuer. One of the most significant factors considered in determining whether a particular debt instrument is a security is its original term. Generally, debt instruments with a term of less than five (5) years are not likely, except in certain circumstances, to be considered securities. Debt instruments with a term of ten (10) years or more are highly likely to be considered securities, while debt instruments with an initial term at issuance of five (5) to ten (10) years are often considered securities, but their status is unclear. Claims arising out of the extension of trade credit have been held not to be securities.

If an instrument is a "security" under IRC Section 354, it is necessary to consider whether such instrument is a security "in a corporation a party to a reorganization" in order to determine whether such a security is a Section 354 Security. A subsidiary of a corporation engaging in a recapitalization is not a "party to the reorganization" with the result that its securities would not constitute Section 354 Securities.

While it would appear that the Allowed Secured 9.25% Debenture Claims, with an initial term of thirty (30) years, are Section 354 Securities, the status of the New High Yield Secured Notes, with an initial term of seven (7) years, as Section 354 Securities is unclear. Each Holder is urged to consult its tax advisor regarding the status the New High Yield Secured Notes as a Section 354 Securities.

The tax treatment of the CPIH Participation Interests for United States federal income tax purposes is unclear. The following discussion disregards any impact the CPIH Participation Interests may have on the treatment of the New CPIH Funded Debt. Holders should consult their tax advisors regarding the proper treatment for United States federal income tax purposes of holding CPIH Participation Interests.

1. Consequences to Holders of Allowed Claims (other than Holders of Allowed Secured 9.25% Debenture Claims who treat the New High Yield Secured Notes as Section 354 Securities)

For Holders who do not treat the New High Yield Secured Notes as Section 354 Securities, the exchange of Allowed Claims for some combination of Cash, CPIH Participation Interests and Reorganization Plan Notes will be a fully taxable transaction.

The tax consequences of that exchange to any specific Holder will differ and will depend on factors specific to each such Holder, including but not limited to: (i) whether the Holder's Allowed Claim constitutes a claim for principal or interest, (ii) the origin of the Allowed Claim, (iii) the type of consideration received in exchange for the Allowed Claim, (iv) whether the Holder reports income on the accrual or cash basis method, and (v) whether the

Holder has taken a bad debt deduction or otherwise recognized a loss with respect to the Allowed Claim. However, as a general matter, Holders of Allowed Claims will recognize gain or loss in an amount equal to the difference between the amount realized on the exchange and their adjusted tax basis in the Allowed Claims tendered upon the consummation of the Plan. Any such gain or loss will constitute ordinary income or loss unless such Allowed Claim is a capital asset. If the Allowed Claim is a capital asset, and it has been held for more than one year, such Holder will realize long-term capital gain or loss (except with respect to amounts attributable to market discount and amounts received attributable to accrued but unpaid interest, which will constitute ordinary income).

A Holder's adjusted tax basis in an Allowed Claim generally will equal the amount paid for such Allowed Claim, increased by the amount of any market discount previously taken into account by the Holder and reduced by the amount of any amortizable bond premium previously amortized by the Holder with respect to the Allowed Claim. The amount realized in the exchange will be the fair market value of the New CPIH Funded Debt and the CPIH Participation Interests received plus the issue price of the Reorganization Plan Unsecured Notes plus the issue price of the New High Yield Notes (together with the Reorganization Plan Unsecured Notes, the "Covanta Notes") received (determined as described below under "Holding and Disposing of CPIH Participation Interests and Reorganization Plan Notes - Issue Price of the Reorganization Plan Notes") plus the amount of Cash received, if any (other than amounts received attributable to accrued interest, which will be taxed as such).

In general, if a Holder acquired the Allowed Claim with market discount, any gain realized by a Holder will be treated as ordinary income to the extent of the portion of the market discount that has accrued while such Allowed Claims were held by the Holder, unless the Holder has elected to include market discount in income currently as it accrues.

A Holder's tax basis in the New CPIH Funded Debt and in the CPIH Participation Interests will be the fair market value of such instruments at the time of the exchange. A Holder's tax basis in any Covanta Note received will equal the issue price of such Note. The holding period for any Reorganization Plan Note received generally will begin the day following the issuance of such instrument.

2. Consequences to Holders of Allowed Secured 9.25% Debenture Claims who treat the New High Yield Secured Notes as Section 354 Securities

If the New High Yield Secured Notes are treated as Section 354 securities for United States federal income tax purposes, then the exchange of Allowed Secured 9.25% Debenture Claims for New High Yield Secured Notes and any other consideration will constitute a recapitalization that qualifies as a tax-free reorganization with meaning of IRC Section 368(a)(1)(E). If the exchange qualifies as a recapitalization, a Holder that receives New High Yield Secured Notes and any other consideration will not recognize loss on the exchange, and will recognize gain only to extent of the lesser of (i) the amount of gain realized on the exchange and (ii) the amount of "boot" received on the exchange. Any Cash, Reorganization Plan Unsecured Notes or New CPIH Funded Debt received in the exchange will be treated as boot, in an amount equal to the sum of (i) the issue price of the Reorganization Plan Unsecured Notes received and (ii) the fair market value of the other consideration received. The amount of gain realized on the exchange, if any, will equal the excess of the Holder's amount realized on the exchange over the Holder's adjusted tax basis in its Allowed Secured 9.25% Debenture Claims. A Holder's amount realized will equal the sum of (i) the issue price of the New High Yield Secured Notes and the Reorganization Plan Unsecured Notes received, and (ii) the fair market value of other consideration received in the exchange (other than amounts received attributable to accrued interest, which will be taxed as such). A Holder's adjusted tax basis in the Allowed Secured 9.25% Debenture Claims generally equals the amount paid for such Claim, increased by the amount of any market discount previously taken into account by the Holder and reduced by the amount of any amortizable bond premium previously amortized by the Holder with respect to the Allowed Secured 9.25% Debenture Claims. Subject to the application of the market discount rules, as discussed below, any gain recognized on the exchange will be capital gain.

A Holder's tax basis in the New High Yield Secured Notes received will be the same as such Holder's tax basis in the Allowed Secured 9.25% Debenture Claims exchanged, decreased by the amount of boot received, if any, and increased by the amount of any gain recognized by the Holder in respect of the exchange. A Holder's holding period for the New High Yield Secured Notes will include its holding period for the Allowed Secured 9.25% Debenture Claims. A Holder's tax basis in the Reorganization Plan Unsecured Notes will be their issue price and a Holder's tax basis in other consideration received will be the fair market value of such other consideration at the time of the exchange. The holding period for any New CPIH Funded Debt received generally will begin the day following the issuance of such Debt.

If a Holder acquired the Allowed Secured 9.25% Debenture Claims with market discount, any gain recognized by the Holder on the recapitalization will be treated as ordinary income to the extent of the portion of the market

discount that has accrued while such Allowed Secured 9.25% Debenture Claims were held by the Holder, unless the Holder has elected to include market discount in income currently as it accrues.

3. Holding and Disposing of CPIH Participation Interests and Reorganization Plan Notes

(a) Issue price of the Reorganization Plan Notes

The issue price of the Covanta Notes depends on whether a substantial amount of the Covanta Notes or the Allowed Claims for which they are exchanged are treated as "traded on an established market" within the meaning of the applicable Treasury Regulations. The issue price of the New CPIH Funded Debt depends on whether a substantial amount of the New CPIH Funded Debt is treated as "traded on an established market" within the meaning of the applicable Treasury Regulations. In general, notes are treated as "traded on an established market" if, at any time during the 60-day period ending 30 days after the issue date, such notes are traded or listed on a national securities exchange, interdealer quotation system, certain foreign exchanges, or price quotations are readily available from dealers, brokers or traders. If an Allowed Claim or the Covanta Notes for which such Claim are exchanged were traded on an established market, the issue price of the Covanta Notes would equal the fair market value of either the Allowed Claim or the Covanta Notes for which such Claim is exchanged. If the New CPIH Funded Debt were traded on an established market, the issue price of the New CPIH Funded Debt would equal the fair market value of such New CPIH Funded Debt. If neither the Allowed Claim, the Covanta Notes for which such Claim is exchanged, nor the New CPIH Funded Debt are traded on an established market, then the Reorganization Plan Notes would have an issue price equal to their stated principal amount so long as there is "adequate stated interest" within the meaning of IRC Section 1274(c)(2). Covanta expects the Reorganization Plan Notes to have adequate stated interest. Covanta does not expect the Allowed Claims or the Reorganization Plan Notes to be traded on an established market, within the meaning of the applicable Treasury Regulations, and, accordingly, intends to treat the Reorganization Plan Notes as having an issue price equal to their stated principal amount.

(b) Qualified Stated Interest and Original Issue Discount

In general, for United States federal income tax purposes, a Holder will have to include qualified stated interest on the Reorganization Plan Notes in gross income in accordance with its usual method of tax accounting. Qualified stated interest is stated interest that is unconditionally payable in cash or in property at least annually at a single fixed rate. All interest payments on the Reorganization Plan Unsecured Notes and the 8.25% stated interest on the New High Yield Secured Notes will be qualified stated interest.

Generally, subject to a statutory de minimis exception, the amount of original issue discount ("OID") with respect to a note is equal to the excess of (i) the stated redemption price at maturity of the note over (ii) the issue price of the note. A note's stated redemption price at maturity is the sum of all payments due under the note other than payments of qualified stated interest. As discussed in more detail in the paragraphs below, generally, Holders are required to include OID in gross income in advance of the receipt of cash payments on the notes.

As described above under "Holding and Disposing of CPIH Participation Interests and Reorganization Plan Notes - Issue Price of the Reorganization Plan Notes," the issue price of the Reorganization Plan Unsecured Notes is expected to be equal to their stated principal amount. All interest on the Reorganization Plan Unsecured Notes will be treated as qualified stated interest. Therefore, the Reorganization Plan Unsecured Notes are not expected to be issued with OID.

As described above under "Holding and Disposing of CPIH Participation Interests and Reorganization Plan Notes - Issue Price of the Reorganization Plan Notes," the issue price of the New High Yield Secured Notes is expected to be equal to their stated principal amount of $205 million. The stated redemption price at maturity of the New High Yield Secured Notes will be $230 million. Therefore, the New High Yield Secured Notes are expected to be issued with OID.

To the extent that stated interest payable under a debt instrument exceeds qualified stated interest, the excess is included in the debt instrument's stated redemption price at maturity. Of the 10.5% stated interest on the New CPIH Funded Debt, only 6% will be treated as qualified stated interest. The additional 4.5% that Holders will receive as interest on the New CPIH Funded Debt will not be treated as qualified stated interest, and will be added to the stated redemption price at maturity of the New CPIH Funded Debt. Therefore, the stated redemption price at maturity of the New CPIH Funded Debt will be greater than the issue price of such Debt, determined as described above under "Holding and Disposing of CPIH Participation Interests and Reorganization Plan Notes - Issue Price of the Reorganization Plan Notes," and the New CPIH Funded Debt will be issued with OID.

In general, Holders will be required to include OID in gross income under a constant yield method over the term of the New High Yield Secured Notes and the New CPIH Funded Debt (and such income would be treated as ordinary

income) in advance of cash payments attributable to such income, regardless of whether such Holders are a cash or accrual method taxpayer, and without regard to the timing or amount of any actual payments.

(c) Market Discount and Premium

Any Holder that received New High Yield Secured Notes in an exchange that qualifies as a recapitalization and has a tax basis in such New High Yield Secured Notes that is less than the issue price of such Notes will be subject to the market discount rules (unless the amount of the excess of the issue price over the basis is less than a specified de minimis amount, in which case market discount is considered to be zero). Any Holder that received New CPIH Funded Debt in an exchange and has a tax basis in such Debt that is less than the issue price of such Debt will be subject to the market discount rules (unless the amount of the excess of the issue price over the basis is less than a specified de minimis amount, in which case market discount is considered to be zero).

In general, if a note has market discount, a Holder may elect (but is not required) to take market discount into income over the remaining life of a note, either on a ratable or economic yield basis. In addition, a Holder that acquired its Allowed Secured 9.25% Debenture Claims at a market discount, and that received New High Yield Secured Notes in an exchange that qualifies as a recapitalization, may be required to carry over to the New High Yield Secured Notes any accrued market discount with respect to the Allowed Secured 9.25% Debenture Claims to the extent that the accrued market discount was not previously included in income.

If any Holder receives New High Yield Secured Notes in an exchange that qualifies as a recapitalization and has a tax basis in such New High Yield Secured Notes that exceeds such Notes' stated redemption price at maturity, the New High Yield Secured Notes will have bond premium to the extent of that excess. A Holder generally may elect to amortize the premium on the constant yield to maturity method as a reduction of the Holder's interest income (including OID) from the New High Yield Secured Notes, but in such case Holders will be required to reduce their basis in such Notes by the amount of any amortizable bond premium applied to offset such interest income.

If any Holder receives New High Yield Secured Notes in an exchange that qualifies as a recapitalization and has a tax basis in such New High Yield Secured Notes that is more than the issue price of such Notes but less than the stated redemption price at maturity of such Notes, such Holder has acquisition premium with respect to such New High Yield Secured Notes to the extent of that excess, and the Holder will not include OID on the New High Yield Secured Notes in income to the extent of the acquisition premium.

(d) Sale, Exchange or Redemption of Reorganization Plan Notes

Upon a sale, exchange, redemption or other taxable disposition of Reorganization Plan Notes, a Holder generally will recognize gain or loss in an amount equal to the difference between the amount such Holder realizes on the disposition and its adjusted tax basis in the Reorganization Plan Notes. Subject to the application of the market discount rules, as discussed above, gain or loss recognized upon such a disposition generally will be capital gain or loss, and will be long-term gain or loss if a Holder's holding period exceeds one (1) year.

(f) Consequences of Holding CPIH Participation Interests

The tax treatment of the CPIH Participation Interests for United States federal income tax purposes is unclear. The CPIH Participation Interests provide Holders with a right to receive a distribution upon the sale or other disposition of (i) CPIH and its subsidiaries or (ii) the assets of CPIH and its subsidiaries of 5 percent of the proceeds of such sale or other disposition, but in no event more than $4 million in the aggregate.

In general, a deferred payment given as consideration in exchange for non-publicly traded property must provide for adequate stated interest or a portion of the payment will be characterized as interest for United States federal income tax purposes under Section 1274 or Section 483. Generally, Section 483 applies to contracts for the sale or exchange of property if the contract provides for one or more contingent payments. The CPIH Participation Interest only provide for wholly contingent payments and do not provide for any stated interest.

Under Section 483, the excess of the total deferred payments (i.e. all payments due more than six months after the date of the sale or exchange) over the aggregate present value of all deferred payments and any stated interest is treated as "unstated interest" rather than as principal. Contingent payments are accounted for when payment is made. A portion of the payment equal to the amount of "unstated interest" is treated as interest, and the rest of the payment is treated as a receipt of the sales price. The interest is includible in the taxable income of the Holder in the taxable year in which the payment is made.

Holders should consult their tax advisors regarding the proper treatment for United States federal income tax purposes of holding CPIH

Participation Interests.

C. Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments in respect of the Reorganization Plan Notes within the United States if you are not a corporation. To avoid the imposition of backup withholding on such payments, a Holder should complete an IRS Form W-9 (which can be obtained at the website of the IRS at www.irs.gov) and either (i) provide its correct taxpayer identification number ("TIN"), which is a Holder's social security number for an individual Holder, and certain other information, or (ii) establish a basis for an exemption from backup withholding. Certain Holders (including, among others, corporations, individual retirement accounts and certain foreign persons) are exempt from these backup withholding and information reporting requirements, but may be required to establish their entitlement to an exemption. If the payment agent for the Reorganization Plan Notes is not provided with the correct TIN or an adequate basis for exemption, a Holder may be subject to a backup withholding tax on payments received in respect of the Reorganization Plan Notes. If backup withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is provided to the IRS.

XII. FEASIBILITY OF THE SECOND REORGANIZATION PLAN AND THE SECOND LIQUIDATION PLAN AND THE BEST INTERESTS TEST

A. Feasibility of the Second Plans

To confirm the Second Reorganization Plan, the Court must find that confirmation of the Second Reorganization Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Reorganizing Debtors, unless and to the extent liquidation is contemplated by either of such Plan. This requirement is imposed by section 1129(a)(11) of the Bankruptcy Code and is referred to as the "feasibility" requirement. The Reorganizing Debtors believe that they will be able to timely perform all obligations described in the Second Reorganization Plan, and, therefore, that the Second Reorganization Plan is feasible. Because substantially all of the assets of the Liquidating Debtors have been sold and any further liquidation of the Residual Liquidation Assets, if any, is provided for in the Second Liquidation Plan, the Liquidating Debtors believe that the Liquidating Plan meets the feasibility requirement.

1. The Second Reorganization Plan

To demonstrate the feasibility of the Second Reorganization Plan, the Reorganizing Debtors have prepared financial Projections through December 31, 2007, as set forth in Exhibits C and D attached to this Second Disclosure Statement. The Projections indicate that the Reorganizing Debtors should have sufficient cash flow to pay and service their debt obligations and to fund their operations. Accordingly, the Reorganizing Debtors believe that the Second Reorganization Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code. As noted in the Projections, however, the Reorganizing Debtors caution that no representations can be made as to the accuracy of the Projections or as to the Reorganizing Debtors' ability to achieve the projected results. Many of the assumptions upon which the Projections are based are subject to uncertainties outside the control of the Reorganizing Debtors. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the Projections were prepared may be different from those assumed or may be unanticipated, and may adversely affect the Reorganizing Debtors' financial results. Therefore, the actual results may vary from the projected results and the variations may be material and adverse. See Section VIII, for a discussion of certain risk factors that may affect financial feasibility of the Second Reorganization Plan.

2. The Second Liquidation Plan

The Second Liquidation Plan contemplates that any remaining Residual Liquidation Assets of the Liquidating Debtors that have not already been sold, will be abandoned (to the extent that such Residual Liquidation Assets have de minimis value) or monetized (to the extent that such Residual Assets have greater than de minimis value) and all the proceeds of the Liquidation Assets will be distributed pursuant to the terms of the Second Liquidation Plan. Because no further financial reorganization of the Liquidating Debtors is planned, the Liquidating Debtors believe that the Second Liquidation Plan meets the feasibility requirement. In addition, the Liquidating Debtors believe that the Administrative Expense Claims Reserve, which will be funded in an amount up to $2,500,000, will be sufficient to satisfy all Administrative Expense Claims that may be asserted against the Liquidating Debtors and that the Operating Reserve, which will be funded in an amount not to exceed $500,000, will be sufficient to satisfy all Priority Tax Claims, Priority Non-Tax Claims, Dissolution Expenses and Oversight Nominee Expenses.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE PRACTICES RECOGNIZED TO BE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROJECTIONS. FURTHERMORE, THE PROJECTIONS HAVE

NOT BEEN AUDITED BY THE DEBTORS' INDEPENDENT ACCOUNTANTS. ALTHOUGH PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED UPON A VARIETY OF ASSUMPTIONS, SOME OF WHICH IN THE PAST HAVE NOT BEEN ACHIEVED AND WHICH MAY NOT BE REALIZED IN THE FUTURE, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE PRESENTED IN THE PROJECTIONS.

B. Acceptance of the Second Plans

As a condition to confirmation, the Bankruptcy Code requires that each Class of Impaired Claims and Equity Interests vote to accept the Second Plans, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, a Class of Claims will have voted to accept a plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance. Under section 1126(d) of the Bankruptcy Code, a Class of Equity Interests has accepted a plan if holders of such Equity Interests holding at least two-thirds in amount actually voting have voted to accept a plan.

C. Best Interests Test

Even if a plan is accepted by each class of holders of claims and interests, the Bankruptcy Code requires a Court to determine that the plan is in the "best interests" of all holders of claims and interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a Court to find either that (i) all members of an impaired class of claims or interests have accepted the plan or (ii) the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to members of each impaired class of holders of claims and interests if the debtor were liquidated under chapter 7, a Court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its chapter 11 case were converted to a chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by the costs of liquidation under chapter 7 of the Bankruptcy Code, including the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, additional administrative claims and other wind-down expenses. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity interests. The liquidation also would prompt the rejection of a large number of executory contracts and thereby create a significantly higher number of unsecured claims.

The foregoing types of claims and such other claims which may rise in the liquidation cases or result from the pending Chapter 11 Cases would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition claims.

Once the court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under a debtor's plan, then such plan is not in the best interests of creditors and equity security holders.

D. Estimated Valuation of the Reorganized Debtors

A copy of the Reorganization Valuation Analysis is attached to this Second Disclosure Statement as Exhibit E.

E. Application of the Best Interests Test to the Liquidation Valuation Analysis and the Valuation of the Reorganized Debtors

A Liquidation Valuation Analysis prepared with respect to the Reorganizing Debtors is attached as Exhibit F to this Second Disclosure Statement. The Reorganizing Debtors believe that any liquidation analysis is speculative. For example, the liquidation analysis necessarily contains an estimate of the amount of Claims that will ultimately become Allowed Claims. In

preparing the Liquidation Valuation Analysis, the Reorganizing Debtors have projected an amount of Allowed Claims based upon a review of their scheduled claims. Additions were made to the scheduled claims to adjust for estimated claims related to postpetition obligations, pension liabilities and other employee-related obligations, post-retirement obligations and certain lease damage claims. No order or finding has been entered by the Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the Liquidation Valuation Analysis. The estimate of the amount of Allowed Claims set forth in the Liquidation Valuation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims and Interests under the Second Plans. In addition, as noted above, the valuation analysis of the Reorganized Debtors also contains numerous estimates and assumptions.

Notwithstanding the difficulties in quantifying recoveries to creditors with precision, the Reorganizing Debtors believe that, (i) after taking into account the Liquidation Valuation Analysis and the valuation analysis of the Reorganized Debtors and (ii) after consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including: (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee; (b) the substantial increases in claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Cases; and (c) the significantly lower proceeds likely to be realized from a liquidation of the Reorganizing Debtors' assets under a chapter 7 liquidation, the Second Plans meet the "best interests" test of section 1129(a)(7) of the Bankruptcy Code. The Reorganizing Debtors believe that the members of each impaired class will receive at least as much under the Second Plans as they would in a liquidation in a hypothetical chapter 7 case. Creditors will receive a better recovery through the distributions contemplated by the Second Plans because the continued operation of the Reorganizing Debtors as going concerns, rather than a forced liquidation. Moreover, the Reorganizing Debtors' employees would retain their jobs and most likely make few if any other claims against the Estate. Lastly, in the event of liquidation, the aggregate amount of unsecured claims will no doubt increase significantly, and such claims will be subordinated to priority claims that will be created. Also, a chapter 7 liquidation would give rise to additional administrative claims. For example, employees will file claims for wages, pensions and other benefits, some of which will be entitled to priority. The resulting increase in both general unsecured and priority claims will no doubt decrease percentage recoveries to unsecured creditors of all Reorganizing Debtors. All of these factors lead to the conclusion that recoveries under the Second Plans would be at least as much as, and in many cases significantly greater than, the recoveries available in a chapter 7 liquidation.

F. The Best Interests Test and the Liquidating Debtors

As all of the assets of the Liquidating Debtors are secured by the first priority liens held by the Secured Bank Lenders (including the Prepetition Lenders and the DIP Lenders) and the 9.25% Debenture Holders, under a chapter 7 liquidation, no holder of claims, other than the Secured Bank Lenders and the 9.25% Debenture Holders, would be entitled to any recovery. Thus, as to the holders of claims against the Liquidating Debtors, other than the Secured Bank Lenders and the 9.25% Debenture Holders, the best interests test is satisfied, because they would not be entitled to a greater distribution under chapter 7 than they are entitled to under the Second Liquidation Plan. Additionally, the Second Liquidation Plan currently contemplates that the Secured Bank Lenders and 9.25% Debenture Holders are waiving any Distribution under the Second Liquidation Plan in return for their treatment under the Second Reorganization Plan, because such waiver shall enhance their Second Reorganization Plan Distribution. Thus, the Liquidating Debtors believe that, in consideration of the added expense and delay a chapter 7 liquidation could cause and the added benefit of enhancing their Distributions under the Second Reorganization Plan, the best interests test is satisfied as to the Secured Bank Lenders and the 9.25% Debenture Holders.

G. Confirmation Without Acceptance of All Impaired Classes: The 'Cramdown' Alternative

Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if it has not been accepted by all impaired classes, as long as at least one impaired class of Claims has accepted it. The Court may confirm the Second Plans at the request of the Debtors notwithstanding the Second Plans' rejection (or deemed rejection) by Impaired Classes as long as the Second Plans "do not discriminate unfairly" and are "fair and equitable" as to each Impaired Class that has not accepted them. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

A plan is fair and equitable as to a class of secured claims that rejects such plan if the plan provides (1)(a) that the holders of claims included in the rejecting class retain the liens securing those claims whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and (b) that

each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, of at least the value of the holder's interest in the estate's interest in such property; (2) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of the liens, with the liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under clause (1) or (2) of this paragraph; or (3) for the realization by such holders of the indubitable equivalent of such claims.

A plan is fair and equitable as to a class of unsecured claims which rejects a plan if the plan provides (1) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (2) that the holder of any claim or interest that is junior to the claims of such rejecting class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (1) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or (2) that the holder of any interest that is junior to the interest of such rejecting class will not receive or retain under the plan on account of such junior interest any property at all. Because (i) holders of Unsecured Liquidation Claims against the Liquidating Debtors in Class 7 under the Second Liquidation Plan, (ii) holders of Equity Interests in the Subsidiary Debtors and the Liquidating Debtors in Class 11 under the Second Liquidation Plan, and (iii) holders of Old Covanta Stock Equity Interests in Class 12 under the Second Reorganization Plan are receiving no Distributions on account of such Claims and Equity Interests under the applicable Plan, their votes are not being solicited and they are deemed to have rejected the applicable Plan pursuant to section 1126(g) of the Bankruptcy Code. Accordingly, the Debtors are seeking confirmation of the Second Plans pursuant to section 1129(b) of the Bankruptcy Code with respect to such Classes and may seek confirmation pursuant thereto as to other Classes if such Classes vote to reject the Second Plans.

H. Conditions to Confirmation and/or Consummation of the Second Plans

1. Conditions to Confirmation of the Second Reorganization Plan and Second Liquidation Plan

The following are conditions precedent to confirmation of the Second Reorganization Plan and Second Liquidation Plan. These conditions may be satisfied or waived by the Debtors in accordance with Article X of the Second Reorganization Plan and Article XI of the Second Liquidation Plan:

(a) The entry of a Final Order finding that the Second Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code;

(b) The proposed Confirmation Order shall be in form and substance, reasonably acceptable to the Reorganizing Debtors, the Liquidating Debtors and the Plan Sponsor;

(c) All provisions, terms and conditions of the Second Reorganization Plan are approved in the Confirmation Order;

(d) The Confirmation Order shall contain a finding that any Intercompany Claim held by a Reorganizing Debtor, Liquidating Debtor or Heber Debtor is the exclusive property of such Reorganizing Debtor, Liquidating Debtor or Heber Debtor pursuant to section 541 of the Bankruptcy Code;

(e) The Confirmation Order shall contain a ruling that each of Intercompany Claims held by the Reorganizing Debtors, the Heber Debtors or the Liquidating Debtors against (i) the Liquidating Debtors and any of their respective, present or former officers, employees, attorneys, accountants, financial advisors, investment bankers or agents and (ii) the other persons or entities identified in Section 12.6 of the Second Liquidation Plan will be fully settled and released as of the Liquidation Effective Date;

(f) The Confirmation Order shall contain a ruling that each of the Liquidating Debtors Intercompany Claims against (i) the Reorganizing Debtors and Heber Debtors and any of their respective present or former officers, directors, employees, attorneys, accountants, financial advisors, investment bankers or agents and (ii) the other persons or entities identified in Section 11.10 of the Second Reorganization Plan and Section 12.6 of the Second Liquidation Plan will be fully settled and released as of the applicable Effective Date;

(g) The Confirmation Order shall contain a ruling that each of the Heber Debtors' Intercompany Claims against (i) other Reorganizing Debtors and any of their respective present or former officers, directors, employees, attorneys, accountants, financial advisors, investment bankers or agents and

(ii) the other persons or entities identified in Section 11.10 of the Second Reorganization Plan, to the extent and only for the periods provided for in Section 11.10 of the Second Reorganization Plan, will be fully settled and released as of the Reorganization Effective Date;

(h) the Confirmation Order shall contain a ruling that each of the Reorganizing Debtors Claims against (i) the Reorganizing Debtors and any of their respective present or former officers, directors, employees, attorneys, accountants, financial advisors, investment bankers or agents and (ii) the other persons or entities identified in Section 11.10 of the Second Reorganization Plan will be fully settled and released or, with respect to Claims against the Reorganizing Debtors, treated in accordance with Section 4.9(b)(II) of the Second Reorganization Plan;

(i) The entry of the Confirmation Order with respect to the Heber Reorganization Plan in form and substance reasonably satisfactory to the Reorganizing Debtors.

2. Conditions Precedent to the Reorganization Effective Date

Each of the following is a condition precedent to the occurrence of the Reorganization Effective Date under the Second Reorganization Plan, each of which may be satisfied or waived in accordance with Section 10.3 of the Second Reorganization Plan:

(a) The Confirmation Order (i) shall have been entered by the Court and become a Final Order, (ii) be in form and substance satisfactory to the Reorganizing Debtors, and the Liquidating Debtors, and (iii) provide that the Liquidating Debtors, the Reorganizing Debtors and the Reorganized Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases, indentures and other agreements or documents created in connection with the Second Liquidation Plan, the Second Reorganization Plan and the Heber Reorganization Plan;

(b) The conditions precedent to the Liquidation Effective Date shall have been satisfied or waived in accordance with the terms and provisions of the Second Liquidation Plan;

(c) The conditions precedent to the Heber Effective Date shall have been satisfied or waived in accordance with the terms and provisions of the Heber Reorganization Plan. All conditions precedent to the closing of the Geothermal Sale or an alternative sale of some or all of the Heber Debtors or their assets shall have been satisfied;

(d) The conditions precedent to closing under the DHC Agreement shall have been satisfied or waived in according with the terms and provisions thereof;

(e) Subject to Section 6.8(c) of the Second Reorganization Plan, the equity securities of all the Reorganized Debtors other than Reorganized Covanta shall have been deemed to revert to ownership by the same entity by which they were held prior to the applicable Petition Date;

(f) All regulatory approval necessary or desirable to effectuate the Second Reorganization Plan and the transactions contemplated hereunder shall have been obtained;

(g) The Exit Financing Agreements shall (i) be substantially in the form attached to the DHC Agreement and (ii) have been executed and delivered by the parties thereto, and shall be in full force and effect in accordance with the terms thereof;

(h) The Reorganized Debtors shall have sufficient Cash to make payment or establish reserves with respect to Exit Costs in accordance with the definition for such term in the Second Reorganization Plan;

(i) All documents, instruments and agreements provided for under, or necessary to implement, the Second Reorganization Plan shall have been executed and delivered by the parties thereto, in form and substance satisfactory to the Reorganizing Debtors, unless such execution or delivery has been waived by the parties thereby.

3. Conditions Precedent to the Liquidation Effective Date

The Liquidating Debtors intend that the Liquidation Effective Date will be the Reorganization Effective Date. The following are conditions precedent to the occurrence of the Liquidation Effective Date under the Second Liquidation Plan, each of which may be satisfied or waived in accordance with Section 10.3 of the Second Liquidation Plan.

(a) The Confirmation Order (i) shall have been entered by the Court and become a Final Order, (ii) be in form and substance satisfactory to the Reorganizing Debtors, Heber Debtors and the Liquidating Debtors, and (iii) provide that the Liquidating Debtors, the Reorganizing Debtors, the Reorganized

Debtors and the Reorganized Heber Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases, indentures and other agreements or documents created in connection with the Second Liquidation Plan and the Second Reorganization Plan;

(b) The Liquidating Trustee has entered into the Liquidating Trustee Agreement, which shall be in form and substance acceptable to the Plan Sponsor, with the Liquidating Debtors and is willing to serve in such capacity and the terms of its service and compensation shall have been approved by the Court at the Second Plans Confirmation Hearing;

(c) The conditions precedent to the Reorganization Effective Date shall have been satisfied or waived;

(d) The Liquidating Debtors, the Reorganizing Debtors and Heber Debtors shall be authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases, indentures and the agreements or documents created in connection with the Second Liquidation Plan and the Second Reorganization Plan; and

(e) All actions, documents and agreements necessary to implement the Second Liquidation Plan (i) shall be in form and substance acceptable to the Plan Sponsor and (ii) shall have been effected or executed; and

(f) The conditions precedent to closing under the DHC Agreement shall have been satisfied or waived in accordance with the terms and provisions thereof.

I. Waiver of Conditions to Confirmation and/or Consummation of the Second Plans

The conditions set forth in Article X of the Second Reorganization Plan and Article XI of the Second Liquidation Plan may be waived by the Reorganizing Debtors or Liquidating Debtors respectively as provided in those Articles, without leave of, or notice to the Court and without a formal action other than proceeding with conformation of the Second Plans or emergence from bankruptcy. The failure to satisfy or waive any condition to the applicable Confirmation Date or the applicable Effective Date may be asserted by the Debtors in their sole discretion regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors in their sole discretion). The failure of the Debtors in their sole discretion to exercise any of the foregoing rights will not be deemed a waiver of any other rights, and each such right will be deemed an ongoing right, which may be asserted at any time.

J. Retention of Jurisdiction

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Court will retain exclusive jurisdiction of all matters arising under, arising out of, and related to, the Chapter 11 Cases and the Second Plans, for, among other things, the following non-exclusive purposes:

(i) to determine the allowance or classification of Claims and to hear and determine any objections thereto;

(ii) to hear and determine any motions for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases, and the allowance of any Claims resulting therefrom;

(iii) to determine any and all motions, adversary proceedings, applications, contested matters and other litigated matters in connection with the Chapter 11 Cases that may be pending in the Court on, or initiated after, the applicable Effective Date;

(iv) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(v) to issue such orders in aid of the execution, implementation and consummation of the Second Plans to the extent authorized by section 1142 of the Bankruptcy Code or otherwise;

(vi) to construe and take any action to enforce the Second Plans;

(vii) to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order;

(viii) to modify the Second Plans pursuant to section 1127 of the Bankruptcy Code, or to remedy any apparent non-material defect or omissions in the Second Plans, or to reconcile any non-material inconsistency in the Second Plans so as to carry out their intent and purposes;

(ix) to hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

(x) to resolve any disputes over the reasonableness, accuracy and proper scope of any Dissolution Expenses of the Liquidating Trustee;

(xi) to determine any other requests for payment of Priority Tax Claims, Priority Non-Tax Claims or Administrative Expense Claims;

(xi) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Second Plans;

(xii) to hear and determine all matters relating to the 9.25% Debentures Adversary Proceeding, including any disputes arising in connection with the interpretation, implementation or enforcement of any settlement agreement related thereto;

(xiii) to consider and act on the compromise and settlement or payment of any Claim against the Debtors;

(xiv) to recover all assets of the Debtors and property of their Estates, wherever located;

(xv) to determine all questions and disputes regarding title to the assets of the Debtors or their Estates;

(xvi) to construe and take any action authorized by the Bankruptcy Code and requested by any Debtor, the Liquidating Trustee or any other party in interest to enforce the Second Plans and the documents filed in connection with the Second Plans, and to issue orders as may be necessary for the implementation, execution and consummation of the Second Plans;

(xvii) to issue injunctions, enter and implement other orders or to take such other actions as may be necessary or appropriate to restrain interference by any entity with the consummation, implementation or enforcement of the Second Plans or the Confirmation Order;

(xviii) to remedy any breach or default occurring under the Second Plans;

(xix) to resolve and finally determine all disputes that may relate to, impact on or arise in connection with, the Second Plans;

(xx) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, 1129 and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the final Distribution Date or Final Liquidation Distribution Date, as applicable);

(xxi) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(xxii) to hear any other matter consistent with the provisions of the Bankruptcy Code; and

(xxiii) to enter a final decree closing the Chapter 11 Cases.

Unless otherwise specifically provided herein or in a prior order of the Court, the Court will have exclusive jurisdiction to hear and determine disputes concerning Claims, Equity Interests and Retained Actions.

XIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE SECOND PLANS

The Debtors believe that the Second Plans presently afford holders of Claims the potential for the greatest realization on the Debtors' assets and, therefore, are in the best interests of such holders. As the Debtors have an obligation to seek to maximize recoveries for creditors generally, the Debtors will, consistent with their business judgment, and to the extent permitted by the Exclusivity Provisions of the DHC Agreement, continue to consider alternative transactions, including without limitation the ESOP Transaction, that would permit recoveries to creditors greater than those expected under the Second Plans.

If the Second Plans are not confirmed, however, the theoretical alternatives include: (a) continuation of the pending Chapter 11 Cases; (b) an alternative plan or plans of reorganization, including without limitation a plan or plans premised on the ESOP Transaction; or (c) liquidation of the Debtors under chapter 7 or liquidation of the Reorganizing Debtors under chapter 11 of the Bankruptcy Code.

A. Continuation of the Bankruptcy Case

If the Debtors remain in chapter 11, they could continue to operate their businesses and manage their properties as debtors in possession, but they would remain subject to the restrictions imposed by the Bankruptcy Code. It is not clear whether the Debtors could survive as a going concern in protracted Chapter 11 Cases. The Debtors could have difficulty sustaining the high costs and the erosion of market confidence that may be caused if the Debtors remain chapter 11 debtors in possession. In addition, certain material agreements, such as the DIP Financing Facility, are currently due to expire by their terms on April 1, 2004.

B. Alternative Plans of Reorganization

If the Second Plans are not confirmed, the Debtors, or, after the expiration of the Debtors' exclusive period in which to propose and solicit a reorganization plans, any other party in interest in the Chapter 11 Cases, could propose a different plan or plans. Such plans might involve either a reorganization and continuation of the Debtors' businesses, or an orderly liquidation of its assets, or a combination of both. In particular, if the Second Plans are not confirmed, the Debtors might confirm plans premised on the ESOP Transaction.

C. Liquidation Under Chapter 7 or Chapter 11

1. Liquidation of the Debtors under Chapter 7

If no plan is confirmed, the Debtors' Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code. In a chapter 7 case, a trustee or trustees would be appointed to liquidate the assets of the Debtors. It is impossible to predict precisely how the proceeds of the liquidation, if any, would be distributed to the respective holders of Claims against the Debtors.

However, the Debtors believe that creditors would lose the substantially higher going concern value if the Debtors were forced to liquidate, as well as incur substantial tax obligations. In addition, the Debtors believe that in liquidation under chapter 7, before creditors received any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Estates. The assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Debtors' assets.

2. Liquidation of the Reorganizing Debtors under Chapter 11

The Reorganizing Debtors could be liquidated pursuant to a chapter 11 plan. In a liquidation under chapter 11, the Reorganizing Debtors' assets could be sold in an orderly fashion that may be conducted over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than a chapter 7 liquidation, but the potential delay in distributions could result in lower present values received and higher administrative costs, as well as incur substantial tax obligations. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to the holders of Claims and interests under a chapter 11 liquidation plan could potentially be delayed. As to the Liquidating Debtors, whose assets are primarily non-core and unnecessary for the Reorganizing Debtors going forward, that Chapter 11 liquidation will maximize the value of the Liquidating Debtors for the benefit of the holders of Claims and interests.

The Debtors' Liquidation Valuation Analysis, prepared with its accountants and financial advisors, is premised upon a hypothetical liquidation in a chapter 7 case and is attached as Exhibit G to this Second Disclosure Statement. In the analysis, the Debtors have taken into account the nature, status and underlying value of their assets, the ultimate realizable value of their assets, and the extent to which such assets are subject to liens and security interests.

The likely form of any liquidation would be the sale of individual assets. Based on this analysis, it is likely that a chapter 7 liquidation of the Debtors' assets would produce less value for distribution to creditors than that recoverable in each instance under the Second Plans. In the opinion of the

Debtors, the recoveries projected to be available in a chapter 7 liquidation are not likely to afford holders of Claims and holders of Equity Interests as great a realization potential as do the Second Plans.

XIV. VOTING REQUIREMENTS

On January 14, 2004, the Court entered the Disclosure Statement Order, among other things, approving this Second Disclosure Statement and the Second Short-Form Disclosure Statement, setting voting procedures and scheduling the Second Plans Confirmation Hearing. A copy of the Confirmation Hearing Notice is enclosed with this Second Disclosure Statement. The Confirmation Hearing Notice sets forth in detail, among other things, the voting deadlines and objection deadlines with respect to the Second Plans. The Confirmation Hearing Notice and the instructions attached to the Ballots should be read in conjunction with this section of this Second Disclosure Statement.

If you have any questions about (i) the procedure for voting your Claim or Equity Interest or with respect to the packet of materials that you have received, (ii) the amount of your Claim or your Equity Interest holdings, or (iii) if you wish to obtain, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), an additional copy of any of the Second Plans, this Second Disclosure Statement or any appendices or exhibits to such documents, please contact:

Bankruptcy Services, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017

The Court may confirm the Second Plans only if it determines that the Second Plans comply with the technical requirements of chapter 11 of the Bankruptcy Code and that the disclosures by the Debtors concerning the Second Plans have been adequate and have included information concerning all payments made or promised by the Debtors in connection with the Second Plans and the Chapter 11 Cases. In addition, the Court must determine that the Second Plans have been proposed in good faith and not by any means forbidden by law, and under Bankruptcy Rule 3020(b)(2), it may do so without receiving evidence if no objection is timely filed.

In particular, the Bankruptcy Code requires the Court to find, among other things, that (a) the Second Plans have been accepted by the requisite votes of all Classes of impaired Claims and Equity Interests unless approval will be sought under section 1129(b) of the Bankruptcy Code in spite of the nonacceptance by one or more such Classes, (b) the Second Plans are "feasible," which means that there is a reasonable probability that the Debtors will be able to perform their obligations under the Second Plans and continue to operate their businesses without further financial reorganization or liquidation, and (c) the Second Plans are in the "best interests" of all holders of Claims against and Equity Interests, which means that such holders will receive at least as much under the Second Plans as they would receive in a liquidation under chapter 7 of the Bankruptcy Code. The Court must find that all conditions mentioned above are met before it can confirm the Second Plans. Thus, even if all the Classes of Impaired Claims against the Debtors accept the Second Reorganization Plan and the Second Liquidation Plan by the requisite votes, the Court must still make an independent finding that the Second Plans satisfy these requirements of the Bankruptcy Code, that the Second Plans are feasible, and that the Second Plans are in the best interests of the holders of Claims and Equity Interests against and in the applicable Debtors.

ALL PERSONS ENTITLED TO VOTE ON THE SECOND REORGANIZATION PLAN OR THE SECOND LIQUIDATION PLAN MUST TIMELY SUBMIT THEIR BALLOT(S) TO THE BALLOTING AGENT ON OR PRIOR TO FEBRUARY 23, 2004 AT 4:00 P.M. (PREVAILING EASTERN TIME) TOGETHER WITH ANY OTHER DOCUMENTS REQUIRED BY SUCH BALLOT. THE DEBTORS MAY, IN THEIR SOLE DISCRETION, REJECT SUCH BALLOT AS INVALID AND, THEREFORE, DECLINE TO COUNT IT AS AN ACCEPTANCE OR REJECTION OF A SECOND PLAN. IN NO CASE SHOULD A BALLOT OR ANY OF THE CERTIFICATES BE DELIVERED TO THE DEBTORS OR ANY OF THEIR ADVISORS.

A. Parties in Interest Entitled to Vote on the Second Reorganization Plan and the Second Liquidation Plan

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (a) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (b) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

In general, a holder of a claim or interest may vote to accept or to reject a plan if (1) no party in interest has objected to allowance of such claim or interest, and (2) the claim or interest is impaired by the plan. If the holder of an impaired claim or impaired interest will not receive any distribution under the plan in respect of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan. If the claim or interest is

not impaired, the Bankruptcy Code deems that the holder of such claim or interest has accepted the plan and the plan proponent need not solicit such holder's vote.

Except for holders of Claims against and Equity Interests (i) Classes 7, 9, 10 and 13 of the Second Reorganization Plan and (ii) Classes 7, 9 and 11 of the Second Liquidation Plan (which Classes are deemed to reject the Second Plan to which their Claim or Equity Interest relates), the holder of a Claim that is "impaired" under either the Second Reorganization Plan or the Second Liquidation Plan is entitled to vote to accept or reject the Second Plan to which the Claim or Equity Interest relates if (1) the Second Plan provides a distribution in respect of such Claim and (2) (a) the Claim has been scheduled by the respective Debtor (and such Claim is not scheduled as disputed, contingent, or unliquidated), (b) such holder has timely filed a Proof of Claim as to which no objection has been filed, or (c) such holder has timely filed a motion pursuant to Bankruptcy Rule 3018(a) seeking temporary allowance of such Claim for voting purposes only and the Debtor has not opposed the motion, or objected to allowance of the Claim, in which case the holder's vote will be counted only upon order of the Court.

Unless otherwise ordered by the Court, the Order Estimating And Allowing Certain Claims For Purposes Of Voting (Docket No. 2956), entered on December 8, 2003 by the Court with respect to voting and tabulation of votes on the ESOP Plans, and any stipulations entered by the Court concerning allowance of claims for purposes of voting on the ESOP Plans, shall continue to apply and control for purposes of voting and tabulation of votes on the Second Reorganization Plan and Second Liquidation Plan.

A vote may be disregarded if the Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. The Disclosure Statement Order also sets forth assumptions and procedures for tabulating Ballots, including Ballots that are not completed fully or correctly.

B. Classes Impaired Under the Second Plans

1. Voting Impaired Classes of Claims and Interests

The following Classes are Impaired under, and entitled to vote to accept or reject, the Second Reorganization Plan: Class 3, Class 4, Class 6 and Class 8.

Only Class 3 of the Second Liquidation Plan is Impaired under, and entitled to vote to accept or reject, the Second Liquidation Plan.

2. Non-Voting Impaired Classes of Claims and Interests

The Classes listed below are not entitled to receive or retain any property under the Second Plans. Under section 1126(g) of the Bankruptcy Code, holders of Claims and Equity Interests in such Classes are deemed to reject the Second Plans, and the votes of such holders will not be solicited: Classes 7, 9, 10 and 13 of the Second Reorganization Plan and Classes 7, 9 and 11 of the Second Liquidation Plan.

3. Unimpaired Classes of Claims and Interests

All other Classes are Unimpaired under the Second Plans and deemed under section 1126(f) of the Bankruptcy Code to have accepted the Second Plans. Their votes to accept or reject the Second Plans will not be solicited. Acceptances of the Second Plans are being solicited only from those who hold Claims in an Impaired Class whose members will receive a distribution under a Second Plan.

XV. CONCLUSION

A. Hearing on and Objections to Confirmation

1. Confirmation Hearing

The hearing on confirmation of the Second Reorganization Plan and Second Liquidation Plan has been scheduled for March 3, 2004 at 2:00 p.m. (Prevailing Eastern Time). Such hearing may be adjourned from time to time by announcing such adjournment in open court, all without prior notice to parties in interest, provided, however, that the Debtors will file with the Court a notice of such adjournment and will post a notice of adjournment on Covanta's website at http://www.covantaenergy.com (Corporate Restructuring). The Second Plans may be modified by the Debtors pursuant to section 1127 of the Bankruptcy Code prior to, during, or as a result of such confirmation hearing, without further notice to parties in interest in accordance with the terms of the Second Plans.

2. Date Set for Filing Objections to Confirmation of the Second Plans

The time by which all objections to confirmation of the Second Reorganization Plan and the Second Liquidation Plan must be filed with the Court

and received by the parties listed in the Confirmation Hearing Notice has been set for February 23, 2004, at 4:00 p.m. (Prevailing Eastern Time). A copy of the Confirmation Hearing Notice is enclosed with this Second Disclosure Statement.

B. Recommendation

The Second Plans provide for an equitable and early distribution to creditors of the Debtors, preserve the value of the business as a going concern, and preserve the jobs of the Debtors' employees. The Debtors believe that any alternative to confirmation of the Second Plans, such as a total liquidation of all the Debtors or attempts by another party in interest to file a plan, could result in significant delays, litigation, and costs, as well as the loss of jobs by the employees. Moreover, the Debtors believe that their creditors will receive greater and earlier recoveries under the Second Plans than those that would be achieved in liquidation or under an alternative plan. FOR THESE REASONS, THE DEBTORS URGE YOU TO RETURN YOUR BALLOT ACCEPTING THE SECOND REORGANIZATION PLAN OR THE SECOND LIQUIDATION PLAN TO WHICH YOUR CLAIM RELATES.

Dated: January 14, 2004

COVANTA ENERGY CORPORATION AND ITS SUBSIDIARIES AND AFFILIATES THAT ARE PROPONENTS OF THE SECOND PLANS IN THESE CHAPTER 11 CASES

Debtors and Debtors in Possession

By: /s/ Anthony J. Orlando

Anthony J. Orlando
President and Chief Executive Officer Covanta Energy Corporation and President of Ogden New York Services, Inc. and authorized signatory for each of the other Debtors

<TABLE>

GLOSSARY OF DEFINED TERMS

B

C

D

E

F

G

O

P

Q

R

S

T

U

</TABLE>

EXHIBIT A

Reorganizing Debtors' Joint Plan of Reorganization

EXHIBIT B

Liquidating Debtors' Joint Plan of Liquidation

EXHIBIT C

PROJECTED FINANCIAL INFORMATION FOR REORGANIZING
COVANTA ENERGY CORPORATION
JANUARY 1, 2003 THROUGH DECEMBER 31, 2007

Projected Financial Information for Reorganizing Covanta Energy Corporation

General Purpose and Reliance

To demonstrate the feasibility of the Second Joint Plan of Reorganization, the Reorganizing Debtors have prepared the attached Projections for Fiscal Years 2003 through 2007. The Projections indicate that the Reorganizing Debtors should have sufficient cash flow, liquidity and access to a revolving line of credit to service its debt obligations and fund its operations. Accordingly, the Reorganizing Debtors believe that the Plan of Reorganization satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code. However, the Reorganizing Debtors caution that no representations can be made as to the accuracy of the Projections or as to the Reorganizing Debtors' ability to achieve the projected results. Many of the assumptions upon which the Projections are based are subject to uncertainties outside the control of the Reorganizing Debtors. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the Projections were prepared may be different from those assumed or may be unanticipated, and may adversely or favorably affect the Reorganizing Debtors' financial results. Therefore, the actual results may vary from the projected results and the variations may be material and adverse.

See the Covanta Energy Corporation ("Covanta " or the "Company") December 31, 2002 Form 10-K and September 30, 2003 Form 10-Q (both filed with the Securities Exchange Commission ("SEC") and incorporated by reference into the Disclosure Statement) and Section VIII and IX of the Disclosure Statement for a discussion of the reorganizing business and certain risk factors that may

affect financial feasibility of the Second Joint Plan of Reorganization.

The Projections are based on numerous assumptions including the timing, confirmation and consummation of the Second Joint Plans of Reorganization and Liquidation in accordance with their terms, the anticipated future performance of the Reorganizing Debtors, industry performance, general business and economic conditions and other matters, many of which are beyond the control of the Reorganizing Debtors and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date that this Disclosure Statement is approved by the Bankruptcy Court may affect the actual financial results of the Reorganizing Debtors' operations. These variations may be material and may adversely affect the ability of the Reorganizing Debtors to make payments with respect to post-Effective Date indebtedness. Because the actual results achieved throughout the periods covered by the Projections may vary from the projected results, the Projections should not be relied upon as a guaranty, representation or other assurance of the actual results that will occur.

The Reorganizing Debtors do not intend to update these Projections; thus, the Projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Projections.

ALTHOUGH THE REORGANIZING DEBTORS HAVE USED THEIR BEST EFFORTS TO ENSURE THE ACCURACY OF THE PROJECTIONS, THE PROJECTIONS HAVE NOT BEEN AUDITED NOR PREPARED WITH A VIEW TOWARDS PUBLIC DISCLOSURE OR COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, THE PUBLISHED GUIDELINES OF THE SECURITIES AND EXCHANGE COMMISSION OR THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS REGARDING PROJECTIONS.

THE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALISTIC AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE REORGANIZING DEBTORS' CONTROL. THE REORGANIZING DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THESE PROJECTIONS OR TO THE REORGANIZING DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE. FURTHERMORE, EVENTS AND CIRCUMSTANCES OCCURING SUBSEQUENT TO THE DATE ON WHICH THESE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. THE INFORMATION CONTAINED IN THE PROJECTIONS IS BY ITS NATURE FORWARD-LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS.

The Projections contain forward-looking statements relating to future events and future performance of the Company within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 including, without limitation, statements regarding the Reorganizing Debtors' (including its management and Board of Directors) expectations, beliefs, intentions or future strategies and statements that contain such words as "expects," "anticipates," "intends," "believes," "estimates," "projects," or similar language. Such forward-looking statements are inherently uncertain, and actual results could differ materially from those anticipated in such forward-looking statements. All forward-looking statements included in the Projections are based on information available to the Reorganizing Debtors on the date hereof, and the Reorganizing Debtors assume no obligation to update any forward-looking statements. The Reorganizing Debtors caution the users of these Projections that its reorganized business and financial performance are subject to very substantial risks and uncertainties. The factors that could cause actual results to differ materially from those suggested by any such statements include, but are not limited to, those discussed or identified from time to time in the Company's public filings with the SEC and, more generally, general economic conditions, including changes in interest rates and the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and pricing environments, and regional or general changes in asset valuations.

Basis for the Business Plan

In order to adequately evaluate the long-term prospects of its core operations and to develop its business plan, the Company undertook a thorough and detailed process including the development of long-term operating and financial forecasts by the management teams at the individual project facilities. The development of the business plan was performed as part of the Company's regular and recurring budgeting process, with additional years of operation added to the focus. The executive management team conducted intensive reviews of the individual project operating and financial forecasts. Factors affecting each project-specific forecast were refined and key assumptions used to establish the forecast were finalized. Concurrently, the corporate forecast was established after extensive review by the Company's executive management and advisors. It includes projections for operational and administrative overhead at a level consistent with the Company's business plan, other non-facility costs

and the Company's capital structure. The existing facility financial forecasts were consolidated with the potential waste-to-energy expansion projects and the corporate forecast to establish the business plan.

These efforts culminated in the Company's strategic business plan (the "Business Plan"), of which the primary components are: (i) maintenance of its core operations (existing customers, letters of credit, suppliers, employees and operations); (ii) sale of its geothermal projects; (iii) disposal of the remaining non-core assets; and (iv) corporate overhead costs consistent with the Business Plan.

It is anticipated that the Reorganizing Debtors will emerge from Chapter 11 sometime during the first or second quarter of 2004, however since the Business Plan forecast is prepared on a full year basis, the Projections assume that the Reorganizing Debtors emerge from Chapter 11 on January 1, 2004.

The Second Joint Plan of Reorganization contemplates:

1. Sale of the entire equity interest in the Company to DHC for an investment of $30.0 million by DHC.
2. Continued operation of the Company's domestic waste-to-energy and other facilities.
3. Sale of the Company's geothermal projects which was completed in December 2003.
4. Undertaking a corporate restructuring, in which all of the current international independent power operations become direct or indirect subsidiaries of Covanta Power International Holdings ("CPIH") and management of such operations are maintained at CPIH. The financial projections assume this will result in the deconsolidation of CPIH for tax purposes and consolidation for financial reporting purposes.
5. Settlement of all restructuring costs, including allowed priority and administrative claims.
6. Distribution of cash, new debt and securities to pre-petition creditors as stipulated in the Second Joint Plan of Reorganization, including:

   - Distributable Cash, Additional Distributable Cash, Excess Distributable Cash;
   - New High Yield Secured Notes;
   - New Reorganization Plan Unsecured Notes; and
   - New CPIH Funded Debt.

7. Re-instatement of certain other pre-petition liabilities with various terms, including interest rate, maturities and amortization.
8. Discharge of all other pre-petition claims.
9. Entering into new credit facilities for the Domestic Borrowers which will provide the Company with Letter of Credit capacity and a revolving line of credit for additional liquidity.
10. Entering into a new credit facility for CPIH which will provide it with a revolving line of credit for additional liquidity.

Presentation of the Business Plan

The presented Business Plan includes (i) in Exhibit D, the pro-forma historical results for the period from January 1, 2002 through September 30, 2003 based upon the current Covanta accounting and reporting policies; (ii) in this Exhibit, forecast results for 2003 based upon current Covanta accounting and reporting policies; and (iii) in this Exhibit, projected results for 2004 through 2007 based upon preliminary Fresh Start accounting and reporting estimates (see Accounting Polices and Assumptions below).

Pro-Forma Historical Results. Pro-forma historical results for January 1, 2002 through September 30, 2003 are found in Exhibit D of the Disclosure Statement. The Covanta annual audited historical results, as published in the Covanta Form 10-K filed with the SEC, were adjusted for entities not to be included within the Reorganizing Debtors to arrive at these pro-forma historical results which are on a basis consistent with the Projections found in this Exhibit. The major pro-forma adjustments to the historical results were as follows:

1. The results from the geothermal projects were removed, since these projects were sold to a third party in December 2003.
2. The results from the international independent power assets remain on a consolidated basis for financial reporting purposes, however, it is assumed that future cash distributions will be utilized to service CPIH debt. The historical cash flows from these projects remain in the pro forma results.
3. The results from the Warren County project were removed because this project was not included in the Second Joint Plan of Reorganization, as described in Section VI of the Disclosure Statement.
4. The results from the Catalyst New Martinsville hydroelectric project have been removed, because the Reorganizing Debtors' project lease expired October 2003 and the Company's involvement in the project is ending in the first quarter of 2004.
5. The results of the businesses that are included in the Second Joint Plan of Liquidation have been removed.

Forecast Results for 2003. These forecasts, found in this Exhibit, are based upon (i) the current Covanta accounting and reporting polices without regard to the required Fresh Start Accounting and Reporting adjustments to be required upon emergence; and (ii) the pro-forma adjustments described above.

As contemplated in the Second Joint Plan of Reorganization, the gross proceeds of approximately $214 million from the sale of the geothermal projects have been applied towards the funding of the various emergence exit costs and cash distribution to creditors. Therefore, the cash and earned surplus balance in the projected December 31, 2003 balance sheet is understated by the amount of these proceeds.

Projected Results for 2004 through 2007. These projections, also found in this Exhibit, are based upon (i) the preliminary Fresh Start Accounting and Reporting estimates described below and (ii) the Company's Business Plan described above.

Operational cash flow is presented on the Projected Statements of Operations as the Reorganizing Debtors believe this is an important measure to understand the Projections. Operational cash flow is the net cash flow generated by the Reorganizing Debtors available to Covanta to service Covanta recourse debt interest and principal amortization and its United States Federal and State income taxes.

Accounting Policies and Assumptions

Pursuant to The American Institute of Certified Public Accountants Statement of Position 90-7 "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"), the Projections incorporate "Fresh Start Accounting and Reporting" principles which the Reorganizing Debtors will be required to adopt upon emergence from bankruptcy. These "Fresh Start Accounting and Reporting" principles provide, among other things, that the Reorganizing Debtors' assets and liabilities be recorded at fair value.

The Fresh Start Accounting and Reporting Adjustments included in the Projections are the preliminary estimates to adjust the Reorganizing Debtors' capital structure and its assets and liabilities to their estimated fair values in accordance with the current Plan of Reorganization and the Valuation Analysis in Exhibit E.

New Accounting Pronouncements: In January 2003, the Financial Accounting Standards Board (the "FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN No. 46"). FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51 "Consolidated Financial Statements," and applies immediately to any variable interest entities created after January 31, 2003 and to variable interest entities in which an interest is obtained after that date. Based on current operations, the Reorganizing Debtors do not expect the adoption of FIN No. 46 to have a material effect of their financial position or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting and reporting for derivative instruments, including certain derivatives embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivatives Instruments and Hedging Activities" ("SFAS No. 133"). The amendments in SFAS No. 149 require that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 clarifies under what circumstances a contract with an initial net investment meets the characteristics of a derivative according to SFAS No. 133 and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. In addition, SFAS No. 149 amends the definition of an "underlying" to conform it to language used in FIN No. 45 and amends certain other existing pronouncements. The provisions of SFAS No. 149 that relate to SFAS No. 133 "Implementation Issues" that have been effective for periods that began prior to June 15, 2003 should continue to be applied in accordance with their respective effective dates. The requirements of SFAS No. 149 are effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The Reorganizing Debtors do not expect the adoption of SFAS No. 149 to have a material effect on their financial position and results of operations.

The Projections do not take into consideration the potential for changes in the current Covanta accounting policies and procedures as described in its December 31, 2002 Form 10-K filed with the SEC and incorporated by reference into the Disclosure Statement. Adoption of different policies and procedures by the Reorganizing Debtors could result in a significant difference in the actual Fresh Start Accounting and Reporting adjustments.

Use of Estimates: The preparation of projections requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosure of policies and contingencies. Actual results and conclusions could differ from those estimates. Significant estimates include management's estimate of the fair value of assets and liabilities and the estimated useful lives of long-lived assets.

Cash and Cash Equivalents: Cash and cash equivalents include all cash balances and highly liquid investments having original maturities of three months or less.

Long-Term Debt: In the Projections, long-term debt consists of the reinstatement of certain pre-petition claims for $371.5 million of debt with the various terms, including interest rate, security, maturities, and initial issuance discount, described in the Plan of Reorganization. Of this total debt, $95 million is the obligation of CPIH and is non recourse to Covanta.

Contracts and Revenue Recognition: Service revenues primarily include the fees earned under contracts to operate and maintain facilities and to service the project debt, with additional fees earned based upon waste processed above guaranteed levels. Revenue from the sale of electricity and steam are earned and are recorded based upon output delivered and capacity provided at rates specified under contract terms or prevailing market rates.

Receivables generally are due from credit worthy municipal entities and utilities.

Long-term unbilled service receivables relate to company owned waste-to-energy facilities and are discounted in recognizing the present value for services performed currently in order to service the project debt.

Property, Plant and Equipment: Property, plant, and equipment is stated at estimated fair value at emergence. For financial reporting purposes, depreciation is calculated by the straight-line method over the estimated useful lives of the assets, which range generally from three years for computer equipment to 40 years for waste-to-energy facilities. Leasehold improvements are amortized by the straight-line method over the terms of the leases or the estimated useful lives of the improvements as appropriate. Landfills are amortized based on the quantities deposited into each landfill compared to the total estimated capacity of such landfill.

Landfill capping costs and other asset retirement obligations are accounted for in accordance with SFAS No. 143 "Accounting for Asset Retirement Obligations."

Project Debt: Project debt associated with the financing of waste-to-energy facilities and water facilities is generally arranged by municipalities through the issuance of tax-exempt revenue bonds.

Payment obligations for the project debt associated with facilities owned by the Company are limited recourse to the operating subsidiary and non-recourse to the Company, subject to construction and 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 waste-to-energy facilities and related assets.

Restricted Funds: Restricted funds represent proceeds from the financing and operations of waste-to-energy and international energy facilities. Funds are held in trust and released as expenditures are made or upon satisfaction of conditions provided under the respective trust agreements.

Service Contracts: Service contracts are stated at estimated fair value at emergence and included within goodwill and other intangibles on the projected balance sheets. For financial reporting purposes, amortization is calculated by the straight-line method over the remaining contract terms that range from 4 to 15 years at January 1, 2004.

Investments In and Advances to Investees and Joint Ventures: The Reorganizing Debtors are party to joint venture agreements through which the Reorganizing Debtors have equity investments in several operating projects. The joint venture agreements generally provide for the sharing of operational control as well as voting percentages. The Reorganizing Debtors record their share of earnings from their equity investees on a pre-tax basis and records their share of the investee's income taxes in income tax expense (benefit).

Management and Employee Compensation: Pursuant to applicable provisions of the Bankruptcy Code, the Plan of Reorganization currently contemplates the rejection of all existing prepetition employment agreements.

The terms of certain Post-Effective Date management incentive, employee and non-competition agreements are currently under discussion by the Company, the Plan Sponsor and the Company's various creditor constituencies.

The pension and post-retirement obligations and costs of the Reorganizing Debtors have been developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates, expected return on plan assets and medical trend rates. Changes in these assumptions are primarily influenced by factors outside the Reorganizing Debtors' control and can have a significant effect on the actual results reported.

Income Taxes: The income statement reflects a combined tax rate (federal and state) of 40% for Covanta's domestic operations. Covanta's tax return will be filed as part of DHC's consolidated federal tax return and, consequently, the Plan Sponsor will be utilizing its existing Net Operating Losses to shelter Covanta's domestic federal taxable income through 2007 as stipulated in the Tax Sharing Agreement. The income statement also reflects a federal tax rate of 35% for CPIH's operations. This income is not subject to the Tax Sharing Agreement.

<TABLE>

Reorganizing Covanta Energy Corporation
(Debtor in Possession) and Subsidiaries

Projected Statements of Operations

	Pre-Emergence (prior to Fresh Start Adjustments)	Post-Emergence (including estimated Fresh Start Adjustments)			
For the Years ended December 31, (in Thousands of Dollars)	2003 Forecast	2004	2005	2006	2007
<S>	<C>	<C>	<C>	<C>	<C>
Total Revenues	$748,862	$723,823	$801,348	$840,353	$791,354
Plant operating expenses	482,962	472,741	476,061	483,977	491,589
Construction costs	12,335	-	73,172	104,439	49,546
Depreciation and amortization	67,946	55,253	61,157	67,335	71,808
Debt service charges-net	78,472	47,108	43,118	38,992	34,256
Other operating costs and expenses	8,198	1,500	1,500	1,500	1,500
Selling, administrative and general expenses	31,384	34,098	31,309	30,899	31,633
Total costs and expenses	681,297	610,700	686,317	727,142	680,332
Equity in income from unconsolidated investments	21,868	22,143	30,284	32,129	34,397
Operating income	89,433	135,266	145,315	145,340	145,419
Interest expense-net	(38,617)	(46,131)	(46,943)	(46,520)	(46,404)
Reorganization items	(31,630)	-	-	-	-
Income from continuing operations before taxes and minority interests	19,186	89,135	98,372	98,820	99,015
Income taxes	(10,725)	(30,622)	(35,684)	(39,609)	(42,307)
Minority interests	(6,324)	(11,104)	(11,148)	(10,972)	(10,910)
Net income	$ 2,137	$47,409	$51,540	$48,239	$45,798
Operational cash flow		$ 25,423	$ 38,186	$ 46,143	$ 52,542

</TABLE>

<TABLE>

Reorganizing Covanta Energy Corporation
(Debtor in Possession) and Subsidiaries

Projected Balance Sheets

	Pre-Emergence (prior to Fresh Start Adjustments)	Post-Emergence (including estimated Fresh Start Adjustments)					
(in Thousands of Dollars)	December 31, 2003	Fresh Start Adjustments	January 1, 2004	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:							
Current assets:							
Cash and cash equivalents	$ 17,778	$ 34,752	$ 52,530	$ 52,301	$ 47,989	$ 51,512	$ 62,338
Restricted funds held in trust	85,531	-	85,531	89,614	95,780	98,664	109,498
Receivables	211,961	(60,802)	151,159	144,995	142,935	145,782	148,830
Deferred income taxes	35,618	(35,618)	-	-	-	-	-
Prepaid expenses and other current assets	83,082	-	83,082	88,202	93,690	99,372	105,268

Total current assets.....	433,970	(61,668)	372,302	375,112	380,394	395,330	425,934
Property, plant and equipment - net.....	1,398,319	(580,393)	817,926	796,098	765,674	732,955	699,306
Restricted funds held in trust.....	112,905	-	112,905	113,441	112,341	111,301	95,076
Unbilled service and other receivables.....	115,292	(106,761)	8,531	18,133	23,925	25,196	26,865
Goodwill and other intangibles.....	32,222	570,482	645,726	624,674	601,234	573,424	543,973
Investments in and advances to investees and joint ventures.....	117,835	(28,749)	89,086	99,602	112,166	127,046	141,812
Other assets.....	57,662	(21,511)	36,151	36,032	35,913	35,794	35,794
Total Assets.....	$ 2,268,205	$(185,578)	$2,082,627	$2,063,092	$2,031,647	$2,001,046	$1,968,760
Liabilities and Shareholders' Equity:							
Liabilities:							
Current liabilities:							
Current debt.....	$ 2,634	$ 1,166	$ 3,800	$ 10,003	$ 9,607	$ 9,823	$ 10,029
Current portion of project debt.....	84,235	-	84,235	86,938	94,590	95,006	96,308
Accounts payable.....	29,915	-	29,915	30,096	30,223	30,429	30,775
Accrued expenses and other.....	202,411	(78,753)	123,658	121,717	115,180	115,965	116,024
Deferred income.....	38,270	-	38,270	38,270	38,270	38,270	38,270
Total current liabilities.....	357,465	(77,587)	279,878	287,024	287,870	289,493	291,406
Long-term debt.....	-	370,334	370,334	370,171	367,072	365,944	365,689
Project debt.....	914,056	33,836	947,892	849,559	745,673	643,359	541,783
Deferred income taxes.....	270,649	86,245	356,894	368,946	377,737	382,370	385,438
Deferred income.....	129,304	(129,304)	-	-	-	-	-
Other liabilities.....	63,845	20,628	84,473	84,548	84,518	84,284	83,913
Liabilities subject to compromise.....	523,515	(523,515)	-	-	-	-	-
Minority interests.....	37,283	(24,127)	13,156	15,973	17,254	18,226	18,733
Total Liabilities.....	2,296,117	(243,490)	2,052,627	1,976,221	1,880,124	1,783,676	1,686,962
Total Shareholders' Equity.....	(27,912)	57,912	30,000	86,871	151,524	217,371	281,798
Total Liabilities and Shareholders' Equity.	$ 2,268,205	$(185,578)	$2,082,627	$2,063,092	$2,031,648	$2,001,047	$1,968,760

</TABLE>

<TABLE>

Reorganizing Covanta Energy Corporation
(Debtor in Possession) and Subsidiaries

Projected Statement of Cash Flows

For the Years ended December 31, (in Thousands of Dollars)	Pre-Emergence (prior to Fresh Start Adjustments)	Post-Emergence (including estimated Fresh Start Adjustments)			
	2003	2004	2005	2006	2007
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income.....	$ 2,137	$ 47,409	$ 51,540	$ 48,239	$ 45,798
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By Operating Activities of Continuing Operations:					
Reorganization items	65,371	-	-	-	-
Payment of reorganization items.....	(53,273)	-	-	-	-
Depreciation.....	65,759	34,238	37,754	39,559	42,390
Amortization.....	10,221	21,016	23,404	27,775	29,418
Foreign currency translation adjustments.....	(790)	(567)	(645)	(608)	(579)
Deferred income taxes.....	(3,684)	12,051	8,791	4,633	3,068
Equity in income from unconsolidated investments.....	(22,569)	(22,586)	(30,674)	(29,106)	(28,226)
Minority interest expense.....	6,324	11,104	11,148	10,972	10,910
Management of Operating Assets and Liabilities:					
Decrease (Increase) in Assets:					
Receivables.....	(1,141)	6,165	2,060	(2,846)	(3,049)
Other current assets.....	(4,962)	(5,120)	(5,488)	(5,682)	(5,895)
Unbilled receivables.....	7,818	(9,602)	(5,792)	(1,271)	(1,669)
Other assets.....	119	119	119	119	-
Deferred income.....	(9,001)	-	-	-	-
Increase (Decrease) in Liabilities:					
Accounts payable.....	4,605	181	127	206	(62)
Accrued expenses & other current liabilities.....	(15,637)	(1,941)	(6,537)	785	466
Distributions to minority interests.....	(4,046)	(7,713)	(9,295)	(9,444)	(9,860)

Other non-current liabilities	(3,889)	76	(31)	(234)	(372)
Net cash provided by operating activities.....	43,360	84,830	76,481	83,097	82,338
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investments in facilities.....	(17,212)	(14,770)	(9,406)	(8,650)	(10,301)
Distributions from investees and joint ventures.....	12,993	12,069	18,110	14,225	13,461
Net cash used in investing activities.....	(4,219)	(2,701)	8,704	5,575	3,160
CASH FLOWS FROM FINANCING ACTIVITIES:					
Recourse debt borrowings (repayments).....	(3,036)	3,445	(6,280)	(3,998)	(3,471)
Payment of debt.....	(152,033)	(84,235)	(86,937)	(94,589)	(94,851)
Amortization of premiums and discounts, net.....	-	(7,140)	(5,056)	(3,036)	(1,065)
Increase in funds held in trust.....	23,648	(4,619)	(5,065)	(1,844)	5,391
Increase in paid in capital.....	-	10,191	13,842	18,317	19,324
Net cash used in financing activities:.....	(131,421)	(82,358)	(89,497)	(85,150)	(74,672)
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(92,280)	(229)	(4,312)	3,522	10,826
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....	110,058	52,530	52,301	47,989	51,512
CASH AND CASH EQUIVALENTS AT END OF PERIOD.....	$17,778	$52,301	$47,989	$51,512	$62,338

</TABLE>

EXHIBIT D

PRO FORMA HISTORICAL INFORMATION

Pro-Forma Historical Financial Information for Reorganizing
Covanta Energy Corporation

To supplement the projected financial information of the Reorganizing Debtors (under the Second Reorganization Plan) presented in Exhibit C to the Second Disclosure Statement, the Reorganizing Debtors have prepared in this Exhibit pro-forma historical financial information for the Reorganizing Debtors for December 31, 2002 and September 30, 2003.

This pro-forma historical information is based upon the consolidated balance sheet of Covanta (included within its Form 10-K filed with the SEC and incorporated by reference into the Second Disclosure Statement) adjusted as of that date for entities not to be included in the Reorganizing Debtors. These entities include, but are not limited to, the geothermal projects and the entities within the Second Liquidation Plan.

The pro-forma adjustments for entities not to be included in the Reorganizing Debtors have been recognized by offsetting the book values of the entities against the retained earnings of the Reorganizing Debtors.

As contemplated in the Second Reorganization Plan, the expected gross proceeds of approximately $214 million from the sale of the geothermal projects have been applied towards the funding of the various emergence exit costs and cash distributions to creditors as part of the estimated Fresh Start Accounting and Reporting adjustments within the Projections presented in Exhibit C. Therefore, the cash and earned surplus balances in the presented historical pro-forma balance sheets are understated by the amount of these proceeds.

The Reorganizing Debtors have also not allocated any general corporate debt, overhead or corporate balances to these entities or adjustments in order to retain all estimated claims against the Reorganizing Debtors within the presented financial information.

Because of this and many other factors, the attached pro-forma information does not reflect the actual results that would have been achieved had these entities actually been disposed of at December 31, 2001 but has only been prepared and presented to supplement the Projections for the Reorganizing Debtors presented in Exhibit C.

The Reorganizing Debtors do not intend to update this pro-forma historical financial information; thus, it will not reflect the impact of any subsequent events not already accounted for in the underlying adjustments.

ALTHOUGH THE REORGANIZING DEBTORS HAVE USED THEIR BEST EFFORTS TO ENSURE THE ACCURACY OF THE PRO-FORMA HISTORICAL FINANCIAL INFORMATION, IT HAS NOT BEEN AUDITED NOR PREPARED WITH A VIEW TOWARDS PUBLIC DISCLOSURE OR COMPLIANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, THE PUBLISHED GUIDELINES OF THE SECURITIES AND EXCHANGE COMMISSION OR THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS REGARDING PRO-FORMA HISTORICAL FINANCIAL INFORMATION. THE PRO-FORMA HISTORICAL FINANCIAL INFORMATION, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALISTIC AND ARE INHERENTLY SUBJECTIVE. THE REORGANIZING DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THE PRO-FORMA HISTORICAL

FINANCIAL INFORMATION.

See the Covanta December 31, 2002 Form 10-K and September 30, 2003 Form 10-Q, both filed with the SEC and incorporated by reference into the Second Disclosure Statement, for a description and discussion of Covanta and its accounting policies.

Covanta Energy Corporation
(Debtor in Possession) and Subsidiaries

Pro-forma Historical Statements of Consolidated and Comprehensive Loss
(in Thousands of Dollars)

<TABLE>

	For the Year ended December 31, 2002	For the Nine months ended September 30, 2003
<S>	<C>	<C>
Total revenues	$ 783,483	$ 572,875
Plant operating expenses	469,073	357,032
Construction costs	42,331	15,412
Depreciation and amortization	80,661	52,635
Debt service charges-net	77,814	57,318
Selling, general and administrative expenses	36,724	19,974
Project development expenses	3,844	-
Other-net	20,558	14,464
Write down of assets held for use	78,863	-
Total costs and expenses	809,868	516,835
Equity in income from unconsolidated investments	22,755	15,895
Operating income	(3,630)	71,935
Interest expense-net	(32,813)	(27,765)
Reorganization items	(49,106)	(57,426)
Loss from continuing operations before income taxes, minority interests, discontinued operations and change in accounting principle	(85,549)	(13,256)
Income tax benefit (expense)	27,695	(4,124)
Minority interests	(9,104)	(6,648)
Loss from continuing operations before change in accounting principle and discontinued operations	(66,958)	(24,028)
Discontinued operations	(17,866)	-
Cumulative effect of change in accounting principle	(6,294)	(6,070)
Net loss	(91,118)	(30,098)
Other comprehensive income (losses)		
Foreign currency translation adjustments	45	2,967
Unrealized holding losses	(165)	150
Minimum pension liability	88	-
Comprehensive loss	$ (91,150)	$ (26,981)

</TABLE>

<TABLE>

Covanta Energy Corporation
(Debtor in Possession) and Subsidiaries

Pro-forma Historical Balance Sheets

(in Thousands of Dollars)	Per 10K December 31, 2002	Pro-forma Adjustments	Pro-forma December 31, 2002	Pro-forma September 30, 2003
Assets:				
Current Assets:				
<S>	<C>	<C>	<C>	<C>

Cash and cash equivalents	$115,815	$ 5,757	$110,058	$ 136,790
Restricted funds held in trust	92,039	6,508	85,531	109,136
Receivables.....	259,082	48,262	210,820	197,420
Deferred income taxes.....	11,200	(24,381)	35,581	35,581
Prepaid expenses and other current assets....	85,997	7,840	78,157	72,687
Total current assets:.....	564,133	43,986	520,147	551,614
Property, plant and equipment-net.....	1,661,863	127,358	1,534,505	1,418,935
Restricted funds held in trust	169,995	33,441	136,554	139,182
Unbilled service and other receivables.....	147,640	11,940	135,700	124,920
Other intangibles.....	68,084	29,259	38,825	35,826
Investments in and advances to investees and joint ventures.....	166,465	58,206	108,259	115,218
Other assets.....	61,927	478	61,449	54,318
Total Assets:.....	$2,840,107	$304,668	$2,535,439	$2,440,013
Liabilities and Shareholders' Equity:				
Liabilities:				
Current liabilities:				
Current portion of long-term debt.....	$ 16,450	$12,541	$ 3,909	$ 8,559
Current portion of project debt.....	115,165	15,856	99,309	97,187
Accounts payable	23,593	3,485	20,108	16,611
Accrued expenses.....	254,964	30,818	224,146	196,618
Deferred income	41,402	3,132	38,270	35,073
Total current liabilities:.....	451,574	65,832	385,742	354,048
				0
Long-term debt	23,779	21,967	1,812	2,108
Project debt	1,128,217	44,027	1,084,190	980,838
Deferred income taxes.....	249,600	(24,733)	274,333	267,983
Deferred income.....	151,000	12,696	138,304	131,623
Other liabilities.....	80,369	33,956	46,413	75,911
Liabilities subject to compromise.....	892,012	294,105	597,907	639,597
Minority interests.....	35,869	-	35,869	40,905
Total Liabilities:.....	3,012,420	447,850	2,564,570	2,493,013
Total Shareholders' Deficit.....	(172,313)	(143,182)	(29,131)	(53,000)
				0
Total Liabilities and Shareholders' Equity (Deficit).....	$2,840,107	$304,668	$2,535,439	$2,440,013

</TABLE>

<TABLE>

Covanta Energy Corporation
(Debtor in Possession) and Subsidiaries

Pro-forma Statements of Cash Flows
(in Thousands of Dollars)

	For the year ended December 31, 2002	For the nine months ended September 30, 2003
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss.	$(91,117)	$(30,098)
Adjustments to Reconcile Net Loss to Net Cash Provided By Operating Activities of Continuing Operations:		
Reorganization items	49,106	60,726
Payments of reorganization items	(26,928)	(28,130)
Depreciation and amortization.....	80,661	52,702
Deferred income taxes.....	(7,854)	(2,034)
Write down of assets held for use	78,863	-
Provision for doubtful accounts.....	3,279	11,470
Minority interests.....	(1,326)	-
Amortization of financing costs.....	23,685	-
Equity in net income of unconsolidated investments.....	(8,752)	(17,921)
Cumulative effect of change in accounting principle.....	8,851	8,829
Other.....	(1,211)	18,269
Management of Operating Assets and Liabilities:		
Decrease (Increase) in Assets:		
Receivables	24,868	3,899
Other assets.....	9,900	4,745
Increase(Decrease) in Liabilities:		

Accounts payable	20,367	12,088
Accrued expenses and other liabilities	(51,942)	14,198
Deferred income	(7,231)	(2,598)
Net cash provided by operating activities:	103,219	106,145
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities available for sale	646	723
Proceeds from sale of property, plant and equipment	9,009	1,426
Distributions from investees and joint ventures	14,253	9,276
Investments in facilities	(11,035)	(16,849)
Net cash used in investing activities:	12,873	(5,424)
CASH FLOWS FROM FINANCING ACTIVITIES:		
New debt	-	9,278
Payment of debt	(89,916)	(50,464)
Dividends paid	(16)	-
Decrease in restricted cash	598	(32,803)
Other	-	
Net cash used in financing activities	(89,334)	(73,989)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,758	26,732
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	83,300	110,058
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$110,058	$136,790

</TABLE>

EXHIBIT E

REORGANIZATION PLAN VALUATION ANALYSIS

Important Note on Estimate of Reorganization Value

The estimates of reorganization value discussed below are not, and do not purport to be, appraisals or liquidation values of the Reorganized Debtors or their assets, or estimates of the market value that could be realized through a sale of any Plan Securities should a market for those securities develop. Such estimates were developed solely for purposes of formulating and negotiating a plan of reorganization for the Debtors and analyzing the projected recoveries under the Second Reorganization Plan.

The Debtors have been advised by Chilmark Partners LLC ("Chilmark") with respect to the estimated reorganization value of Reorganized Covanta. Chilmark's valuation reflects a number of assumptions, including a successful reorganization in a timely manner of the businesses and finances of the Covanta Debtors, the continuation as the owner and operator of their businesses and assets from and after the Effective Date, the projections reflected in the Projections, the amount of available cash and other liquidity, market conditions, consummation of the DHC transaction, and the Plan becoming effective in accordance with its terms on a basis consistent with the estimates and other assumptions discussed herein. The reorganization value of Reorganized Covanta discussed in this section includes the ongoing domestic and international operating businesses and excludes the assets and liabilities of the Liquidating Debtors.

In September, 2003, in connection with the ESOP Disclosure Statement, Chilmark estimated a range of theoretical values for Covanta and its reorganizing subsidiaries (including CPIH) between $375 million and $440 million. The range of theoretical valuations was estimated by Chilmark based upon the projected financial results of Covanta and its subsidiaries and the capital structure proposed in the ESOP Reorganization Plan using a number of generally accepted valuation techniques. The estimate of theoretical valuation ranges involved various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances. Estimates of reorganization value do not purport to be appraisals, nor do they necessarily reflect the values that might be realized if assets were to be sold.

Subsequent to the ESOP Disclosure Statement, the Company negotiated and entered into an agreement with DHC on the DHC Transaction as detailed in the `Summary of the Second Plans' section of this Disclosure Statement. Pursuant to the DHC Transaction, the reorganization value of Covanta and its subsidiaries is approximately $405 million. The reorganization value represents the purchase

price of the DHC Transaction including the proposed equity investment and the debt assumed by DHC as part of the transaction. The reorganization value for the DHC Transaction is within the theoretical reorganization value range disclosed in the ESOP Disclosure Statement and approximates the midpoint of the range. Since the DHC Transaction was negotiated between a willing buyer and willing seller on an arm's length basis, it represents a `market test' of the initial theoretical valuation estimate and is the best indication of value available to Chilmark and the Debtor. Therefore for Second Reorganization Plan purposes the estimated reorganization value is $405 million. This estimated reorganization value (ascribed as of the date of this Second Disclosure Statement) reflects, among other things, current claims estimates.

An estimate of reorganization value is not entirely mathematical, but rather it involves complex consideration and judgments concerning various factors that could affect the value of an operating business. As a result, the estimate of reorganization value set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Because such estimates are inherently subject to uncertainties, none of Covanta, Chilmark or any other person assumes responsibility for their accuracy. Depending on the results of the Debtors' operations or changes in the financial markets, Chilmark's valuation analysis as of the Effective Date may differ from that disclosed herein.

The valuation of newly-issued securities is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices of such securities at issuance will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the anticipated initial securities holding of prepetition creditors, some of which may prefer to liquidate their investment rather than hold it on a long-term basis, and other factors that generally influence the prices of securities. Actual market prices of such securities also may be affected by the Debtors' history in Chapter 11, conditions affecting the Debtors' competitors or the industry generally in which the Debtors' participate or by other factors not possible to predict. Accordingly, the estimated reorganization value may not necessarily reflect, and should not be construed as reflecting, values that will be attained in the public or private markets and are not estimates of the post-reorganization market trading values. Any trading values may be materially different from the values associated with Chilmark's valuation analysis. Indeed there can be no assurance that any trading market will develop for any of the forms of consideration distributed to Covanta's creditors.

EXHIBIT F

HYPOTHETICAL LIQUIDATION VALUATION ANALYSIS

Important Note on Debtor's Liquidation Analysis

The Liquidation Analysis presented below is an estimate, based on a number of significant assumptions, of the proceeds that may be generated in a hypothetical chapter 7 liquidation of each of the Debtor and its debtor and non-debtor subsidiaries. The liquidation analysis is not, and does not, purport to be a valuation of the Debtors' assets or indicative of the values that may be realized in an actual liquidation.

The Debtors have prepared the Liquidation Analysis in consultation with Chilmark. The liquidation analysis presented herein (the "Liquidation Analysis") reflects the projected outcome of the hypothetical, orderly liquidation of the Debtors under chapter 7 of the Bankruptcy Code. The projected liquidation proceeds to each Class was less than or equal to the estimated recoveries under the Second Reorganization Plan.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to economic, competitive and other contingencies beyond the control of the Debtors and management. It is possible that the time needed to dispose of the assets could exceed the timeframes assumed in this analysis, causing an adverse impact on the recoveries depicted herein. Similarly, other assumptions with respect to the liquidation process may be subject to change. Upon liquidation, there is a general risk of unanticipated events which could have a significant impact upon projected cash receipts and disbursements. Cash flows could be impaired due to events such as: (i) an adverse impact on clients' perceptions; (ii) disruptions in the employee base; (iii) a loss of vendor support and/or change in terms; (iv) an adverse affect on the relationship with clients and energy offtake customers; and (v) the inability to find a purchaser for a specific project within the six month liquidation period. In addition, the proceeds from the liquidation have not been discounted to reflect any delay in distributions following the completion of the liquidation process. Applying an

additional discount factor to the proceeds from the liquidation to account for any such delay would result in a lower range of recoveries for certain creditors. For all of the foregoing reasons, there can be no assurance that the values reflected in the Liquidation Analysis or recovery percentages would be realized if the Debtors were, in fact, liquidated in chapter 7 cases, and actual results could vary materially from those shown in this analysis.

Liquidation Analysis Assumptions and Summary of Liquidation Recovery

The following major assumptions have been made in the liquidation analysis set forth in this Exhibit F:

1. The liquidation of assets commences December 31, 2003 and is completed by June 30, 2004.
2. The liquidation of the projects produces taxable income and the related taxes are deducted from the gross proceeds to arrive at the net liquidation proceeds available to creditors.
3. During the liquidation process, the Debtors continue to operate their businesses as a going concern.
4. The Debtors are liquidated under the direction of a trustee appointed by the Bankruptcy Court who will be entitled to 3% of the gross liquidation proceeds as fees.
5. Other professionals such as brokers, attorneys and other advisors will be utilized in order to expedite the liquidation process. These and other direct costs related to the sales of the individual properties and contracts are estimated at 5% of the gross liquidation values.
6. Cash on hand includes the net proceeds from the geothermal sale.
7. Any cash generated by the projects during the liquidation period is assumed to be consumed by operating expenses, capital expenditures and other similar expenses.
8. Proceeds from projects' assets have been calculated assuming that (i) all projects are sold through auctions in Bankruptcy Court as "going-concerns" and (ii) all executory contracts and unexpired leases that have not been rejected or terminated by the Debtors are assigned to the purchasers. As a result, all cure costs related to these executory contracts and unexpired leases are paid out of the gross liquidation proceeds.
9. Project-level employees will be employed by the new project owners, and therefore, will not be entitled to severance or other termination benefits. All corporate level employees will be severed.
10. Estimated gross proceeds from asset sales are valued at a 40% discount to the reorganization value for the "Low" scenario and a 20% discount for the "High" scenario.

Application of net liquidation proceeds has been made in accordance with the priorities set forth in the Bankruptcy Code. Please see the attached summary of liquidation recoveries by Class.

REORGANIZATION PLAN
HYPOTHETICAL LIQUIDATION ANALYSIS

(in $ millions)

Estimated Proceeds Available for Distribution

	Low	High
Gross proceeds	$ 243.3	$ 324.4
Cash on hand (actual as of 12/26/03)	241.0	241.0
Less: Taxes Payable	(197.8)	(143.3)
Less: Liquidation Costs	(19.5)	(26.0)
Less: Priority and Administrative Claims	(286.3)	(146.3)
Net Proceeds for Secured and Unsecured Claims	$ (19.3)	$ 249.8

<TABLE>

Class	Description of Allowed Claims	Average Estimated Allowed Claims	Estimated Recovery Amount Low	Estimated Recovery Amount High	Estimated Recovery Percentage Low	Estimated Recovery Percentage High
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1	Priority Non-Tax Claims	$ 0.1	$ 0.1	$ 0.1	100.0%	100.0%
2A	Project Debt Claims & Other Secured Claims	$ -	$ -	$ -	N/A	N/A
3	Secured Bank & 9.25% Debenture Claims	$ 520.6	$ -	$ 240.7	0.0%	46.2%
4	Operating Company Unsecured Claims	$ 32.5	$ -	$ 9.0 [a]	0.0%	27.7%
6	Parent & Holding Co. Unsecured Claims	$ 262.5	$ -	$ -	0.0%	0.0%
7	Convertible Subordinated Bond Claims	$ 154.5	$ -	$ -	0.0%	0.0%

10	Subordinated Claims	$ 5.0	$ -	$ -	0.0%	0.0%

</TABLE>

[a] This recovery amount is an estimated average of the liquidation proceeds available to the class on average. At certain debtors, the liquidation proceeds will result in a higher recovery and at other debtors the liquidation proceeds would be a lower recovery.

EXHIBIT G

ESTIMATED RECOVERY ANALYSIS

Important Note on Estimates of Recovery

The estimates of recovery discussed below are not, and do not purport to be, appraisals, liquidation values, or estimates of the market value that could be realized through a sale of any Plan Securities should a market for those securities develop. In addition, significant assumptions were made in estimating the claim amounts by creditor class. Such estimates were developed solely for purposes of formulating and negotiating a plan of reorganization for the Debtors and analyzing the projected recoveries under the Second Reorganization Plan. The actual recoveries could be materially different from the estimated recoveries due to settlement of inter-creditor claim within a Class, changes in claim amounts, changes in cash available for distribution, actual amounts realized for any of the Plan distributions and other items.

For purposes of preparing the Estimated Recovery Analysis, an estimate of claims by class was necessary. For certain classes of claims, the exact amount of claims is uncertain or unknown as of the date of this analysis. While the Debtor has made considerable progress reconciling the claims filed in these cases, it is expected that certain claims will be disputed. The actual allowed claims for certain creditors may not be know for some time and could differ from the estimates used in this analysis. Therefore, for purposes of this analysis, the Debtors estimated the claim amounts for certain of its creditor classes. A summary of this claims estimation is included separately in this exhibit. In addition to estimating the claim values, the Debtor also had to estimate the value of certain consideration available for distribution.

The Estimated Recovery Analysis was performed for the Reorganizing Debtors. In the Reorganization Plan, certain classes were not analyzed as part of the Estimated Recovery Analysis. These classes in general are expected to either (i) receive payment or be reinstated in full satisfaction, release and discharge of their respective claims, or (ii) receive no distribution under the Second Reorganization Plan. The treatment of those creditors not included in the Estimated Recovery Analysis is summarized in the Overview of the Disclosure Statement. In addition, certain creditors within a Class or Subclass may receive disparate recoveries due to inter-creditor claim settlement agreements within creditors of that Class or Subclass. This analysis represents estimated recoveries on the Class and Subclass level and does not analyze any inter-class settlements.

The Second Reorganization Plan provides that only those holders of Class 3 Claims that participate as First Lien Lenders will receive Distributable Cash as part of their Class 3 Distribution. For purposes of this analysis, it was assumed that the Class 3A creditors provided 100% of the First Lien L/C Facility on a pro-rata basis.

The Debtor currently estimates approximately $73 million of cash available for distribution (meaning the total cash distributed under the Distributable Cash, Additional Distributable Cash and Excess Distributable Cash sections of the Second Reorganization Plan). However, the actual amount of cash available for distribution could be higher or lower, and is dependant upon a number of events, including but not limited to, (i) net proceeds from sale of geothermal projects; (ii) operating cash on hand prior to emergence; (iii) amount of exit costs, including administrative costs, cure costs, priority claims, severance; (iv) total reserves required for post-petition matters, ongoing bankruptcy costs, etc.; (v) amount of cash required for working capital purposes and tax reserves; (vi) other cash costs associated with consummating the transactions under the Plan. Given the significant uncertainties in estimating all factors that will impact the cash available for distribution, the recovery analysis uses a range of $55 to $73 million.

The recovery analysis is based on the face amount of all debt instruments issued to the creditors, except in the case of the New High Yield Secured Notes where the stated initial issuance discount was taken into consideration. In the case of the CPIH Participation Interest, the amount included in the recovery estimate represents the maximum distribution under the agreement.

Due to the claims dispute process that is expected to continue post-emergence, there may be a significant hold-back on the initial distribution to creditors, pending resolution of certain claims. In addition, there will be contingency reserves against the cash available for distribution for a variety of items. The recovery analysis does not take these reserves into consideration and is based on the ultimate recovery to the creditors, regardless of timing.

Given the number of uncertainties in arriving at an estimated recovery, the Debtors have provided a range of estimated recoveries. In general, the low end of the recovery range utilizes the higher claim estimate and the lower distributable cash estimate. The high end of the recovery range utilizes the low claim estimate and the high distributable cash estimate.

The Recovery Analysis does not take into consideration the timing of plan distributions. Certain creditor distributions will be required to be retained by the Company pending final determination of pre-petition and post-petition claim values, as well as operating and exit cost reserves. The amount of the reserved distributions is not currently known.

ESTIMATED RECOVERY ANALYSIS -- LOW

The Estimated Recovery Analysis below was based, in part, on reorganization value for Covanta. The estimates of reorganization value discussed below are not, and do not purport to be, appraisals or liquidation values of the Reorganized Debtors or their assets, or estimates of the market value that could be realized through a sale of any Plan Securities should a market for those securities develop. Such estimates were developed solely for purposes of formulating and negotiating a plan of reorganization for the Debtors and analyzing the projected recoveries under the Second Reorganization Plan.

<TABLE>

ESTIMATED RECOVERIES FOR CERTAIN CREDITORS BEFORE IMPACT OF PLAN SETTLEMENTS

(in $ millions) Class	Est. Claim	Paid as Exit Cost	Dist. Cash	Addl. Dist. Cash	High Yield Secured Notes	Secured Value Dist.	%	Excess Dist. Cash	Unsecured Notes	CPIH Liabilities	TOTAL	Recovery %
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1 Priority Non-Tax Claims	$ 0.2	$ 0.2	$ -	$ -	$ -	NA		$ -	$ -	$ -	$ 0.2	100.0%
2A Project Debt Claims	-	-	-	-	-	NA		-	-	-	-	N/A
3A Secured Bank Claims	419.0	-	55.0	-	152.9	207.9	49.6%	-	-	76.0	283.9	67.7%
3B Secured 9.25 Debenture Claims	105.0	-	-	-	52.1	52.1	49.6%	-	-	19.0	71.1	67.7%
Total Class 3A & 3B	524.0	-	55.0	-	205.0	260.0	49.6%	-	-	95.0	355.0	67.7%
3C Secured Claims other than Project Debt	0.8	0.8	-	-	-	NA		-	-	-	0.8	100.0%
4 Operating Co. Unsecured Claims	35.0	-	-	-	-	NA		-	35.0	-	35.0	100.0%
6 Parent & Holding Unsecured Claims	400.0	-	-	-	-	NA		-	4.0	4.0	8.0	2.0%
7 Convertible Sub. Bond Claims	154.5	-	-	-	-	NA		-	-	-	-	0.0%
8 Convenience Claims	2.3	1.7	-	-	-	NA		-	-	-	1.7	75.0%
10 Subordinated Claims	10.0	-	-	-	-	NA		-		-	-	0.0%
Total		$ 2.7	$ 55.0	-	$205.0	$260.0		-	$ 39.0	$ 99.0	$400.7	

ESTIMATED RECOVERIES FOR CERTAIN CREDITORS AFTER IMPACT OF PLAN SETTLEMENTS

(in $ millions)	Est. Claim	Paid as Exit Cost	Dist. Cash	Addl. Dist. Cash	High Yield Secured Notes	Secured Value Dist.	%	Excess Dist. Cash	Unsecured Notes	CPIH Liabilities	TOTAL	Recovery %
3A Secured Bank Claims	$419.0	$ -	$ 55.0	$ -	$152.9	$207.9	49.6%	$ -	$ -	$ 76.0	$283.9	67.7%
3B Secured 9.25 Debenture Claims	105.0	-	-	-	45.6	45.6	43.4%	-	-	16.7	62.2	59.3%
Total Class 3	524.0	-	55.0	-	198.5	253.5	48.4%	-		92.6	346.1	66.0%
6 Parent & Holding Unsecured Claims	$400.0	$ -	$ -	$ -	$ 6.5	$ 6.5		$ -	$ 4.0	$ 6.4	$ 16.9	4.2%

</TABLE>

Note: The analysis assumes that the holders of the Secured Bank Claims are the First Lien Lenders and, therefore, receive the Distributable Cash as part of their Secured Value Distribution. In addition, the Non-Participating Lenders are assumed to be the 9.25% Debenture Holders and, therefore, receive the Additional Distributable Cash.

ESTIMATED RECOVERY ANALYSIS -- HIGH

The Estimated Recovery Analysis below was based, in part, on reorganization value for Covanta. The estimates of reorganization value discussed below are not, and do not purport to be, appraisals or liquidation values of the Reorganized Debtors or their assets, or estimates of the market value that could be realized through a sale of any Plan Securities should a market for those securities develop. Such estimates were developed solely for purposes of formulating and negotiating a plan of reorganization for the Debtors and analyzing the projected recoveries under the Second Reorganization Plan.

<TABLE>

ESTIMATED RECOVERIES FOR CERTAIN CREDITORS BEFORE IMPACT OF PLAN SETTLEMENTS

(in $ millions) Class	Est. Claim	Paid as Exit Cost	Dist. Cash	Addl. Dist. Cash	High Yield Secured Notes	Secured Value Dist.	%	Excess Dist. Cash	Unsecured Notes	CPIH Liabilities	TOTAL	Recovery %
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1 Priority Non-Tax Claims	$ -	$ -	$ -	$ -	$ -	NA		$ -	$ -	$ -	$ -	N/A
2A Project Debt Claims	-	-	-	-	-	NA		-	-	-	-	N/A
3A Secured Bank Claims	411.0	-	60.0	-	156.8	216.8	52.8%	4.6	-	75.7	297.1	72.3%
3B Secured 9.25 Debenture Claims	105.0	-	-	7.2	48.2	55.4	52.8%	1.2	-	19.3	75.9	72.3%
Total Class 3A & 3B	516.0	-	60.0	7.2	205.0	272.2	52.8%	5.8	-	95.0	373.0	72.3%
3C Secured Claims other than Project Debt	0.3	0.3	-	-	-	NA		-	-	-	0.3	100%
4 Operating Co. Unsecured Claims	30.0	-	-	-	-	NA		-	30.0	-	30.0	100%
6 Parent & Holding Unsecured Claims	125.0	-	-	-	-	NA		-	4.0	4.0	8.0	6.4%
7 Convertible Sub. Bond Claims	154.5	-	-	-	-	NA		-	-	-	-	0.0%
8 Convenience Claims	1.9	1.4	-	-	-	NA		-	-	-	1.4	75.0%
10 Subordinated Claims	0.1	-	-	-	-	NA		-	-	-	-	0.0%
Total		$ 1.7	$60.0	$ 7.2	$205.0	$272.2		$5.8	$34.0	$99.0	$412.7	

ESTIMATED RECOVERIES FOR CERTAIN CREDITORS BEFORE IMPACT OF PLAN SETTLEMENTS

(in $ millions)	Est. Claim	Paid as Exit Cost	Dist. Cash	Addl. Dist. Cash	High Yield Secured Notes	Secured Value Dist.	%	Excess Dist. Cash	Unsecured Notes	CPIH Liabilities	TOTAL	Recovery %

3A Secured Bank Claims	$411.0	$ -	$60.0	$ -	$156.8	$216.8	52.8%	$ 4.6	$ -	$ 75.7	$297.1	72.3%
3B Secured 9.25 Debenture Claims	105.0	-	-	6.3	42.2	48.5	46.2%	1.0	-	16.9	66.5	63.3%
Total Class 3	516.0	-	60.0	6.3	199.0	265.3	51.4%	5.7	-	92.6	363.6	70.5%
6 Parent & Holding Unsecured Claims	$125.0	$ -	$ -	0.9	$ 6.0	$ 6.9		$ 0.1	$4.0	$ 6.4	17.4	14.0%

Note: The analysis assumes that the holders of the Secured Bank Claims are the First Lien Lenders and, therefore, receive the Distributable Cash as part of their Secured Value Distribution. In addition, the Non-Participating Lenders are assumed to be the 9.25% Debenture Holders and, therefore, receive the Additional Distributable Cash.

</TABLE>

Estimated Claim Values

For purposes on preparing the Estimated Recovery Analysis, an estimate of claims by class was necessary. For certain classes of claims, the exact amount of claim is uncertain or unknown as of the date of this analysis. In addition, while the Debtor has made considerable progress reconciling the claims filed in these cases, it is expected that certain claims will be disputed. The actual allowed claims for certain creditors may not be know for some time. Therefore, for purposes of this analysis, the Debtors estimated the claim amounts for certain of its creditor classes. A summary of this analysis is detailed below.

(in $ millions)

Second Class	Reorganization Plan Description of Allowed Claims	Low	Average	High
1	Priority Non-Tax Claims	$ -	$ 0.1	$ 0.2
2A	Project Debt Claims	$ -	$ -	$ -
3A	Secured Bank Claims	$ 411.0	$ 415.0	$ 419.0
3B	Secured 9.25% Debenture Claims	$ 105.0	$ 105.0	$ 105.0
3C	Secured Claims other than Project Debt Claims	$ 0.3	$ 0.6	$ 0.8
4	Operating Company Unsecured Claims	$ 30.0	$ 32.5	$ 35.0
6	Parent & Holding Co. Unsecured Claims	$ 125.0	$ 262.5	$ 400.0
7	Convertible Subordinated Bond Claims	$ 154.5	$ 154.5	$ 154.5
8	Convenience Claims	$ 1.9	$ 2.1	$ 2.3
10	Subordinated Claims	$ 0.1	$ 5.0	$ 10.0

EXHIBIT H

HISTORICAL FINANCIAL RESULTS

The Company's Annual Report on Form 10-K for the year ended December 31, 2002 (the "2002 Form 10-K") and the Quarterly Report on Form 10-Q for the nine-month period ended September 30, 2003 (the "September 30, 2003 Form 10-Q"), collectively contain the following selected historical financial statements for the Company:

(i) audited statements of consolidated operations and comprehensive income (loss) for the years ended December 31, 2002, 2001 and 2000, and unaudited statements of consolidated operations and comprehensive loss for the nine and three month periods ended September 30, 2003 and 2002;

(ii) audited consolidated balance sheets as of December 31, 2002 and 2001, and unaudited consolidated balance sheets as of September 30, 2003;

(iii) audited statements of shareholders' equity (deficit) for the years ended December 31, 2002, 2001 and 2000, and unaudited statements of shareholders' equity (deficit) for the nine-month period ended September 30, 2003; and

(iv) audited statements of consolidated cash flows for the years ended December 31, 2002, 2001 and 2000, and unaudited statements of consolidated cash flows on a consolidated basis for the nine-month period ended September 30, 2003 and 2002.

The Company's 2002 Form 10-K and September 30, 2003 Form 10-Q are available on the Company's website at:

http://investors.covantaenergy.com/restructure.cfm

EXHIBIT I

PLAN SPONSOR HISTORICAL FINANCIAL RESULTS

The Plan Sponsor's Annual Report on Form 10-K for the year ended December 31, 2002 (the "DHC 2002 Form 10-K") and the Quarterly Report on Form 10-Q for the nine-month period ended September 30, 2003 (the "DHC September 30, 2003 Form 10-Q"), collectively contain the following selected historical financial statements for the Plan Sponsor:

(i) audited statements of consolidated operations and comprehensive income (loss) for the years ended December 31, 2002, 2001 and 1999, and unaudited statements of consolidated operations and comprehensive loss for the nine and three month periods ended September 30, 2003 and 2002;

(ii) audited consolidated statements of financial position as of December 31, 2002 and 2001, and unaudited consolidated statements of financial position as of September 30, 2003;

(iii) audited statements of shareholders' equity (deficit) for the years ended December 31, 2002, 2001 and 2000, and unaudited statements of shareholders' equity (deficit) for the nine-month period ended September 30, 2003; and

(iv) audited statements of consolidated cash flows for the years ended December 31, 2002, 2001 and 2000, and unaudited statements of consolidated cash flows on a consolidated basis for the nine-month period ended September 30, 2003 and 2002.

The Plan Sponsor's 2002 Form 10-K and September 30, 2003 Form 10-Q are available on the Company's website at:

http://investors.covantaenergy.com/restructure.cfm

EXHIBIT J

LIST OF DEBTORS AND DEBTORS IN POSSESSION

Reorganizing Debtors

Operating Company Debtors

Debtor	Case Number
1. Covanta Alexandria/Arlington, Inc.	02-40929 (CB)
2. Covanta Babylon, Inc.	02-40928 (CB)
3. Covanta Bessemer, Inc.	02-40862 (CB)
4. Covanta Bristol, Inc.	02-40930 (CB)
5. Covanta Cunningham Environmental Support Services, Inc.	02-40863 (CB)
6. Covanta Energy Americas, Inc.	02-40881 (CB)
7. Covanta Energy Construction, Inc.	02-40870 (CB)
8. Covanta Energy Resource Corp.	02-40915 (CB)
9. Covanta Engineering Services, Inc.	02-40898 (CB)
10. Covanta Fairfax, Inc.	02-40931 (CB)
11. Covanta Geothermal Operations, Inc.	02-40872 (CB)
12. Covanta Heber Field Energy, Inc.	02-40893 (CB)
13. Covanta Hennepin Energy Resource Co., L.P.	02-40906 (CB)
14. Covanta Hillsborough, Inc.	02-40932 (CB)
15. Covanta Honolulu Resource Recovery Venture	02-40905 (CB)
16. Covanta Huntington Limited Partnership	02-40916 (CB)
17. Covanta Huntington Resource Recovery One Corp.	02-40919 (CB)
18. Covanta Huntington Resource Recovery Seven Corp.	02-40920 (CB)
19. Covanta Huntsville, Inc.	02-40933 (CB)
20. Covanta Hydro Energy, Inc.	02-40894 (CB)
21. Covanta Hydro Operations West, Inc.	02-40875 (CB)
22. Covanta Hydro Operations, Inc.	02-40874 (CB)
23. Covanta Imperial Power Services, Inc.	02-40876 (CB)
24. Covanta Indianapolis, Inc.	02-40934 (CB)
25. Covanta Kent, Inc.	02-40935 (CB)
26. Covanta Lake, Inc.	02-40936 (CB)
27. Covanta Lancaster, Inc.	02-40937 (CB)
28. Covanta Lee, Inc.	02-40938 (CB)
29. Covanta Long Island, Inc.	02-40917 (CB)
30. Covanta Marion Land Corp.	02-40940 (CB)
31. Covanta Marion, Inc.	02-40939 (CB)
32. Covanta Mid-Conn, Inc.	02-40911 (CB)
33. Covanta Montgomery, Inc.	02-40941 (CB)
34. Covanta New Martinsville Hydro-Operations Corp.	02-40877 (CB)
35. Covanta Oahu Waste Energy Recovery, Inc.	02-40912 (CB)

36.	Covanta Onondaga Five Corp.	02-40926 (CB)
37.	Covanta Onondaga Four Corp.	02-40925 (CB)
38.	Covanta Onondaga Limited Partnership	02-40921 (CB)
39.	Covanta Onondaga Operations, Inc.	02-40927 (CB)
40.	Covanta Onondaga Three Corp.	02-40924 (CB)
41.	Covanta Onondaga Two Corp.	02-40923 (CB)
42.	Covanta Onondaga, Inc.	02-40922 (CB)
43.	Covanta Operations of Union, LLC	02-40909 (CB)
44.	Covanta OPW Associates, Inc.	02-40908 (CB)
45.	Covanta OPWH, Inc.	02-40907 (CB)
46.	Covanta Pasco, Inc.	02-40943 (CB)
47.	Covanta Projects of Hawaii, Inc.	02-40913 (CB)
48.	Covanta Projects of Wallingford, L.P.	02-40903 (CB)
49.	Covanta Secure Services, Inc.	02-40901 (CB)
50.	Covanta SIGC Geothermal Operations, Inc.	02-40883 (CB)
51.	Covanta Stanislaus, Inc.	02-40944 (CB)
52.	Covanta Union, Inc.	02-40946 (CB)
53.	Covanta Wallingford Associates, Inc.	02-40914 (CB)
54.	Covanta Waste to Energy of Italy, Inc.	02-40902 (CB)
55.	Covanta Water Treatment Services, Inc.	02-40868 (CB)
56.	DSS Environmental, Inc.	02-40869 (CB)
57.	ERC Energy II, Inc.	02-40890 (CB)
58.	ERC Energy, Inc.	02-40891 (CB)
59.	Heber Field Energy II, Inc.	02-40892 (CB)
60.	Heber Loan Partners	02-40889 (CB)
61.	OPI Quezon, Inc.	02-40860 (CB)
62.	Three Mountain Operations, Inc.	02-40879 (CB)
63.	Three Mountain Power, LLC	02-40880 (CB)

Covanta and Intermediate Holding Company Debtors

1.	Covanta Energy Corporation	02-40841(CB)
2.	Covanta Acquisition, Inc.	02-40861(CB)
3.	Covanta Energy Group, Inc.	03-13707(CB)
4.	Covanta Energy International, Inc.	03-13706(CB)
5.	Covanta Energy West, Inc.	02-40871(CB)
6.	Covanta Power Equity Corp.	02-40895(CB)
7.	Covanta Power International Holdings, Inc.	03-13708(CB)
8.	Covanta Projects, Inc.	03-13709(CB)
9.	Covanta Systems, Inc.	02-40948(CB)
10.	Covanta Waste to Energy, Inc.	02-40949(CB)
11.	Covanta Water Holdings, Inc.	02-40866(CB)
12.	Covanta Water Systems, Inc.	02-40867(CB)
13.	Covanta Geothermal Operations Holdings, Inc.	02-40873(CB)
14.	Covanta RRS Holdings, Inc.	02-40910(CB)
15.	Covanta Energy Services, Inc.	02-40899(CB)
16.	Covanta Energy Services of New Jersey, Inc.	02-40900(CB)

Liquidating Debtors

Debtor		Case Number
1.	Alpine Food Products, Inc.	03-13679 (CB)
2.	BDC Liquidating Corp.	03-13681 (CB)
3.	Bouldin Development Corp.	03-13680 (CB)
4.	Covanta Concerts Holdings, Inc.	02-16322 (CB)
5.	Covanta Energy Sao Jeronimo, Inc.	02-40854 (CB)
6.	Covanta Equity of Alexandria/Arlington, Inc.	03-13682 (CB)
7.	Covanta Equity of Stanislaus, Inc.	03-13683 (CB)
8.	Covanta Financial Services, Inc.	02-40947 (CB)
9.	Covanta Huntington, Inc.	02-40918 (CB)
10.	Covanta Key Largo, Inc.	02-40864 (CB)
11.	Covanta Northwest Puerto Rico, Inc.	02-40942 (CB)
12.	Covanta Oil & Gas, Inc.	02-40878 (CB)
13.	Covanta Power Development of Bolivia, Inc.	02-40856 (CB)
14.	Covanta Power Development, Inc.	02-40855 (CB)
15.	Covanta Secure Services USA, Inc.	02-40896 (CB)
16.	Covanta Tulsa, Inc.	02-40945 (CB)
17.	Covanta Waste Solutions, Inc.	02-40897 (CB)
18.	Doggie Diner, Inc.	03-13684 (CB)
19.	Gulf Coast Catering Company, Inc.	03-13685 (CB)
20.	J.R. Jack's Construction Corporation	02-40857 (CB)
21.	Lenzar Electro-Optics, Inc.	02-40832 (CB)
22.	Logistics Operations, Inc.	03-13688 (CB)
23.	Offshore Food Service, Inc.	03-13694 (CB)
24.	OFS Equity of Alexandria/Arlington, Inc.	03-13687 (CB)
25.	OFS Equity of Babylon, Inc.	03-13690 (CB)
26.	OFS Equity of Delaware, Inc.	03-13689 (CB)
27.	OFS Equity of Huntington, Inc.	03-13691 (CB)
28.	OFS Equity of Indianapolis, Inc.	03-13693 (CB)
29.	OFS Equity of Stanislaus, Inc.	03-13692 (CB)

30.	Ogden Allied Abatement & Decontamination Service, Inc.	02-40827 (CB)
31.	Ogden Allied Maintenance Corp.	02-40828 (CB)
32.	Ogden Allied Payroll Services, Inc.	02-40835 (CB)
33.	Ogden Attractions, Inc.	02-40836 (CB)
34.	Ogden Aviation Distributing Corp.	02-40829 (CB)
35.	Ogden Aviation Fueling Company of Virginia, Inc.	02-40837 (CB)
36.	Ogden Aviation Security Services of Indiana, Inc.	03-13695 (CB)
37.	Ogden Aviation Service Company of Colorado, Inc.	02-40839 (CB)
38.	Ogden Aviation Service Company of Pennsylvania, Inc.	02-40834 (CB)
39.	Ogden Aviation Service International Corporation	02-40830 (CB)
40.	Ogden Aviation Terminal Services, Inc.	03-13696 (CB)
41.	Ogden Aviation, Inc.	02-40838 (CB)
42.	Ogden Cargo Spain, Inc.	02-40843 (CB)
43.	Ogden Central and South America, Inc.	02-40844 (CB)
44.	Ogden Cisco, Inc.	03-13698 (CB)
45.	Ogden Communications, Inc.	03-13697 (CB)
46.	Ogden Constructors, Inc.	02-40858 (CB)
47.	Ogden Environmental & Energy Services Co., Inc.	02-40859 (CB)
48.	Ogden Facility Holdings, Inc.	02-40845 (CB)
49.	Ogden Facility Management Corporation of Anaheim	02-40846 (CB)
50.	Ogden Facility Management Corporation of West Virginia	03-13699 (CB)
51.	Ogden Film and Theatre, Inc.	02-40847 (CB)
52.	Ogden Firehole Entertainment Corp.	02-40848 (CB)
53.	Ogden Food Service Corporation of Milwaukee, Inc.	03-13701 (CB)
54.	Ogden International Europe, Inc.	02-40849 (CB)
55.	Ogden Leisure, Inc.	03-13700 (CB)
56.	Ogden Management Services, Inc.	03-13702 (CB)
57.	Ogden New York Services, Inc.	02-40826 (CB)
58.	Ogden Pipeline Service Corporation	03-13704 (CB)
59.	Ogden Services Corporation	02-40850 (CB)
60.	Ogden Support Services, Inc.	02-40851 (CB)
61.	Ogden Technology Services Corporation	03-13703 (CB)
62.	Ogden Transition Corporation	03-13705 (CB)
63.	PA Aviation Fuel Holdings, Inc.	02-40852 (CB)
64.	Philadelphia Fuel Facilities Corporation	02-40853 (CB)

Heber Debtors

	Debtor	Case Number
1.	AMOR 14 Corporation	02-40886 (CB)
2.	Covanta SIGC Energy, Inc.	02-40885 (CB)
3.	Covanta SIGC Energy II, Inc.	02-40884 (CB)
4.	Heber Field Company	02-40888 (CB)
5.	Heber Geothermal Company	02-40887 (CB)
6.	Second Imperial Geothermal Co., L.P.	02-40882 (CB)

Debtors Not Treated Under the Plans

1.	Covanta Warren Energy Resource Co., L.P.	02-40904 (CB)
2.	Covanta Tampa Bay, Inc.	02-40865 (CB)
3.	Covanta Tampa Construction, Inc.	03-16781 (CB)

CLEARY, GOTTLIEB, STEEN & HAMILTON
Deborah M. Buell (DB 3562)
James L. Bromley (JB 5125)
One Liberty Plaza
New York, New York 10006

and

JENNER & BLOCK, LLC
Vincent E. Lazar (VL 7320)
Christine L. Childers (CC 0092)
One IBM Plaza
Chicago, Illinois 60611

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
		Case Nos. 02-40826 (CB) et al.
OGDEN NEW YORK SERVICES, INC., et al.,	:	
		(Jointly Administered)
Debtors and Debtors in Possession	:	

DEBTORS' SECOND JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

January 14, 2004

Ogden New York Services, Inc. and certain affiliates listed on Exhibit 1 attached hereto as debtors and debtors in possession under Chapter 11 of title 11 of the United States Code, in each of their separate cases, which have been consolidated for procedural purposes only, (each a "Liquidating Debtor" and collectively, the "Liquidating Debtors"), hereby propose and file this following Second Joint Plan of Liquidation (the "Liquidation Plan").

TABLE OF CONTENTS

EXHIBITS TO THE LIQUIDATION PLAN

Exhibit Number	Exhibit
1	List of Liquidating Debtors
2	List of Reorganizing Debtors
3	List of Liquidating Debtors that Filed on the Initial Petition Date and the Subsequent Petition Date
4	List of Heber Debtors
5	Schedule of Assumed Contracts and Leases

INTRODUCTION

This Liquidation Plan contemplates a separate liquidation of each Liquidating Debtor administered by the Liquidating Trustee pursuant to which certain existing creditors of the Liquidating Debtors will receive, except as otherwise provided herein, the Cash proceeds of liquidation as their respective assets are liquidated and Claims against their respective assets are resolved to be distributed by the Liquidating Trustee. Although presented as a joint plan, this Liquidation Plan provides for separate treatment of each Liquidating Debtor, such that each Liquidating Debtor's estate will be liquidated and distributions made to holders of Allowed Claims against that Liquidating Debtor. This Liquidation Plan does NOT provide for substantive consolidation of the Liquidating Debtors. Capitalized terms used herein shall have the meanings ascribed to such terms in Article I of this Liquidation Plan.

Reference is made to the Disclosure Statement accompanying this Liquidation Plan, including the Exhibits thereto, for a discussion of the Liquidating Debtors' history, business, results of operations and properties, and for a summary and analysis of the Liquidation Plan. All creditors are encouraged to consult the Disclosure Statement and read this Liquidation Plan carefully before voting to accept or reject this Liquidation Plan.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE COURT, HAVE BEEN AUTHORIZED BY THE COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS LIQUIDATION PLAN.

The Liquidating Debtors reserve the right to proceed with confirmation of this Liquidation Plan as to some but not all of the Liquidating Debtors at the same time.

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions. In addition to such other terms as are defined in other Sections of this Liquidation Plan, the following terms (which appear herein as capitalized terms) shall have the meanings set forth below, such meanings to be applicable to both the singular and plural forms of the terms defined. A term used in this Liquidation Plan and not defined herein or elsewhere in this Liquidation Plan, but that is defined in the Bankruptcy Code has the meaning set forth therein.

"Additional New Lenders" shall have the meaning set forth in the Reorganization Plan.

"Administrative Expense Claim" means a Claim under sections 503(b), 507(a)(1), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary expenses incurred after the applicable Petition Date for preserving the assets of the Liquidating Debtors,

any actual and necessary costs and expenses of operating the businesses of the Liquidating Debtors incurred after the applicable Petition Date, all compensation and reimbursement of expenses allowed by the Court under sections 330, 331 or 503 of the Bankruptcy Code (except as otherwise provided in Sections 2.3(a) of this Liquidation Plan) and any reclamation claims arising under section 546(c) of the Bankruptcy Code.

"Administrative Expense Claim Bar Date" means the date that is thirty (30) days following the Effective Date. The Administrative Expense Claim Bar Date shall apply to all holders of Administrative Expense Claims not satisfied prior to the Administrative Expense Claim Bar Date, except that the Administrative Expense Claim Bar Date shall not apply to holders of the following limited types of claims: (a) United States Trustee Claims; (b) post-petition liabilities incurred and payable in the ordinary course of business by any Liquidating Debtor; or (c) fees and expenses incurred by (i) Retained Professionals, (ii) Persons employed by the Liquidating Debtors or serving as independent contractors to the Liquidating Debtors in connection with their liquidation efforts, including, without limitation, the Liquidating Trustee, any Retained Liquidation Professional and the Balloting Agent.

"Administrative Expense Claims Reserve" means the reserve established by the Liquidating Trustee on the Effective Date to pay the Administrative Expense Claims of the Liquidating Debtors, which reserve shall be funded by Reorganized Covanta in an amount up to $2,500,000.

"Agent Banks" means Bank of America, N.A., as Administrative Agent and Deutsche Bank, AG, New York Branch, as Documentation Agent, under the Prepetition Agreement.

"Allowed" means, with reference to the portion of any Claim (other than Administrative Expense Claims) or Equity Interest and with respect to each Liquidating Debtor, (a) any such Claim against or Equity Interest in such Liquidating Debtor which has been listed by a Liquidating Debtor in its Schedules, as such Schedules have been or may be amended or supplemented by a Liquidating Debtor from time to time in accordance with Bankruptcy Rule 1009, as liquidated in amount and not disputed or contingent and for which no contrary proof of claim or interest has been filed, (b) any Claim or Equity Interest allowed (i) under this Liquidation Plan or under any settlement agreement incorporated or otherwise implemented by this Liquidation Plan, (ii) by Final Order, or (iii) as to which the liability of each Liquidating Debtor and the amount thereof are determined by a final, non-appealable order of a court of competent jurisdiction other than the Court or (c) as to which a proof of claim has been timely filed before the applicable Bar Date in a liquidated amount with the Court pursuant to the Bankruptcy Code or any order of the Court, provided that (i) no objection to the allowance of such Claim or notice to expunge such Claim has been interposed by the Liquidating Debtors, the Liquidating Trustee, the United States Trustee or any other party in interest as permitted under the Bankruptcy Code before any final date for the filing of such objections or motions set forth in this Liquidation Plan, the Confirmation Order or other order of the Court or (ii) if such objection or motion has been filed and not withdrawn, such objection or motion has been overruled by a Final Order (but only to the extent such objection or motion has been overruled); provided, further that any such Claims or Equity Interests allowed solely for the purpose of voting to accept or reject the Liquidation Plan pursuant to an order of the Court shall not be considered "Allowed Claims" or "Allowed Equity Interests" for the purpose of distributions hereunder. Except as expressly stated in this Liquidation Plan or as provided under section 506(b) of the Bankruptcy Code or a Final Order of the Court, an Allowed Claim shall not include interest on the principal amount of any Claim accruing from and after the applicable Petition Date or any fees (including attorneys' fees), costs or charges (including late payment charges) related to any Claim accruing from or after the applicable Petition Date.

"Allowed Administrative Expense Claim" means the portion of any Administrative Expense Claim (including any interest for which the Liquidating Debtors are legally obligated) that is (i) incurred or arising after the applicable Petition Date and prior to the Effective Date, (ii) for those Administrative Expense Claims as to which the Administrative Expense Claim Bar Date is applicable, which has been filed before the Administrative Expense Bar Date, and (iii) as to which no objection to the allowance of such Administrative Expense Claim has been filed or other dispute has been raised by the Liquidating Debtors, the Committee, the United States Trustee or any other party in interest as permitted under the Bankruptcy Code.

"Allowed Class [ ] Claims" means an Allowed Claim in the specified Class.

"Allowed Priority Tax Claim" means any Claim that is Allowed pursuant to Section 2.4 of this Liquidation Plan.

"Allowed Subclass 3A Liquidation Secured Claim Amount" means (i) the allowed amount of the Secured Bank Claims, currently estimated to be $413 million including accrued but unpaid fees and interest, but subject to ultimate resolution of the claims under the Prepetition Credit Agreement and

(ii) the allowed amount of the Secured 9.25% Debenture Claims, currently estimated to be $105 million including accrued but unpaid fees and interest, but subject to ultimate resolution of the claims under the 9.25% Debentures.

"Ballot" means the ballot that accompanies the Disclosure Statement upon which holders of Impaired Claims entitled to vote on the Liquidation Plan shall indicate their acceptance or rejection of the Liquidation Plan.

"Balloting Agent" means Bankruptcy Services LLC ("BSI") or such other entity authorized by the Court to distribute, collect and tally Ballots.

"Bankruptcy Code" means title 11 of the United States Code, as amended from time to time, as applicable to the Chapter 11 Cases.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure promulgated by the United States Supreme Court under 28 U.S.C. ss. 2075 and the local rules of the Court (including any applicable local rules and standing and administrative orders of the Court), as now in effect or hereafter amended, as applicable to the Chapter 11 Cases.

"Bar Date" means the applicable date or dates fixed by the Court or this Liquidation Plan for filing proofs of claim or interests in the Chapter 11 Cases.

"Bondholders Committee" means the Informal Committee of Secured Debenture Holders of certain holders of, and the Indenture Trustee for, the 9.25% Debentures due 2022 issued by Ogden Corporation, now known as Covanta Energy Corporation.

"Business Day" means any day other than a Saturday, Sunday or "legal holiday" as such term is defined in Bankruptcy Rule 9006(a).

"Cash" means lawful currency of the United States, including cash equivalents, bank deposits, checks and other similar items, unless otherwise indicated.

"Causes of Action" means as to each Liquidating Debtor all claims and causes of action now owned or hereafter acquired by such Liquidating Debtor, whether arising under any section under the Bankruptcy Code or other federal or state law, including, without limitation, causes of action for preferences, fraudulent conveyances, and other avoidance power claims arising under sections 544, 545, 547, 548, 549, 550, 551, 553(b) or other sections of the Bankruptcy Code.

"Chapter 11 Cases" means the voluntary cases under Chapter 11 of the Bankruptcy Code commenced by each Liquidating Debtor which cases are currently pending before the Court under the caption In re Ogden Services New York, Inc. et. al., Case Nos. 02-40826 (CB), et al.

"Claim" has the meaning set forth in section 101 of the Bankruptcy Code, whether or not asserted.

"Claims Objection Deadline" means that day which is one hundred eighty (180) days after the Effective Date, as the same may be extended from time to time by the Court, without further notice to parties in interest.

"Class" means any group of similar Claims or Equity Interests described in Article IV of the Liquidation Plan in accordance with section 1123(a)(1) of the Bankruptcy Code.

"Collateral" means as to each Liquidating Debtor any property or interest in property of the estate of the Liquidating Debtor subject to a Lien to secure the payment or performance of an Allowed Claim, which Lien is not subject to avoidance under the Bankruptcy Code or otherwise invalid under the Bankruptcy Code or applicable state law.

"Committee" means the Official Committee of Unsecured Creditors appointed by the Office of the United States Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as appointed, modified or reconstituted from time to time.

"Confirmation Date" means the date on which the clerk of the Court enters the Confirmation Order on the docket, within the meaning of Bankruptcy Rules 5003 and 9021.

"Confirmation Hearing" means the hearing held by the Court to consider confirmation of the Liquidation Plan pursuant to section 1128 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.

"Confirmation Order" means the order of the Court confirming the Liquidation Plan pursuant to section 1129 of the Bankruptcy Code, together

with any subsequent orders, if any, pursuant to sections 1127 and 1129 of the Bankruptcy Code approving modifications to the Liquidation Plan, which in each case shall be in form and substance satisfactory to the Liquidating Debtors.

"Court" collectively means the United States Bankruptcy Court for the Southern District of New York and, to the extent it may exercise jurisdiction over the Chapter 11 Cases, the United States District Court for the Southern District of New York or if either such court ceases to exercise jurisdiction over the Chapter 11 Cases, such other Court or adjunct thereof that exercises competent jurisdiction over the Chapter 11 Cases or any proceeding therein.

"Covanta" means Covanta Energy Corporation, a Reorganizing Debtor and the ultimate corporate parent directly or indirectly holding an interest in all the Reorganizing Debtors in the Reorganizing Debtors' Chapter 11 Cases.

"Covanta Liquidating Collateral" means any assets subject to a first priority lien and security interest of the Covanta Liquidating Secured Parties.

"Covanta Liquidating Secured Parties" means those Persons holding a first priority lien on and security interest in any other collateral other than the holders of Subclass 3A Liquidation Secured Claims.

"Designated DIP Collateral" means (i) any Cash held by the Liquidating Non-Pledgor Debtors (including the Liquidation Proceeds resulting from the sale of certain assets of Ogden Transition Corp.) or any entitlement or Claim of a Liquidating Non-Pledgor Debtor to any Cash, and (ii) any Causes of Action of the Liquidating Debtors.

"DIP Agents" means Bank of America, N.A., as administrative agent and Deutsche Bank AG, New York branch, as documentation agent, under the DIP Financing Facility.

"DIP Financing Facility" means the Debtor-in-Possession Credit Agreement, dated as of April 1, 2002, among the Reorganizing Debtors, the Heber Debtors, the Liquidating Debtors, the DIP Lenders and the DIP Agents, as it has been or may be amended and modified from time to time, and as approved and extended by order of the Court.

"DIP Lender Direction" means the direction of the DIP Lenders, instructing the Liquidating Debtors to transfer any Designated DIP Collateral to Reorganized Covanta.

"DIP Lenders" means those Persons from time to time party to the DIP Financing Facility as lenders.

"Disclosure Statement" means the written disclosure statement that relates to this Liquidation Plan and the Reorganization Plan and is approved by the Court pursuant to section 1125 of the Bankruptcy Code, as such disclosure statement has been or may be amended, modified or supplemented (and all exhibits and schedules annexed thereto or referred to therein) and that is prepared and distributed in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3018.

"Disputed Claim" means that portion (including, when appropriate, the whole) of a Claim that is not an Allowed Claim or is subject to an Estimation Request, or as to which an objection has been filed. For the purposes of the Liquidation Plan, a Claim shall be considered a Disputed Claim in its entirety before the time that an objection has been or may be filed, if: (a) the amount or classification of the Claim specified in the relevant proof of claim exceeds the amount or classification of any corresponding Claim scheduled by the relevant Liquidating Debtor in its Schedules; (b) any corresponding Claim scheduled by a Liquidating Debtor has been scheduled as disputed, contingent or unliquidated in its Schedules or (c) no corresponding Claim has been scheduled by a Liquidating Debtor in its Schedules.

"Disputed Claims Reserve " means the reserve established by the Liquidating Trustee pursuant to Section 9.14(a) of the Liquidation Plan, with respect to each Class of Claims entitled to Distributions under the Liquidation Plan, in which (i) the Liquidating Trustee determines that there exist any Disputed Claims in such Class and (ii) the Liquidating Trustee identifies Liquidation Proceeds that are not Collateral, in order to make Distributions in an amount such that, if such Disputed Claims were to become Allowed Claims, there will be sufficient Cash to pay all of such Disputed Claims with respect each such Class of Claims in accordance with the provisions of this Liquidation Plan. The Disputed Claims Reserve is to be maintained under this Liquidation Plan, as set forth more fully in Article VII of this Liquidation Plan.

"Dissolution Expenses" means all reasonable and necessary costs of the Liquidating Trustee (including any Retained Liquidation Professional retained by the Liquidating Trustee, pursuant to Section 9.5 of the

Liquidation Plan) associated with (i) winding up and dissolving the Liquidating Debtors in accordance with applicable state law, (ii) the abandonment of any Liquidation Assets in accordance with Section 9.10 of the Liquidation Plan, (iii) commencing a proceeding in the Court to determine the reasonableness, accuracy or proper scope of any Dissolution Expenses disputed by the Oversight Nominee, (iv) the administration of the Liquidating Trust (including the payment of any United States Trustee Fees), (v) obtaining a Final Order from the Court closing the Chapter 11 Case of each Liquidating Debtor, (vi) the filing of any necessary tax returns and other filings with governmental authorities on behalf of the Liquidating Trust and the Residual Liquidation Assets it holds and (vii) making any Distributions under this Liquidation Plan; provided, however, that Dissolution Expenses shall not include any Liquidation Expenses.

"Distribution" means any distribution by the Liquidating Trustee of Net Liquidation Proceeds of other Liquidation Assets to the holders of Allowed Claims.

"Effective Date" means the date upon which the Reorganization Plan Effective Date occurs.

"Equity Interest" means as to each Liquidating Debtor, any equity security, partnership interest or share of common stock or other instrument evidencing an ownership interest in such Liquidating Debtor, regardless of whether it may be transferred, and any option, warrant or right, contractual or otherwise, to acquire an ownership interest or other equity security in such Liquidating Debtor and shall include any redemption, conversion, exchange, voting participation, dividend rights and liquidation preferences relating thereto.

"Estate" means as to each Liquidating Debtor, the estate which was created by the commencement of such Liquidating Debtor's Chapter 11 Case pursuant to section 541 of the Bankruptcy Code, and shall be deemed to include, without limitation, any and all privileges of such Liquidating Debtor and all interests in property, whether real, personal or mixed, rights, causes of action, avoidance powers or extensions of time that such Liquidating Debtor or such estate shall have had effective as of the commencement of the Chapter 11 Cases, or which such estate acquired after the commencement of the Chapter 11 Case, whether by virtue of sections 544, 545, 546, 547, 548, 549 or 550 of the Bankruptcy Code or otherwise.

"Estimation Request" means a request for estimation of a Claim in accordance with the Bankruptcy Code and the Bankruptcy Rules.

"Fee Dispute Notice" means the notice sent by the Oversight Nominee to the Liquidating Trustee or any Retained Professional, within fifteen (15) days receipt of the Liquidation Trustee Fee Notice and Retained Professional Fee Notices, disputing the (i) reasonableness, (ii) accuracy or (iii) scope of any portion of the Dissolution Expenses claimed by the Liquidating Trustee or any Retained Professional.

"Final Distribution" means with respect to each Liquidating Debtor, the distribution by the Liquidating Trustee that exhausts any Residual Liquidation Assets attributable to such Liquidating Debtor.

"Final Liquidation Determination Date" means the date, as to each of the Liquidating Debtors, upon which either (i) the Final Liquidation Distribution Date occurs; or (ii) the Liquidating Trustee determines that there exist no Residual Liquidation Assets which could generate Liquidation Proceeds.

"Final Liquidation Distribution Date" means with respect to each Liquidating Debtor, the Liquidation Distribution Date on which the Final Distribution is made.

"Final Order" means an order or judgment of the Court, as entered on the docket of the Court, that has not been reversed, stayed, modified, or amended, and as to which: (a) the time to appeal, seek review or rehearing or petition for certiorari under the Bankruptcy Rules has expired and no timely filed appeal or petition for review, rehearing, remand or certiorari is pending; or (b) any appeal taken or petition for certiorari filed has been resolved by the highest Court to which the order or judgment was appealed or from which certiorari was sought, provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or other rules governing procedure in cases before the Court, may be filed with respect to such order or judgment shall not cause such order or judgment not to be a Final Order.

"Heber Debtors" means, collectively, those debtors identified on Exhibit 4 attached to this Liquidation Plan that are being reorganized pursuant to the Heber Reorganization Plan.

"Heber Reorganization Plan" means the Joint Plan of Reorganization of the Heber Debtors under Chapter 11 of the Bankruptcy Code (including all exhibits, supplements, appendices and schedules annexed thereto), dated September 28, 2003, as the same may be amended, modified or supplemented

from time to time.

"Impaired" means, when used with reference to an Allowed Claim or an Allowed Equity Interest, a Claim or Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.

"Indenture Trustee" means Wells Fargo Bank, Minnesota, National Association, in its capacity as indenture trustee with respect to the 9.25% Debentures.

"Initial Liquidation Distribution Date" means the date that is the later of (i) the Effective Date (or soon thereafter as reasonably practicable, but in no event later than thirty (30) calendar days after the Effective Date) and (ii) the first Business Day after the date that is thirty (30) calendar days after the date any Claims become Allowed Claims or otherwise become payable under the Liquidation Plan.

"Initial Petition Date" means April 1, 2002, the date upon which the Liquidating Debtors identified on Exhibit 3 as those that filed on the Initial Petition Date filed their respective orders for relief under Chapter 11 of the Bankruptcy Code.

"Intercompany Claims" means all Claims against a Liquidating Debtor asserted by any other Liquidating Debtor, Reorganizing Debtor, Heber Debtor, Non-Debtor Affiliate, including, without limitation, any (a) preference actions, fraudulent conveyance actions, rights of setoff and other claims or causes of action under sections 544, 547, 548, 549, 550 and 553 of the Bankruptcy Code and other applicable bankruptcy or nonbankruptcy law, (b) claims or causes of action arising out of illegal dividends or similar theories of liability, (c) claims or causes of action based on piercing the corporate veil, alter ego liability or similar legal or equitable theories of recovery arising out of the ownership or operation of any of the Liquidating Debtors prior to the applicable Petition Date, (d) claims or causes of action based on unjust enrichment, (e) claims or causes of action for breach of fiduciary duty, mismanagement, malfeasance or, to the extent they are claims or causes of action of any of the Liquidating Debtors, fraud, (f) claims or causes of action arising out of any contracts or other agreements between or among any of the Liquidating Debtors and any other Liquidating Debtor or any other Reorganizing Debtor, Heber Debtor or Non-Debtor Affiliate that are rejected, and (g) any other claims or causes of action of any nature, including any claims or causes of action arising out of or related in any way to the Chapter 11 Cases, the Reorganization Plan or this Liquidation Plan or the Heber Reorganization Plan that are based on an injury that affects or affected the shareholders or creditors of any of the Liquidating Debtors, Reorganizing Debtors, Heber Debtors or Non-Debtor Affiliates generally.

"Intercreditor Agreement" means the Intercreditor Agreement dated as of March 14, 2001, among Covanta and its affiliates named therein and the Prepetition Lenders, as it has been or may be amended, supplemented or otherwise modified.

"Intermediate Petition Date" means December 16, 2002, the date upon which Covanta Concert Holdings, Inc. filed its order for relief under Chapter 11 of the Bankruptcy Code.

"Investment and Purchase Agreement" means the Investment and Purchase Agreement, dated as of December 2, 2003, between Covanta and the Reorganization Plan Sponsor, without giving effect to any further amendments, supplements or other modifications.

"Investor Group" means an investor group comprising of D.E. Shaw Laminar Portfolios, L.L.C., S.Z. Investments, LLC and Third Avenue Value Fund, Inc.

"Lien" has the meaning set forth in section 101(37) of the Bankruptcy Code.

"Liquidating Debtor Cash" means the aggregate amount of any cash existing in the accounts of the Liquidation Debtors on the Effective Date.

"Liquidating Debtors" has the meaning ascribed to such term on the first page of this Liquidation Plan (each of the Liquidating Debtors is individually referred to herein as a Liquidating Debtor). A list of the Liquidating Debtors is attached hereto as Exhibit 1.

"Liquidating Non-Pledgor Debtors" means the Liquidating Debtors that are not Liquidating Pledgor Debtors.

"Liquidating Pledgor Debtor Assets" means any the following Claims and Liquidation Assets of the Liquidating Pledgor Debtors: (i) the claim to any tax refunds due to Ogden Allied Maintenance Corporation resulting from the sale of certain non-port aviation Liquidation Assets; (ii) the claim to any proceeds resulting from the dispute between Covanta Concert Holdings, Inc. and the purchaser of certain of its Liquidation Assets over certain rental payments;

(iii) the claim to the proceeds of any settlement reached by Ogden New York Services, Inc. and the purchaser of substantially all of its Liquidation Assets; (iv) the claim to the Liquidation Proceeds or, if sold prior to the Effective Date, then the proceeds, relating to the sale of any Liquidation Assets of Ogden Firehole Entertainment Corp.; (v) any Cash held by a Liquidating Pledgor Debtor or any entitlement or Claim of a Liquidating Pledgor Debtor to any Cash, which arose prior to the Petition Date (including any accounts receivable); and (vi) any Causes of Action of the Liquidating Pledgor Debtors, not otherwise transferred to Reorganized Covanta pursuant to the DIP Lender Direction.

"Liquidating Pledgor Debtors" means the Liquidating Debtors whose Liquidation Assets are Collateral of (i) the banks under the Prepetition Credit Agreement and (ii) the holders of the 9.25% Debentures.

"Liquidating Trust" means a grantor trust established pursuant to a Liquidating Trust Agreement.

"Liquidating Trust Agreement" means as to the Liquidating Debtors, the agreement, which creates the Liquidating Trust, to be entered into by the Liquidating Debtors and the Liquidating Trustee and which shall be included in the Liquidation Plan Supplement.

"Liquidating Trustee" means as to the Liquidating Debtors, the individual identified in the Notice of Designation and any replacement thereof duly appointed by the Oversight Nominee.

"Liquidating Trustee Billing Date" means the date that is the twenty-fifth (25th) day of each month following the first full month after the Effective Date.

"Liquidating Trustee Fee Notice" means the reasonably detailed statement sent by the Liquidating Trustee to the Oversight Nominee on any Liquidation Trustee Billing Date detailing: (i) any Dissolution Expenses incurred by the Liquidating Trustee in the prior month; (ii) Distributions, if any, made in the previous month; and (iii) planned Distributions, if any, for the next Liquidation Distribution Date.

"Liquidation Assets" means as to each Liquidating Debtor all of the assets, property, interests (including the equity interests of each and every Liquidating Debtor) and effects, real and personal, tangible and intangible, wherever located, of such Liquidating Debtor, provided, however, that the Liquidation Assets shall not include the Covanta Liquidating Collateral.

"Liquidation Distribution Date" means any of the following dates if there are any Net Liquidation Proceeds in the Liquidating Trust attributable to any Liquidating Debtor on such date: (a) the Initial Liquidation Distribution Date, (b) from the Initial Liquidation Distribution Date until the Final Liquidation Distribution Date, the last Business Day of any calendar quarter, and (c) the Final Liquidation Distribution Date.

"Liquidation Expenses" means the costs incurred by the Liquidating Trustee in its efforts to sell, transfer, collect or otherwise monetize any of the Residual Liquidation Assets.

"Liquidation Plan" means this Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code, including, without limitation, all documents referenced herein and all exhibits, supplements, appendices and schedules hereto, either in its present form or as the same has been or may be altered, amended, modified or supplemented from time to time.

"Liquidation Plan Supplement" means a supplemental appendix to this Liquidation Plan that will contain certain documents relating to this Liquidation Plan in substantially completed form, including the Liquidating Trust Agreement to be filed no later than five (5) days prior to the last date by which votes to accept or reject this Liquidation Plan must be submitted. Documents to be included in the Liquidation Plan Supplement will be posted at www.covantaenergy.com as they become available, but no later than five (5) days prior to the last date by which votes to accept this Liquidation Plan must be submitted.

"Liquidation Proceeds" means the Cash consideration received from the sale, transfer or collection of any Liquidation Assets or the monetization of such Liquidation Assets to Cash in some other manner as contemplated in this Liquidation Plan, occurring after the applicable Petition Date, less the reasonable, necessary and customary expenses attributable to such sale, transfer, collection or monetization, including costs of curing defaults under executory contracts that are assigned, paying personal property or other taxes accruing in connection with such sale, transfer, collection or monetization of such Liquidation Assets, brokerage fees and commissions, collection costs, reasonable attorneys' fees and expenses and any applicable taxes or other claims of any Governmental Unit in connection with such Liquidation Assets and any escrows or accounts established to hold funds for purchase price adjustments, indemnification claims, or other purposes in

connection with such sale, transfer, collection or monetization; provided, however, that upon the release to the Liquidating Debtors of funds from such escrows or accounts, such funds shall become Liquidation Proceeds of the relevant sale, transfer, collection or monetization.

"Liquidation Secured Claims" means the Secured Bank Claims and the 9.25% Debenture Claims, provided, however, that such Claims shall not include the Other Secured Liquidation Claims.

"Net Liquidation Proceeds" shall consist of the Liquidation Proceeds, interest, dividends, and other investment (or other cash equivalent) income produced by the Liquidation Assets.

"Non-Debtor Affiliate" means any affiliate of the Liquidating Debtors that is not a subject of these Chapter 11 Cases.

"Notice of Designation" means the notice filed with the Court on or before ten (10) days prior to the Confirmation Hearing, designating the Liquidating Trustee and the Oversight Nominee.

"9.25% Debenture Claim" means any Claim that arises out of, or is attributable to, ownership of the 9.25% Debentures.

"9.25% Debentures" means those certain debentures issued by Ogden Corporation (now known as Covanta) in the aggregate principal amount of $100,000,000 due in March 2022 and bearing an interest rate of 9.25% per annum (Cusip No. 676346AF6).

"9.25% Debentures Adversary Proceeding" means adversary proceeding No. 02-03004 captioned as The Official Committee of Unsecured Creditors v. Wells Fargo Bank Minnesota, National Association, et al., pending before the Court.

"Operating Reserve" means the reserve established by the Liquidating Trustee on the Effective Date to pay (x) the Priority Tax Claims and Priority Non-Tax Claims of the Liquidating Debtors other than Covanta Tulsa, (y) the Oversight Nominee Expenses and (z) the Dissolution Expenses, which reserve shall be funded in an amount not to exceed $500,000.00.

"Operating Reserve Deficiency Amount" shall have the meaning set forth in Section 6.1 of this Liquidation Plan.

"Other Secured Liquidation Claims" means the Secured Claims against the Liquidation Debtors held by the Covanta Liquidation Secured Parties.

"Oversight Nominee" means the Person identified in the Notice of Designation and appointed pursuant to Article X of this Liquidation Plan.

"Oversight Nominee Expenses" means the reasonable fees and expenses of the Oversight Nominee in the discharge and performance of its duties specified in this Liquidation Plan.

"Person" has the meaning provided in section 101(41) of the Bankruptcy Code and includes, without limitation, any individual, corporation, partnership, association, indenture trustee, organization, joint stock company, joint venture, estate, trust governmental unit or any political subdivision thereof, the Committee, Indenture Trustee, Equity Interest holders, holders of Claims, current or former employees of any Liquidating Debtor, or any other entity.

"Petition Date" means, collectively, the Initial Petition Date, the Intermediate Petition Date and the Subsequent Petition Date.

"Preferred Distribution" shall have the meaning assigned to that term under the Intercreditor Agreement.

"Prepetition Credit Agreement" means the Revolving Credit and Participation Agreement dated as of March 14, 2001, among Covanta, certain other Reorganizing Debtors, Liquidating Debtors and Heber Debtors and the Prepetition Lenders and the Security Agreement, dated as of March 14, 2001, both as they have been or may be amended, supplemented or otherwise modified from time to time.

"Prepetition Lenders" means the Persons identified as lenders under the Prepetition Credit Agreement, together with their successors and permitted assigns.

"Priority Non-Tax Claim" means any Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than (a) an Administrative Expense Claim or (b) a Priority Tax Claim.

"Priority Tax Claim" means any Claim of a Governmental Unit of the kind entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

"Pro Rata Class Share" means, the proportion that the amount of any Claim bears to the aggregate amount of such Claim and all other Claims in the same Class entitled to distributions from the same source of Cash or Liquidation Assets (including Disputed Claims).

"Reorganization Plan" means the Joint Plan of Reorganization of Ogden New York Services, Inc. et al. Under Chapter 11 Of The Bankruptcy Code (including all exhibits and schedules annexed thereto), as the same has been or may be amended, modified or supplemented from time to time.

"Reorganization Plan Effective Date" means a date, which is a Business Day selected by the Reorganizing Debtors that is no more than ten (10) Business Days following the date on which all conditions set forth in Section 10.2 of the Reorganization Plan have been satisfied or expressly waived pursuant to Section 10.3 of the Reorganization Plan.

"Reorganization Plan Sponsor" means Danielson Holding Corporation, a Delaware Corporation.

"Reorganized Covanta" means Covanta on and after the Effective Date.

"Reorganized Debtor" means each Reorganizing Debtor, on or after the Effective Date.

"Reorganizing Debtors" means, collectively, those debtors identified on Exhibit 2 attached hereto that are being reorganized pursuant to the Reorganization Plan.

"Residual Liquidation Assets" means any Liquidation Assets that are not Designated DIP Collateral or Liquidating Pledgor Debtor Assets.

"Retained Liquidation Professional" means any attorney, accountant or other professional retained by the Liquidating Trustee with the prior approval of the Oversight Nominee, which professional is reasonably required by the Liquidating Trustee to perform its duties described in this Liquidation Plan.

"Retained Liquidation Professional Fee Notice" means the reasonably detailed statement sent by any Retained Liquidation Professional to the Liquidating Trustee five (5) days prior to the Liquidating Trustee Billing Date detailing such Retained Liquidation Professional's fees and expenses arising under this Liquidation Plan.

"Retained Professionals" means the professionals retained in these jointly administered Chapter 11 Cases by the Liquidating Debtors or the Committee pursuant to sections 327, 328 or 1103 of the Bankruptcy Code pursuant to Final Orders of the Court (other than Retained Liquidation Professionals).

"Schedule of Assumed Contracts and Leases" means a schedule of the executory contracts and unexpired leases to which each of the Liquidating Debtors is a party that will be assumed under Article VIII of the Liquidation Plan, which schedule will be filed and served on the relevant parties no less than twenty-three (23) days prior to the Confirmation Hearing.

"Schedules" means the schedules of assets and liabilities and the statement of financial affairs filed by the Liquidating Debtors as required by sections 521 and 1106(a)(2) of the Bankruptcy Code and Bankruptcy Rule 1007, as they have been or may be amended or supplemented from time to time.

"Secured Bank Claims" means the Secured Claims of the Prepetition Lenders arising under the Prepetition Credit Agreement and related collateral documents.

"Secured Claim" means, pursuant to section 506 of the Bankruptcy Code, that portion of a Claim that is secured by a valid, perfected and enforceable security interest, lien, mortgage or other encumbrance, that is not subject to avoidance under applicable bankruptcy or non-bankruptcy law, in or upon any right, title or interest of any of the Liquidating Debtors in and to property of the Estates, to the extent of the value of the holder's interest in such property as of the relevant determination date. The defined term "Secured Claim" includes any Claim that is: (i) subject to an offset right under applicable law and (ii) a secured claim against any of the Liquidating Debtors pursuant to sections 506(a) and 553 of the Bankruptcy Code. Such defined term shall not include for voting or Distribution purposes any such Claim that has been or will be paid in connection with the cure of defaults under an assumed executory contract or unexpired lease under section 365 of the Bankruptcy Code.

"Secured Creditor Direction" means (a) the direction of the holders of Allowed Class 3A Claims instructing the Liquidating Pledgor Debtors to (i) transfer any Distributions in excess of $3,000,000 that such holders of Class 3A Claims would otherwise be entitled to under this Liquidation Plan to Reorganized Covanta, (ii) transfer up to $500,000 of such Distributions to the

Operating Reserve, (iii) transfer up to $2,500,000 of such Distributions to the Administrative Expense Claims Reserve and (iv) transfer any Liquidating Pledgor Debtor Assets to Reorganized Covanta; (b) the release by the holders of Allowed Class 3A Claims of any Liens on any Net Liquidation Proceeds and Liquidating Pledgor Debtor Assets resulting from the post-petition sale of any of the Liquidation Assets of the Liquidating Pledgor Debtors and all Liquidating Pledgor Debtor Assets transferred to Reorganized Covanta and (c) upon the occurrence of (I) the orders closing each of the Chapter 11 Cases becoming Final Orders, (II) the Final Liquidation Determination Date as to all of the Liquidating Debtors and (III) the final payment of any remaining Dissolution Expenses and Oversight Nominee Expenses, to the extent that there is any Cash in the Operating Reserve or the Administrative Expense Claims Reserve, such Cash shall be contributed to Reorganized Covanta.

"Specified Personnel" means any individual serving as a present or former officer, director or employee of the Liquidating Debtors who, prior to the Confirmation Date, was entitled to indemnification from one of the Liquidating Debtors or for whom such indemnification was permitted under applicable law.

"Subsequent Petition Date" means June 6, 2003, the date upon which the Liquidating Debtors identified on Exhibit 3 as those that filed on the Subsequent Petition Date filed their respective petitions for relief under Chapter 11 of the Bankruptcy Code.

"Substantial Contribution Claims" means the claim by any creditor or party in interest for reasonable compensation for services rendered in the Chapter 11 Cases pursuant to section 503(b)(3), (4) or (5) of the Bankruptcy Code.

"Unimpaired" means, when used with reference to a Claim or Equity Interest, a Claim or Equity Interest that is not Impaired.

"United States Trustee" means the Office of the United States Trustee for the Southern District of New York.

"United States Trustee Claims" means all United States Trustee Fees accrued through the close of the Chapter 11 Cases.

"United States Trustee Fees" means all fees and charges due from the Liquidating Debtors to the United States Trustee pursuant to section 1930 of Title 28 of the United States Code.

"Unsecured Liquidation Claim" means any Claim (including without limitation, Claims arising from the rejection of executory contracts and unexpired leases) that is not a Secured Claim, Administrative Expense Claim, Priority Tax Claim, Priority Non-Tax Claim or Intercompany Claim against the Liquidating Debtors.

ARTICLE II

TREATMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

2.1 Non-Classification. As provided in section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against the Liquidating Debtors are not classified for the purposes of voting on or receiving Distributions under this Liquidation Plan. All such Claims are instead treated separately pursuant to the terms set forth in this Article II.

2.2 Administrative Expense Claims. Except to the extent that the applicable Liquidating Debtor and a holder of an Allowed Administrative Expense Claim agree to less favorable treatment and except as set forth in Section 2.3 and 2.5 of this Liquidation Plan, each Liquidating Debtor shall pay to each holder of an Allowed Administrative Expense Claim against such Liquidating Debtor, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Administrative Expense Claim, Cash in an amount equal to such Allowed Administrative Expense Claim on the Initial Liquidation Distribution Date from the Administrative Expense Claims Reserve provided that any such liabilities not incurred in the ordinary course of business were approved and authorized by a Final Order of the Court; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by such Liquidating Debtor, as a debtor in possession, shall be paid by the Liquidating Trustee from the Administrative Expense Claims Reserve in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions. To the extent that the Administrative Expense Claim Bar Date applies, failure to file a timely request for payment of an Administrative Expense Claim prior to the Administrative Expense Claim Bar Date shall result in the Administrative Expense Claim being forever barred and discharged.

2.3 Compensation and Reimbursement Claims. (a) Except with respect to Substantial Contribution Claims which are subject to Section 2.3(b) of this

Liquidation Plan, all (i) Retained Professionals and (ii) Persons employed by the Liquidating Debtors or serving as independent contractors to the Liquidating Debtors in connection with their liquidating efforts that are seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code (other than the Liquidating Trustee and any Retained Liquidation Professionals) shall file and serve on counsel for the Liquidating Debtors and as otherwise required by the Court and the Bankruptcy Code their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred on or before the date that is forty-five (45) days after the Effective Date. Any request for payment of an Administrative Expense Claim of the type specified in Section 2.3(a) of this Liquidation Plan, which is not filed by the applicable deadline set forth above, shall be barred and discharged. Reorganized Covanta shall pay in full, on the applicable date set forth in the Reorganization Plan, such amounts payable under this Section 2.3(a) as are Allowed by the Court, after notice and hearing, or upon such other terms as may be mutually agreed upon between the holder of such an Allowed Administrative Expense Claim and Reorganized Covanta and, in each such case, approved by the Court after notice and hearing. Any request for payment of an Administrative Expense Claim of the type specified in this Section 2.3(a), which is not filed by the applicable deadline set forth above, shall be barred. The Liquidating Debtors shall have no liability for any claim described in this subsection.

(b) Any Person who requests compensation or expense reimbursement for a Substantial Contribution Claim in these Chapter 11 Cases must file an application with the clerk of the Court, on or before the Administrative Expense Claim Bar Date, and serve such application on the Liquidating Trustee and counsel for the Reorganized Debtors and as otherwise required by the Court and the Bankruptcy Code on or before such date, or be forever barred from seeking compensation or expense reimbursement for such Substantial Contribution Claim. Reorganized Covanta shall pay in full on the Initial Liquidation Distribution Date Allowed Substantial Contribution Claims, as ordered by the Court after notice and hearing. The Liquidating Debtors shall have no liability for any claim described in this subsection.

(c) All other requests for payment of an Administrative Expense Claim (other than as set forth in clauses (a) and (b) of this Section 2.3 above) that are subject to the Administrative Expense Claim Bar Date must be filed with the Court and served on counsel for the Liquidating Trustee on or before the Administrative Expense Claim Bar Date. Unless the Liquidating Trustee or any other party in interest permitted under the Bankruptcy Code objects to an Administrative Expense Claim by the Claims Objection Deadline, such Administrative Expense Claim shall be deemed Allowed in the amount filed. In the event that the Liquidating Trustee or any other party in interest in the Chapter 11 Cases objects to an Administrative Expense Claim, the Court shall determine the Allowed amount of such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim which is incurred and payable by the Liquidating Debtors or Liquidating Trustee in the ordinary course of business.

(d) Under no circumstances will the deadlines set forth above be extended by order of the Court or otherwise. Any holders of Administrative Expense Claims who are required to file a Claim or request for payment of such Claims or expenses and who do not file such Claims or requests by the applicable dates set forth in this Section 2.3 shall be forever barred from asserting such Claims or expenses against the Liquidating Debtors or any property of the Liquidating Trust.

2.4 Priority Tax Claims. Each holder of an Allowed Priority Tax Claim will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim, Cash equal to the unpaid portion of such Allowed Priority Tax Claim on or as soon as practical after the later of: (i) thirty (30) days after the Effective Date, or (ii) thirty (30) days after the date on which such Priority Tax Claim becomes Allowed; provided, however, that at the option of the Liquidating Trustee, the Liquidating Trustee may pay any or all Allowed Priority Tax Claims over a period not exceeding six (6) years after the date of assessment of the Priority Tax Claims as provided in subsection 1129(a)(9)(C) of the Bankruptcy Code, provided, further, that in no event shall the Liquidating Trustee extend such date of repayment beyond the Final Liquidation Determination Date. If the Liquidating Trustee elects this option as to any Allowed Priority Tax Claim, then the Liquidating Trustee shall make payment of simple interest on the unpaid portion of such Claim semiannually without penalty of any kind, at the fixed annual rate equal to four percent (4%), with the first interest payment due on the latest of: (i) six (6) months after the Effective Date, (ii) six (6) months after the date on which such Priority Tax Claim becomes an Allowed Claim, or (iii) such longer time as may be agreed to by the holder of such Priority Tax Claim and the Liquidating Trustee, provided, however, that the Liquidating Trustee shall reserve the right to pay any Allowed Priority Tax Claim, or any remaining balance of such Allowed Priority Tax Claim, in full, at any time on or after the Effective Date, without premium or penalty.

2.5 DIP Financing Facility Claims. On the Effective Date, the Liquidating Debtors shall perform their obligations under the DIP Lender Direction and, subject to Section 2.5 of the Reorganization Plan, and in consideration of the Reorganizing Debtors' obligations under Section 2.5 of the Reorganization Plan, all amounts outstanding under the DIP Financing Facility and all commitments thereunder shall automatically and irrevocably terminate with respect to the Liquidating Debtors. Upon the occurrence of the Effective Date, the Liquidating Debtors shall have no liability for any claims described in this subsection.

ARTICLE III

CLASSIFICATION OF CLAIMS AND INTERESTS

3.1 General Rules of Classification. This Liquidation Plan constitutes a Joint Liquidation Plan of the Liquidating Debtors. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims, as described in Article II, have not been classified and thus are excluded from the Classes described below. The classification of Claims and Equity Interests listed below shall be applicable for all purposes, including voting, confirmation, and distribution pursuant to the Liquidation Plan. As to each Liquidating Debtor, a Claim or Equity Interest shall be deemed classified in a particular Class or Subclass only to the extent that the Claim or Equity Interest qualifies within the description of that Class or Subclass and shall be deemed classified in a different Class or Subclass to the extent that any remainder of the Claim or Equity Interest qualifies within the description of such different Class or Subclass. A Claim or Interest is in a particular Class or Subclass only to the extent that such Claim or Interest is Allowed in that Class or Subclass and has not been paid or otherwise settled prior to the Effective Date.

ARTICLE IV

TREATMENT OF CLAIMS AND EQUITY INTERESTS

The following is a designation of the treatment to be accorded, with respect to each Liquidating Debtor, to each Class of Claims and Equity Interests denominated in this Liquidation Plan.

No Claim shall entitle the holder thereof to any Distribution pursuant to this Liquidation Plan unless, and only to the extent that, such Claim is an Allowed Claim. All Distributions on account of Allowed Claims shall be made on the Effective Date or the applicable Liquidation Distribution Date, as the case may be.

4.1 Class 1 -- Allowed Priority Non-Tax Claims.

(a) Classification: Class 1 consists of all Allowed Priority Non-Tax Claims.

(b) Treatment: In full settlement, release and discharge of its Class 1 Claim, each holder of an Allowed Claim in Class 1 shall receive Cash in an amount equal to such Allowed Class 1 Claim on the Initial Liquidation Distribution Date.

(c) Voting: Class 1 Claims are Unimpaired, and the holders of Allowed Class 1 Claims are conclusively presumed to accept the Liquidation Plan. The votes of the holders of Class 1 Claims will not be solicited.

4.2 Class 2 -- Intentionally Omitted.

4.3 Subclass 3A -- Allowed Liquidation Secured Claims.

(a) Classification: Class 3A consists of all Allowed Liquidation Secured Claims against the Liquidating Pledgor Debtors, which include Secured Bank Claims and 9.25% Debenture Claims.

(b) Allowance: The aggregate amount of Allowed Liquidation Secured Claims in Subclass 3A shall be determined as set forth in accordance with the definition of the term Allowed Subclass 3A Liquidation Secured Claim.

(c) Treatment: In full settlement, release and discharge of its Class 3A Claim, (I) (a) each holder of an Allowed Liquidation Secured Claim would be entitled, absent the Secured Creditor Direction, to receive on any Liquidation Distribution Date, such holder's Pro Rata Class Share of the sum of any Net Liquidation Proceeds and Liquidation Assets of the Liquidating Pledgor Debtors existing, but not yet distributed on such Liquidation Distribution Date and (b) on the Effective Date, (i) such holder of a Class 3A Allowed Liquidation Secured Claim shall be deemed to have received, on account of its Subclass 3A Allowed Liquidation Secured Claim, the Distribution it receives as a holder of a Subclass 3A or Subclass 3B Claim under the Reorganization Plan, as applicable, in full satisfaction of its Subclass 3A Claim under the Liquidation Plan and (ii) the Liquidating Trustee and the Liquidating Debtors will implement the Secured Creditor Direction and (II) each holder of an Allowed Liquidation

Secured Claim shall be entitled to receive on any Liquidation Distribution Date, such holder's Pro Rata Class Share of any Net Liquidation Proceeds of any Liquidating Pledgor Debtor's Residual Liquidation Assets after payment of any applicable Liquidation Expenses.

(d) Voting: Class 3A Claims are Impaired and the holders of Allowed Class 3A Claims in such Class are entitled to vote to accept or reject the Liquidation Plan.

4.4 Class 3B-- Allowed Other Secured Liquidation Claims.

(a) Classification: Class 3B consists of the Allowed Liquidation Secured Claims against the Covanta Liquidation Secured Parties.

(b) Allowance: The Class 3B Claims shall be Allowed in the aggregate amount of the value of the Covanta Liquidating Collateral.

(c) Treatment: On the Effective Date, or as soon thereafter as practicable, the applicable Liquidating Debtors shall cause to be transferred, pursuant to section 6.1(c) of this Liquidation Plan, to the Covanta Liquidating Secured Parties, as holders of the allowed other Secured Liquidation Claims, the Covanta Liquidation Collateral in full settlement, relase and discharge of the Class 3B Claims.

(d) Voting: The Class 3B Claims are Impaired, and the holders of Allowed Class 3B Claims in such Class are entitled to vote to accept or reject the Liquidation Plan.

4.5 Class 4 -- Intentionally Omitted.

4.6 Class 5 -- Intentionally Omitted.

4.7 Class 6 -- Intentionally Omitted.

4.8 Class 7 -- Unsecured Liquidation Claims.

(a) Classification: Class 7 consists of all Allowed Unsecured Liquidation Claims.

(b) Treatment: The holders of Class 7 Claims shall not be entitled to receive any Distribution under this Liquidation Plan.

(c) Voting: Class 7 Claims are Impaired and the holders of Allowed Claims in such Class are conclusively presumed to reject the Liquidation Plan. The votes of holders of Class 7 Claims will not be solicited. With respect to Allowed Class 7 Claims for and to the extent which insurance is available, this Liquidation Plan shall not be deemed to impair or expand the rights of holders of such Allowed Class 7 Claims to pursue any available insurance to satisfy such Claims; provided, however, that to the extent that insurance is not available or is insufficient, treatment of such Allowed Class 7 Claim shall be as otherwise provided in this Liquidation Plan.

4.9 Class 8 -- Intentionally Omitted.

4.10 Class 9 -- Intercompany Claims.

(a) Classification: Class 9 consists of all Intercompany Claims.

(b) Treatment: On the Effective Date, all Intercompany Claims shall be cancelled, annulled and extinguished. Holders of such claims shall receive no distributions in respect of Class 9 Claims.

(c) Voting: Class 9 Claims are impaired and holders of Allowed Claims in such Class are conclusively presumed to reject this Liquidation Plan. The votes of the holders of Class 9 Claims will not be solicited.

4.11 Class 10 -- Intentionally Omitted.

4.12 Class 11-- Equity Interests in the Liquidating Debtors.

(a) Classification: Class 11 consists of all Equity Interest in Liquidating Debtors.

(b) Treatment: On and after the Effective Date, all Equity Interests in the Liquidating Debtors shall not be entitled to receive any Distributions under this Liquidation Plan. Such Equity Interests shall be cancelled, annulled and extinguished as of the Effective Date.

(c) Voting: Class 11 Equity Interests are Impaired and the holders of Equity Interests in such Class are conclusively presumed to reject the Liquidation Plan. The votes of holders of Equity Interests in such Class will not be solicited.

4.13 Class 12 -- Intentionally Omitted.

4.14 Class 13 -- Intentionally Omitted.

ARTICLE V

ACCEPTANCE OR REJECTION OF THE LIQUIDATION PLAN

5.1 Voting of Claims. Except as otherwise indicated herein or as otherwise provided by a Final Order of the Court, each holder of an Allowed Claim in Class 3 shall be entitled to vote to accept or reject this Liquidation Plan. For purposes of calculating the number of Allowed Claims in a Class of Claims that have voted to accept or reject this Liquidation Plan under section 1126(c) of the Bankruptcy Code, all Allowed Claims in such Class held by one entity or any affiliate thereof (as defined in the Securities Act of 1933 and the rules and regulation promulgated thereunder) shall be aggregated and treated as one Allowed Claim in such Class.

5.2 Acceptance by an Impaired Class. Consistent with section 1126(c) of the Bankruptcy Code and except as provided for in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted this Liquidation Plan if it is accepted by at least two-thirds in dollar amount, and more than one-half in number of the Allowed Claims of such Class that have timely and properly voted to accept or reject this Liquidation Plan.

5.3 Presumed Acceptance of Plan. Holders of Claims in Class 1 are Unimpaired by this Liquidation Plan. In accordance with section 1126(f) of the Bankruptcy Code, holders of Allowed Claims in Class 1 are conclusively presumed to accept this Liquidation Plan and the votes of holders of such Claims will not be solicited.

5.4 Presumed Rejection of Plan. Claims in Class 7, Class 9 and Equity Interests in Class 11 are Impaired by this Liquidation Plan and holders of Class 7 Claims, Class 9 Claims and Class 11 Equity Interests are not entitled to receive any Distribution under this Liquidation Plan on account of such Claims or Equity Interests. In accordance with section 1126 of the Bankruptcy Code, holders of Allowed Unsecured Liquidation Claims in Class 7, Allowed Intercompany Claims in Class 9 and holders of Allowed Equity Interests in Class 11 are conclusively presumed to reject this Liquidation Plan and are not entitled to vote. As such, the votes of such holders will not be solicited with respect to such Claims and Equity Interests.

5.5 Cramdown. To the extent that any Impaired Class rejects or is presumed to have rejected this Liquidation Plan, the Liquidating Debtors reserve the right to (a) request that the Court confirm the Liquidation Plan in accordance with section 1129(b) of the Bankruptcy Code, or (b) modify, alter or amend this Liquidation Plan to provide treatment sufficient to assure that this Liquidation Plan does not discriminate unfairly, and is fair and equitable, with respect to the Class or Classes not accepting this Liquidation Plan, and, in particular, the treatment necessary to meet the requirements of subsections 1129(a) or (b) of the Bankruptcy Code with respect to the rejecting Classes and any other Classes affected by such modifications.

ARTICLE VI

MEANS FOR IMPLEMENTATION

6.1 Actions Occurring On the Effective Date.

(a) The Funding of the Implementation of the Liquidation Plan. On the Effective Date, the Liquidating Debtors and the Liquidating Trustee will implement the Secured Creditor Direction and the DIP Lender Direction. The Secured Creditor Direction and the DIP Lender Direction will operate to fund the implementation of the Liquidation Plan by requiring that the Reorganizing Debtors fund the Administrative Expense Claims Reserve and the Operating Reserve in an amount not to exceed $2,500,000 and $500,000, respectively. On the Effective Date, or as soon thereafter as practicable, (i) any Liquidating Debtor Cash shall be transferred to the Operating Reserve and (ii) the Reorganizing Debtors shall transfer (a) $2,500,000 to the Administrative Expense Claims Reserve (the "Reorganizing Debtors' Administrative Expense Claims Reserve Obligation") and (b) $500,000 less the amount of any Liquidating Debtor Cash to the Operating Reserve (the "Reorganizing Debtors' Operating Reserve Obligation"). The Operating Reserve and the Administrative Expense Claims Reserve will be used to fund the implementation of the Liquidation Plan, in accordance with Sections 9.14(b) and 9.14(c) of this Liquidation Plan.

(b) Transfer of Liquidation Assets. On the Effective Date, each Liquidating Debtor shall irrevocably transfer and assign its Residual Liquidation Assets, if any, or cause such Residual Assets to be transferred and assigned to the Liquidating Trust, to hold in trust for the benefit of all holders of Allowed Claims with respect to each such Liquidating Debtor pursuant to the terms of this Liquidation Plan and of the Liquidating Trust Agreement, provided, however, that prior to the transfers contemplated hereby, the

Liquidating Trustee and Liquidating Debtors, as applicable, shall make the transfers contemplated by the Secured Creditor Distribution and the DIP Lender Direction to Reorganized Covanta and to the Operating Reserve and to the Administrative Expense Claims Reserve. In accordance with section 1141 of the Bankruptcy Code and except as otherwise provided by this Liquidation Plan or the Liquidating Trust Agreement, upon the Effective Date, title to the Residual Liquidation Assets shall pass to the Liquidating Trust free and clear of all Claims and Equity Interests. The Liquidating Trustee shall pay, or otherwise make Distributions on account of, all Claims against the Liquidating Debtors whose Residual Liquidation Assets were contributed to such Liquidating Trust strictly in accordance with this Liquidation Plan. For U.S. federal income tax purposes, the transfers of the Liquidating Debtors' Residual Liquidation Assets to the Liquidating Trust shall be deemed transfers to and for the benefit their respective beneficiaries followed by deemed transfer by the beneficiaries to the Liquidating Trust. The beneficiaries shall be treated as the grantors and deemed owners of the Liquidating Trust. The Liquidating Trustee shall cause a valuation to be made of the Liquidation Assets and that valuation shall be used by the Liquidating Trustee and the beneficiaries for U.S. federal income tax purposes, but shall not be binding on the Liquidating Trustee in regards to the liquidation of the Residual Liquidation Assets.

(c) Distribution of the Covanta Liquidating Collateral. On the Effective Date, or as soon thereafter as practicable, the applicable Liquidating Debtors shall cause to be transferred to the Covanta Liquidating Secured Parties, as holders of the Allowed Other Secured Liquidation Claims, all rights, title and interest to the Covanta Liquidating Collateral free and clear of all Claims and Equity Interests, in accordance with section 1141 of the Bankruptcy Code, and except as otherwise provided by this Liquidation Plan.

(d) Dissolution of Liquidating Debtors. Following the transfers contemplated in Subsection 6.1(a) hereof, each Liquidating Debtor shall be dissolved pursuant to applicable state law. The Liquidating Trustee shall have all the power to wind up the affairs of each Liquidating Debtor under applicable state laws (including the filing of certificates of dissolution) in addition to all the rights, powers and responsibilities conferred by Bankruptcy Code, this Liquidation Plan, the Confirmation Order and the Liquidating Trust Agreement.

6.2 Fractional Interests. Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall reflect a rounding of such fraction down to the nearest whole cent.

6.3 Order of Distributions. Distributions will be made from the Liquidation Trust to the holders of Claims against the Liquidating Debtors, upon the realization of any Net Liquidation Proceeds from the Residual Liquidation Assets contained in the Liquidation Trust, which were not otherwise transferred pursuant to the Secured Creditor Direction or the DIP Lender Direction. To the extent that the Liquidating Trustee is able to extract any Net Liquidation Proceeds from the Residual Liquidation Assets, such Net Liquidation Proceeds shall be distributed in the following manner: (i) the Liquidating Trustee shall first deduct and pay itself any Liquidation Expenses incurred in extracting such Net Liquidation Proceeds and (ii) the Liquidating Trustee shall distribute any remaining Net Liquidation Proceeds pro rata to (a) the holders of Class 3A Claims, to the extent that the Net Liquidation Proceeds are attributable to a Liquidating Pledgor Debtor; and (b) to the DIP Lenders, to the extent that the Net Liquidation Proceeds are attributable to a Liquidating Non-Pledgor Debtor.

6.4 Time of Distributions. Except as otherwise provided for in this Liquidation Plan, by the Secured Creditor Direction or the DIP Lender Direction or ordered by the Court, distributions under the Liquidation Plan will be made on (i) the Initial Liquidation Distribution Date, as to Priority Tax Claims and Priority Non-Tax Claims from the Operating Reserve and as to Administrative Expense Claims from the Administrative Expense Claims Reserve or (ii) any subsequent Liquidation Distribution Date. The Initial Liquidation Distribution Date shall occur on the later of the Liquidation Plan Effective Date (or as soon thereafter as reasonably practicable) and the First Business Day after the date that is (30) calendar days after the date a Claim becomes Allowed. Each subsequent Liquidation Distribution Date shall occur on the last Business Day of each calendar quarter if, on such date, prior to the distribution to holders of Allowed Claims, there are any Net Liquidation Proceeds. In the event that any payment or act under this Liquidation Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the initial due date.

6.5 Settlements. Except to the extent the Court has entered a separate order providing for such approval, the Confirmation Order shall constitute an order (a) approving as a compromise and settlement pursuant to section 1123(b)(3)(A) of the Bankruptcy Code, any settlement agreements entered into by any Liquidating Debtor or any other Person as contemplated in confirmation of the Liquidating Plan and (b) entered into or to be entered into by any Liquidating Debtor or any other Person as contemplated by the Liquidating Plan and all related agreements, instruments or documents to which any Liquidating Debtor is a party.

6.6 No Interim Cash Payments of $100 or Less on Account of Allowed Claims Prior to Final Liquidation Distribution Date. If a Cash payment to be received by holders of Allowed Claims on any distribution (except the Final Distribution) would be $100 or less in the aggregate, notwithstanding any contrary provision of this Liquidation Plan, no such payment will be made to such holder, and such Cash, if applicable, shall be held in trust for such holders until the Final Liquidation Distribution Date, at which time such Cash payment shall be made to the holders.

6.7 Unclaimed Property. All property that is unclaimed for one year after distribution thereof by mail to the latest mailing address filed of record with the Court for the party entitled thereto or, if no such mailing address has been so filed, the mailing address reflected in the applicable Liquidating Debtor's schedules filed with the Court or other address maintained by the Liquidating Debtors, shall become property of the Liquidating Trust.

6.8 Withholding Taxes. The Liquidating Trustee shall be entitled to withhold any applicable federal or state withholding taxes from any payments made with respect Allowed Claims, as appropriate, and shall otherwise comply with section 346 of the Bankruptcy Code.

6.9 Reservation of Rights of the Estate. As to each Liquidating Debtor, all claims or causes of action, cross-claims and counterclaims of such Liquidating Debtor of any kind or nature whatsoever, against third parties arising before the Confirmation Date shall be preserved for the benefit of the Liquidating Trust except for (i) such claims or causes of action, cross-claims and counterclaims of the Liquidating Debtors which have been released hereunder or pursuant to a Final Order and (ii) such claims or causes of action, cross claims and counterclaims of the Liquidating Debtors that have been transferred to Reorganized Covanta pursuant to the Secured Creditor Direction and the DIP Lender Direction.

ARTICLE VII

PROCEDURES FOR RESOLVING AND TREATING DISPUTED CLAIMS

7.1 No Distribution Pending Allowance. Notwithstanding any other provision of this Liquidation Plan, no Distribution shall be distributed under this Liquidation Plan on account of any Disputed Claim, unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

7.2 Resolution of Disputed Claims and Equity Interests.

(a) Unless otherwise ordered by the Court after notice and a hearing, the Liquidating Trustee shall have the exclusive right to make and file objections to Claims (other than Administrative Expense Claims) and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than one hundred and twenty (120) days after the Effective Date; provided, however, that such one hundred and twenty (120) day period may be automatically extended by the Liquidating Trustee, without any further application to, or approval by, the Court, for up to an additional thirty (30) days. The foregoing deadlines for filing objections to Claims shall not apply to filing objections to Claims for tort damages and, accordingly, no such deadline shall be imposed by this Liquidation Plan. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the holder thereof if the Liquidating Trustee effects service in any of the following manners: (i) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (ii) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto; or (iii) by first class mail, postage, on any counsel that has appeared on the holder's behalf in the Chapter 11 Cases.

(b) Except with respect to Administrative Expense Claims as to which the Administrative Expense Claim Bar Date does not apply, Administrative Expense Claims must be filed with the Court and served on counsel for the Liquidating Debtors (if prior to the Effective Date) and counsel for the Liquidating Trustee (if after the Effective Date) on or before the Administrative Expense Claim Bar Date. The Liquidating Debtors, the Liquidating Trustee or any other party in interest permitted under the Bankruptcy Code may make and file objections to any such Administrative Expense Claim and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later the Claims Objection Deadline. In the event the Liquidating Debtors or the Liquidating Trustee file any such objection, the Court shall determine the Allowed amount of any such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim which is paid or payable by the Liquidating Debtors or the Liquidating Trustee in the ordinary course of business.

7.3 Estimation of Claims and Equity Interests. The Liquidating Trustee may, at any time request that the Court estimate any contingent, unliquidated or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Liquidating Debtors previously objected to such Claim or whether the Court has ruled on any such objection, and the Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim. In the event that the Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Liquidating Trustee may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another.

7.4 Reserve Account for Disputed Claims. Upon (i) the Liquidating Trustee's determination that Disputed Claims have been asserted against a Liquidating Debtor in any particular Class and (ii) the Liquidating Trustee's identification of Liquidation Proceeds that are not Collateral, the Liquidating Trustee shall establish the Disputed Claims Reserve in accordance with Section 9.14(a) of this Liquidation Plan and hold in the Disputed Claims Reserve, for each Class in which there are any Disputed Claims, Cash in an aggregate amount sufficient to pay to each holder of a Disputed Claim the amount of Cash that such holder would have been entitled to receive under this Liquidation Plan if such Claim had been an Allowed Claim in such Class. Cash withheld and reserved for payments to holders of Disputed Claims in any Class shall be held and deposited by the Liquidating Trustee in one or more segregated interest-bearing reserve accounts for each Class of Claims in which there are Disputed Claims entitled to receive Cash, to be used to satisfy the Disputed Claims if and when such Disputed Claims become Allowed Claims.

7.5 Allowance of Disputed Claims. With respect to any Disputed Claim that is subsequently deemed Allowed, on the succeeding Liquidation Distribution Date for any such Claim after such Claim becomes Allowed, the Liquidating Trustee shall distribute from the Disputed Claims Reserve Account corresponding to the Class in which such Claim is classified to the holder of such Allowed Claim, the amount of Cash that such holder would have been entitled to recover under this Liquidation Plan if such Claim had been an Allowed Claim on the Effective Date, together with such claimholder's Pro Rata Class Share of net interest, if any, on such Allowed Claim. For the purposes of the immediately preceding sentence, such holder's Pro Rata Class Share of net interest shall be calculated by multiplying the amount of interest on deposit in the applicable Disputed Claims Reserve account on the immediately preceding date on which such Allowed Claim is to be paid by a fraction, the numerator of which shall equal the amount of such Allowed Claim and the denominator of which shall equal the amount of all Claims for which deposits are being held in the applicable Disputed Claims Reserve account on the date immediately preceding the date on which such Allowed Claim is to be paid.

ARTICLE VIII

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

8.1 General Treatment.

(a) On the Effective Date, all executory contracts and unexpired leases to which each Liquidating Debtor is a party shall be deemed rejected as of the Effective Date, except for any executory contract or unexpired lease that (i) has been previously assumed or rejected pursuant to a Final Order of the Court, (ii) is specifically designated as a contract or lease on the Schedule of Assumed Contracts and Leases, filed as Exhibit 5 hereof, as may be amended, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Liquidating Debtors prior to the Confirmation Hearing. On the Effective Date, all executory contracts and unexpired leases listed on the Schedule of Assumed Contracts and Leases to which each Liquidating Debtor is party shall be deemed assumed by the applicable Liquidating Debtor and assigned to Reorganized Covanta. The Liquidating Debtors reserve the right to add or remove executory contracts and unexpired leases to or from the Schedule of Assumed Contracts and Leases at any time prior to the Effective Date.

(b) Each executory contract and unexpired lease listed or to be listed on the Schedule of Assumed Contracts and Leases shall include modifications, amendments, supplements, restatements or other agreements, including guarantees thereof, made directly or indirectly by any Liquidating Debtor in any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on the Schedule of Assumed Contracts and Leases. The mere listing of a document on the Schedule of Assumed Contracts and Leases shall not constitute an admission by the Liquidating Debtors that such document is an executory contract or unexpired lease or that the Liquidating Debtors have any liability thereunder.

8.2 Cure of Defaults. Except to the extent that (i) a different treatment has been agreed to by the nondebtor party or parties to any executory contract or unexpired lease to be assumed pursuant to Section 8.1 hereof or (ii) any executory contract or unexpired lease shall have been assumed pursuant to an order of the Court, which order shall have approved the cure amounts with respect thereto, the applicable Liquidating Debtor shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, within thirty (30) days after the Confirmation Date, file with the Court and serve a pleading with the Court listing the cure amounts of all executory contracts or unexpired leases to be assumed. The parties to such executory contracts or unexpired leases to be assumed by the applicable Liquidating Debtor shall have fifteen (15) days from service of such pleading to object to the cure amounts listed by the applicable Liquidating Debtor. Service of such pleading shall be sufficient if served on the other party to the contract or lease at the address indicated on (i) the contract or lease, (ii) any proof of claim filed by such other party in respect of such contract or lease, or (iii) the Liquidating Debtors' books and records, including the Schedules, provided, however, that if a pleading served by a Liquidating Debtor to one of the foregoing addresses is promptly returned as undeliverable, the Liquidating Debtor shall attempt reservice of the pleading on an alternative address, if any, from the above listed services. If any objections are filed, the Court shall hold a hearing. Prior to assumption, the applicable Liquidating Debtor shall retain its right to reject any of its executory contracts or unexpired leases, including contracts or leases that are subject to a dispute concerning amounts necessary to cure any defaults. Notwithstanding the foregoing, or anything in Section 8.3 of this Liquidation Plan, at all times through the date that is five (5) Business Days after the Court enters an order resolving and fixing the amount of a disputed cure amount, the Liquidating Debtors shall have the right to reject such executory contract or unexpired lease.

8.3 Approval of Assumption and Assignment of Executory Contracts on the Schedule of Assumed Contracts and Leases. Subject to Sections 8.1 and 8.2 of this Liquidation Plan, the executory contracts and unexpired leases on the Schedule of Assumed Contracts and Leases shall be assumed by the respective Liquidating Debtors as indicated on such schedule and shall be assigned to Reorganized Covanta, as of the Effective Date, except as may otherwise be ordered by the Court.

8.4 Approval of Rejection of Executory Contracts and Unexpired Leases. Entry of the Confirmation Order shall constitute the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of any executory contracts and unexpired leases to be rejected as and to the extent provided in Section 8.1 of this Liquidation Plan.

8.5 Deemed Consents and Deemed Compliance. (a) Unless a counterparty to an executory contract, unexpired lease, license or permit objects to the applicable Liquidating Debtor's assumption thereof in writing on or before seven (7) days prior to the Confirmation Hearing, then, unless such executory contract, unexpired lease, license or permit has been rejected by the applicable Liquidating Debtor or will be rejected by operation of this Liquidation Plan, Reorganized Covanta (as assignee of all executory contracts and unexpired leases assumed by the Liquidating Debtors) shall enjoy all the rights and benefits under each such executory contract, unexpired lease, license and permit without the necessity of obtaining such counterparty's written consent to assumption or retention of such rights and benefits.

(b) To the extent that any exeuctory contract or unexpired lease contains a contractual provision that would require a Liquidating Debtor to satisfy any financial criteria or meet any financial condition measured by reference to such Debtor's most recent annual audited financial statements, then upon the assumption of any such executory contract or unexpired lease the Liquidating Debtors shall be deemed to be and to remain in compliance with any such contractual provision regarding financial criteria or financial condition (other than contractual requirements to satisfy the minimum ratings from ratings agencies) for the period through one year after the Effective Date, and thereafter such financial criteria or financial condition shall be measured by reference to the applicable Debtor's most recent annual audited financial statements.

8.6 Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Liquidation Plan. Claims arising out of the rejection of an executory contract or unexpired lease pursuant to Section 8.1 of this Liquidation Plan must be filed with the Court no later than the later of (i) twenty (20) days after the Effective Date, and (ii) thirty (30) days after entry of an order rejecting such contract or lease. Any Claims not filed within such time period will be forever barred from assertion against any of the applicable Liquidating Debtors and/or the Estates.

8.7 Reservation of Rights Under Insurance Policies and Bonds. Nothing in this Liquidation Plan shall diminish or otherwise affect the enforceability by beneficiaries of (i) any insurance policies that may cover Claims against any Liquidating Debtor, or (ii) any bonds issued to assure the performance of any of the Liquidating Debtors, nor shall anything contained herein constitute or be

deemed to constitute a waiver of any cause of action that the Liquidating Debtors or any entity may hold against any insurers or issuers of bonds under any such policies of insurance or bonds. To the extent any insurance policy or bond is deemed to be an executory contract, such insurance policy or bond shall be deemed assumed in accordance with Article VIII of the Liquidation Plan. Notwithstanding the foregoing, the Liquidating Debtors do not assume any payment or other obligations to any insurers or issuers of bonds, and any agreements or provisions of policies or bonds imposing payment or other obligations upon the Liquidating Debtors shall only be assumed pursuant to a separate order of the Court.

ARTICLE IX

THE LIQUIDATING TRUSTEE

9.1 Appointment. The Liquidating Trustee shall be designated by the Liquidating Debtors in the Notice of Designation, which shall be filed with the Court on or before ten (10) days prior to the Confirmation Hearing. The Liquidating Trustee's appointment shall become effective upon the occurrence of the Effective Date.

9.2 Compensation of the Liquidating Trustee for Dissolution Expenses. The Liquidating Trustee shall be paid for all reasonable and necessary Dissolution Expenses (including the reasonable and necessary fees and expenses of Retained Liquidation Professionals) out of the Operating Reserve in the following manner. On or before any Liquidating Trustee Billing Date, the Liquidating Trustee shall send the Liquidating Trustee Fee Notice and any Retained Liquidation Professional Fee Notices to the Oversight Nominee. Fifteen (15) days after sending the Liquidating Trustee Fee Notice and any Retained Liquidation Professional Fee Notices to the Oversight Nominee, the Liquidating Trustee shall be entitled to withdraw from the Operating Reserve the Dissolution Expenses claimed in such Liquidating Trustee Fee Notice and such Retained Liquidation Professional Fee Notice, provided, however, that if the Oversight Nominee sends a Fee Dispute Notice within such fifteen (15) day period to the Liquidating Trustee or a Retained Liquidation Professional, then the Liquidating Trustee shall only be entitled to withdraw any undisputed portion of such Dissolution Expenses from the Operating Reserve on such date. As to the disputed portion of such Dissolution Expenses, within five (5) days receipt of the Fee Dispute Notice, the Liquidating Trustee or applicable Retained Liquidation Professional must either (a) notify the Oversight Nominee that it will reduce the Dissolution Expenses in accordance with the Fee Dispute Notice or (b) commence a proceeding in the Court to determine the reasonableness, accuracy or proper scope of the disputed Dissolution Expenses. The Liquidating Trustee shall be paid for all Liquidation Expenses in the manner specified in Section 9.3 of this Liquidation Plan.

9.3 Recovery or Realization of Liquidation Proceeds. To the extent that the Liquidating Trustee determines in its sole discretion that it could profitably realize Liquidation Proceeds from the sale, transfer, collection or monetization of any Residual Liquidation Assets, which shall not include any of the Liquidation Assets transferred to Reorganized Covanta pursuant to the Secured Creditor Direction or the DIP Lender Direction, or any Cash transferred to the Operating Reserve or the Administrative Expense Claims Reserve pursuant to the Secured Creditor Direction, then the Liquidating Trustee shall liquidate such Residual Liquidation Assets in accordance with the provisions of this Liquidation Plan. Alternatively, if the Liquidating Trustee determines that it would not be profitable to pursue the sale, transfer, collection or monetization of any Residual Liquidation Assets of any respective Liquidating Debtor, then the Liquidating Trustee shall abandon such assets in accordance with Section 9.10 of this Liquidation Plan. All Liquidation Expenses incurred by the Liquidating Trustee in the sale, transfer, collection or monetization of Residual Liquidation Assets shall be paid only from the recoveries therefrom.

9.4 Distributions of Net Liquidation Proceeds. On the Liquidation Distribution Date following the realization of any Liquidation Proceeds from the sale, transfer, collection or monetization of any Residual Liquidation Assets in accordance with Section 9.3 of the Liquidation Plan, the Liquidating Trustee shall distribute any Net Liquidation Proceeds to the holders of Allowed Claims in accordance with this Liquidation Plan. The Liquidating Trustee shall provide notice to the Oversight Nominee in the Liquidation Trustee Billing Notice of (i) the realization of any Liquidation Proceeds; and (ii) any planned Distribution of any Net Liquidation Proceeds to be made on the next Liquidation Distribution Date.

9.5 Engagement of Professionals. The Liquidating Trustee shall obtain the approval of the Oversight Nominee prior to retention and engagement of any Retained Liquidation Professionals. Such approval shall not be unreasonably delayed or withheld. Each Retained Liquidation Professional shall submit its Retained Liquidation Professional Fee Notice to the Liquidating Trustee five (5) days prior to the Liquidating Trustee Billing Date. The fees and expenses of such professionals shall be (i) paid by the Liquidating Trustee out of the Operating Reserve so long as such fees and expenses constitute Dissolution Expenses and (ii) paid from the sale, transfer, collection or monetization of any Liquidation Assets, so long as the fees and expenses constitute Liquidation

Expenses. The fees and expenses of Retained Liquidation Professionals are subject to the approval of the Oversight Nominee and any disputes concerning the fees and expenses of Retained Professionals will be dealt with in accordance with Section 9.2 of this Liquidation Plan.

9.6 Status of the Liquidating Trustee. Effective on the Effective Date, the Liquidating Trustee shall be the representative of each Liquidating Debtor's Estate as that term is used in section 1123(b)(3)(B) of the Bankruptcy Code and shall have the rights and powers provided for in the Liquidating Trust Agreement. In its capacity as the representative of an Estate, the Liquidating Trustee shall be the successor-in-interest to each Liquidating Debtor with respect to any action commenced by such Liquidating Debtor prior to the Confirmation Date, except with respect to the Claims of the Liquidating Pledgor Debtors and the Liquidating Non-Pledgor Debtors transferred to Reorganized Covanta pursuant to the Secured Creditor Direction and the DIP Lender Direction. All such actions and any and all other claims or interests constituting Liquidation Assets, and all claims, rights and interests thereunder shall be retained and enforced by the Liquidating Trustee as the representative of such Estate pursuant to section 1123(b)(3)(B) of the Bankruptcy Code. The Liquidating Trustee shall be a party in interest as to all matters over which the Court has jurisdiction.

9.7 Authority. Subject to the limitations contained herein, the Liquidating Trustee shall have, with respect to the Liquidating Debtors, the following powers, authorities, and duties, by way of illustration and not of limitation:

(a) Manage, sell and convert all or any portion of the Liquidation Assets to Cash and distribute the Net Liquidation Proceeds as specified in this Liquidation Plan;

(b) Release, convey or assign any right, title or interest in or about the Residual Liquidation Assets or any portion thereof;

(c) Pay and discharge any costs, expenses and fees of Retained Liquidation Professionals and other obligations deemed necessary to preserve or enhance the value of the Residual Liquidation Assets, discharge duties under the Liquidation Plan or perform the purpose of the Liquidation Plan;

(d) Open and maintain bank accounts and deposit funds and draw checks and make disbursements in accordance with the Liquidation Plan;

(e) Engage and have such attorneys, accountants, agents, tax specialists, financial advisors, other professionals, and clerical assistance as may, in the discretion of the Liquidating Trustee, be deemed necessary for the purposes specified under this Liquidation Plan;

(f) Sue and be sued and file or pursue objections to Claims and seek to estimate them;

(g) Enforce, waive or release rights, privileges or immunities of any kind;

(h) In general, without in any manner limiting any of the foregoing, deal with the Liquidation Assets or any part or parts thereof in all other ways as would be lawful for any person owning the same to deal therewith, whether similar to or different from the ways herein specified;

(i) Abandon any Liquidation Assets in accordance with Section 9.10 hereof;

(j) File certificates of dissolution and take any other action necessary to dissolve and wind up the affairs of the Liquidating Debtors in accordance with applicable state law;

(k) As soon as is practicable after the Final Liquidation Distribution Date of each Liquidating Debtor, request the Court to enter the Final Order closing the Chapter 11 Case of each such Liquidating Debtor; and

(l) Without limitation, do any and all things necessary to accomplish the purposes of the Liquidation Plan.

9.8 Objectives. In selling the Residual Liquidation Assets, or otherwise monetizing them, the Liquidating Trustee shall use its best efforts to maximize the amount of Liquidation Proceeds derived therefrom. The Liquidating Trustee shall cause all Residual Liquidation Assets not otherwise abandoned to be sold or otherwise monetized by the second anniversary of the Effective Date.

9.9 Making Distributions. The Liquidating Trustee shall be responsible for making Distributions described in this Liquidation Plan, and shall coordinate, as necessary, to make the transfers of the Distributions and other Liquidation Assets as contemplated by the Secured Creditor Direction and the DIP Lender Direction.

9.10 Abandonment. The Liquidating Trustee may abandon, on thirty (30) days' written notice to the Oversight Nominee and United States Trustee, any property which he or she determines in its reasonable discretion to be of de minimis value to the Liquidating Trust, including any pending adversary proceeding or other legal action commenced or commenceable by the Liquidating Trust. If either the Oversight Nominee or United States Trustee provides a written objection to the Liquidating Trustee prior to expiration of such thirty-day period with respect to the proposed abandonment of such property, then such property may be abandoned only pursuant to an application made to the Court. In the absence of any such objection, such property may be abandoned without further order of the Court.

9.11 No Recourse. No recourse shall ever be had, directly or indirectly, against the Liquidating Trustee personally or against any agent, employee or Retained Liquidation Professional of the Liquidating Trustee, by legal or equitable proceedings or by virtue any statute or otherwise, nor upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by the Liquidating Trustee under this Liquidation Plan, or by reason of the creation of any indebtedness by the Liquidating Trustee under this Liquidation Plan for any purpose authorized by this Liquidation Plan, it being expressly understood and agreed that all such liabilities, covenants, and agreements of the Liquidating Trustee, whether in writing or otherwise, shall be enforceable only against and be satisfied only out of the Residual Liquidation Assets or such part thereof as shall, under the terms of any such agreement, be liable therefor or shall be evidence only of a right of payment out of the Residual Liquidation Assets provided, however, that nothing contained in this Section 9.11 shall affect the liability of any of the parties listed above for gross negligence or willful misconduct.

9.12 Limited Liability. The Liquidating Trustee shall not be liable for any act he or she may do or omit to do while acting in good faith and in the exercise of his or her best judgment, and the fact that such act or omission was advised by an authorized attorney (or other Retained Liquidation Professional) for the Liquidating Trustee shall be conclusive evidence of such good faith and best judgment; nor shall the Liquidating Trustee be liable in any event, except for its gross negligence or willful misconduct.

9.13 Resignation. The Liquidating Trustee may resign at any time by giving at least thirty (30) days' written notice to the Oversight Nominee and the United States Trustee. In case of the resignation, removal or death of a Liquidating Trustee, a successor shall thereupon be appointed by agreement of the Oversight Nominee and the United States Trustee.

9.14 Reserves.

(a) The Disputed Claims Reserve. Upon (i) the Liquidating Trustee's determination that Disputed Claims have been asserted against a Liquidating Debtor and (ii) the Liquidating Trustee's identification of Net Liquidation Proceeds that are not Collateral, the Liquidating Trustee shall establish the Disputed Claims Reserve, in order to make disbursements to each holder of a Disputed Claim against the applicable Liquidating Debtor, as provided in Article VII of this Liquidation Plan, whose Claim is or becomes an Allowed Claim, as the case may be, in the amount specified in the Final Order allowing such Disputed Claim on the Liquidation Distribution Date occurring after such order becomes a Final Order.

(b) The Operating Reserve. On the Effective Date, the Liquidating Trustee shall establish the Operating Reserve in order to pay all Priority Tax Claims and Priority Non-Tax Claims of the Liquidating Debtors and any Oversight Nominee Expenses and Dissolution Expenses. The Operating Reserve shall be funded in an amount not to exceed $500,000, pursuant to the Secured Creditor Direction. Such $500,000 shall be transferred to the Operating Reserve by the Liquidating Debtors, to the extent of any Liquidating Debtor Cash and the Reorganizing Debtors, to the extent of the Reorganizing Operating Reserve Obligation. Upon the latest to occur of (i) the entry of the Final Order closing each of the Liquidating Debtors' Chapter 11 Cases, (ii) the Final Liquidation Determination Date and (iii) the final payment of any Dissolution Expenses and Oversight Nominee Expenses, to the extent that there is any Cash in the Operating Reserve, the Liquidating Trustee shall contribute such Cash to Reorganized Covanta.

(c) The Administrative Expense Claims Reserve. On the Effective Date, the Liquidating Trustee shall establish the Administrative Expense Claims Reserve in order to pay all Administrative Expense Claims of the Liquidating Debtors. The Administrative Expense Claims Reserve shall be funded in an amount up to $2,500,000, pursuant to the Secured Creditor Direction. Such amount shall be transferred to the Administrative Expense Claims Reserve by the Reorganizing Debtors to the extent of the Reorganizing Debtors' Administrative Expense Claims Reserve Obligation. Upon the latest to occur of (i) the entry of the Final Order closing each of the Liquidating Debtors' Chapter 11 Cases, (ii) the Final Liquidation Determination Date and (iii) the final payment of any Dissolution Expenses and Oversight Nominee Expenses, to the extent that there is any Cash in the Administrative Expense Claims Reserve, the Liquidating Trustee shall contribute such Cash to Reorganized Covanta.

9.15 Statements. (a) The Liquidating Trustee shall maintain a record of the names and addresses of all holders of Allowed Unsecured Liquidation Claims against the applicable Liquidating Debtor for purposes of mailing Distributions to them. The Liquidating Trustee may rely on the name and address set forth in the applicable Liquidating Debtor's schedules filed with the Court, except to the extent a different name and/or address shall be set forth in a proof of claim filed by such holder in the cases, and the Liquidating Trustee may rely on the names and addresses in such schedules and/or proof of claim as being true and correct unless and until notified in writing.

(b) The Liquidating Trustee shall file all tax returns and other filings with Governmental Units on behalf of the Liquidating Trust and the Residual Liquidation Assets it holds.

9.16 Further Authorization. The Liquidating Trustee shall be entitled to seek such orders, judgments, injunctions and rulings as they deem necessary to carry out the intentions and purposes, and to give full effect to the provisions, of this Liquidation Plan.

ARTICLE X

APPOINTMENT OF THE OVERSIGHT NOMINEE

10.1 Appointment of the Oversight Nominee. The Oversight Nominee shall be designated by the Liquidating Debtors in the Notice of Designation, which shall be filed with the Court on or before ten (10) days prior to the Confirmation Hearing. The appointment of the Oversight Nominee shall become effective upon the occurrence of the Effective Date.

10.2 Authority and Responsibility of the Oversight Nominee. The Oversight Nominee shall have the authority and responsibility to review the activities and performance of the Liquidating Trustee, and shall have the authority to remove and replace the Liquidating Trustee. It shall have such further authority as may be specifically granted or necessarily implied by this Liquidation Plan.

10.3 Limited Liability. The Oversight Nominee shall not be liable for anything other than its own acts as shall constitute willful misconduct or gross negligence of its duties. None of the Oversight Nominee's designees, agents or representatives or their respective employees, shall incur or be under any liability or obligation by reason of any act done or omitted to be done, by the Oversight Nominee or its designee, agent or representative or their employees. The Oversight Nominee may, in connection with the performance of its functions, and in its sole and absolute discretion, consult with counsel, accountants and its agents, and shall not be liable for anything done or omitted or suffered to be done in accordance with such advice or opinions. If the Oversight Nominee determines not to consult with counsel, accountants or its agents, such determination shall not be deemed to impose any liability on the Oversight Nominee.

10.4 The Oversight Nominee Expenses. The Oversight Nominee Expenses shall be paid by the Liquidating Trustee out of the Operating Reserve.

ARTICLE XI

CONDITIONS PRECEDENT TO THE CONFIRMATION AND THE EFFECTIVE DATE

11.1 Conditions to Confirmation. Each of the following is a condition to the Confirmation Date:

(a) the entry of a Final Order finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code;

(b) the proposed Confirmation Order shall be in form and substance, reasonably acceptable to the Liquidating Debtors and the Reorganization Plan Sponsor;

(c) all provisions, terms and conditions of this Liquidation Plan are approved in the Confirmation Order;

(d) the Confirmation Order shall contain a finding that any Intercompany Claim held by a Liquidating Debtor, Reorganizing Debtor or Heber Debtor is the exclusive property of such Liquidating Debtor, Reorganizing Debtor or Heber Debtor or debtor-in-possession pursuant to section 541 of the Bankruptcy Code; and

(e) the Confirmation Order shall contain a ruling that each of the Intercompany Claims held by the Reorganizing Debtors, the Heber Debtors or the Liquidating Debtors against (i) the Liquidating Debtors and any of their respective present or former officers, directors, employees, attorneys, accountants, financial advisors, investment bankers or agents and (ii) the other persons or entities identified in Section 12.6 of this Liquidation Plan will be

fully settled and released as of the Effective Date.

11.2 Conditions Precedent to the Effective Date. Each of the following is a condition precedent to the Effective Date of this Liquidation Plan:

(a) That the Confirmation Order (i) shall have been entered by the Court and become a Final Order (ii) be in form and substance satisfactory to the Reorganizing Debtors, the Liquidating Debtors and the Reorganization Plan Sponsor and (iii) provide that the Liquidating Debtors, the Reorganizing Debtors and the Reorganized Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases, indentures and other agreements or documents created in connection with the Liquidation Plan and the Reorganization Plan;

(b) that the Liquidating Trustee has entered into the Liquidating Trust Agreement, which shall be in form and substance acceptable to the Reorganization Plan Sponsor, with the Liquidating Debtors and is willing to serve in such capacity and the terms of its service and compensation shall have been approved by the Court at the Confirmation Hearing;

(c) that the conditions precedent to the Effective Date of the Reorganization Plan shall have been satisfied or waived;

(d) the Liquidating Debtors, the Reorganizing Debtors and the Heber Debtors shall be authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases, indentures and the agreements or documents created in connection with the Liquidation Plan and the Reorganization Plan;

(e) all actions, documents and agreements necessary to implement the Liquidation Plan and the Reorganization Plan shall (i) be in form and substance acceptable to the Reorganization Plan Sponsor and (ii) have been effected or executed; and

(f) the conditions precedent to closing under the Investment and Purchase Agreement shall have been satisfied or waived in accordance with the terms and provisions thereof.

11.3 Waiver of Conditions. The Liquidating Debtors, with the prior written consent of the Reorganization Plan Sponsor, may waive any of the foregoing conditions set forth in Section 11.1 and 11.2 of this Liquidation Plan without leave of or notice to the Court and without any formal action other than proceeding with confirmation of this Liquidation Plan or emergence from bankruptcy.

11.4 Failure to Satisfy or Waiver of Conditions Precedent. In the event that any or all of the conditions specified in Section 11.1 or 11.2 of this Liquidation Plan have not been satisfied or waived in accordance with the provisions of this Article XI on or before June 30, 2004 (which date may be extended by the Liquidating Debtors with the prior written consent of the Reorganization Plan Sponsor), and upon notification submitted by the Liquidating Debtors to the Court, (a) the Confirmation Order shall be vacated (except as it may relate to the Heber Debtors), (b) no distributions under the Liquidation Plan shall be made, (c) the Liquidating Debtors and all holders of Claims and Equity Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though such date never occurred, and (d) all the Liquidating Debtors' respective obligations with respect to the Claims and Equity Interests shall remain unchanged and nothing contained herein or in the Disclosure Statement shall be deemed an admission or statement against interests or to constitute a waiver or release of any claims by or against any Liquidating Debtor or any other Person or to prejudice in any manner the rights of any Liquidating Debtor or any Person in any further proceedings involving any Liquidating Debtor or any Person.

ARTICLE XII

EFFECT OF CONFIRMATION

12.1 Discharge. Pursuant to section 1141(d)(3) of the Bankruptcy Code, occurrence of the Confirmation Date will not discharge Claims against the Liquidating Debtors; provided, however, that no holder of a Claim against any Liquidating Debtor may, on account of such Claim, seek or receive any payment or other distribution from, or seek recourse against, any Liquidating Debtor, Reorganizing Debtor or Heber Debtor their respective successors or their respective property, except as expressly provided herein.

12.2 Binding Effect. Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code, on and after the Confirmation Date, and subject to the Effective Date, the provisions of this Liquidation Plan shall bind all present and former holders of a Claim against, or Equity Interest in, the applicable Liquidating Debtor and its respective successors and assigns, whether or not the Claim or Equity Interest of such holder is Impaired under this Liquidation Plan and whether or not such holder has filed a Proof of Claim or Equity Interest or accepted this Liquidation Plan.

12.3 Term of Injunctions or Stays. Unless otherwise provided herein, all injunctions or stays arising under section 105 or 362 of the Bankruptcy Code, any order entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in such order.

12.4 Injunction Against Interference with Liquidation Plan. Upon the entry of the Confirmation Order, all holders of Claims and Equity Interests and other parties in interest, along with their respective present and former employees, agents, officers, directors and principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of this Liquidation Plan.

12.5 Exculpation. (a) Notwithstanding anything herein to the contrary, as of the Effective Date, none of (i) the Liquidating Debtors or their respective officers, directors and employees, (ii) the Specified Personnel, (iii) the Committee and any subcommittee thereof, (iv) the Agent Banks, the DIP Agents, the steering committee for the holders of the Secured Bank Claims and the Bondholders Committee, (v) the accountants, financial advisors, investment bankers, and attorneys for the Liquidating Debtors, (vi) the Liquidating Trustee, (vii) the Reorganization Plan Sponsor, (viii) the Investor Group (ix) the Bondholders Committee and (x) the directors, officers, employees, partners, members, agents, representatives, accountants, financial advisors, investment bankers, attorneys, employees or affiliates for any of the persons or entities described in (i), (iii), (iv), (v), (vi), (vii), (viii) or (ix) of this Section 12.5 shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the commencement or conduct of the Chapter 11 Cases; the reorganization of the Reorganizing Debtors and Heber Debtors; formulating, negotiating, consummating or implementing the Investment and Purchase Agreement (except, with respect to the Reorganization Plan Sponsor and the Investor Group, as explicitly provided pursuant to the Investment and Purchase Agreement); formulating, negotiating or implementing the Liquidation Plan; the solicitation of acceptances of the Liquidation Plan; the pursuit of confirmation of the Liquidation Plan; the confirmation, consummation or administration of the Liquidation Plan or the property to be distributed under the Liquidation Plan, except for their gross negligence or willful misconduct, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Liquidation Plan. Nothing in this Section 12.5 shall limit the liability or obligation of an issuer of a letter of credit to the beneficiary of such letter of credit.

(b) Notwithstanding any other provision of this Liquidation Plan, no holder of a Claim or Interest, no other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, and no successors or assigns of the foregoing, shall have any right of action against any Reorganizing Debtor, Liquidating Debtor, Heber Debtor, Specified Personnel, the Committee and any subcommittee thereof, the Agent Banks, the DIP Agents, the Bondholders Committee and the steering committee of the holders of the Secured Bank Claims, the Reorganization Plan Sponsor, the Investor Group, nor any statutory committee, nor any of their respective present or former members, officers, directors, employees, advisors or attorneys, for any omission in the negotiation or implementation of this Liquidation Plan, formulating, consummating or implementing the Investment and Purchase Agreement (except, with respect to the Reorganization Plan Sponsor and the Investor Group, as explicitly provided pursuant to the Investment and Purchase Agreement), solicitation of acceptances of this Liquidation Plan, the pursuit of confirmation of this Liquidation Plan, the confirmation, consummation or administration of this Liquidation Plan or the property to be distributed hereunder, except for gross negligence or willful misconduct.

12.6 Release Granted by the Liquidating Debtors. As of the Effective Date, the Liquidating Debtors, on behalf of themselves and their Estates, shall be deemed to release unconditionally all claims, obligations, suits, judgments, damages, rights, causes of action, and liabilities whatsoever, against the Reorganizing Debtors, Heber Debtors, the Reorganization Plan Sponsor, the Investor Group and the Reorganizing Debtors', Heber Debtors', Liquidating Debtors', Reorganization Plan Sponsor's and Investor Group's respective officers, directors, employees, partners, members, affiliates, advisors, attorneys, financial advisors, accountants, investment bankers and other professionals, and the Committee's, the Agent Banks', the DIP Agents', the steering committee for the holders of the Secured Bank Claims' and the Bondholders Committee's members, advisors, attorneys, financial advisors, investment bankers, accountants and other professionals, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken in their respective capacities described above with respect to any omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Liquidating Debtors, the Reorganizing Debtors, the Heber Debtors, the Reorganization Plan Sponsor and the Investor Group, the Chapter 11

Cases, the Reorganization Plan, the Heber Reorganization Plan, the Investment Purchase Agreement or this Liquidation Plan; provided that, with respect to the Reorganization Plan Sponsor and the Investor Group, nothing herein shall release the Reorganization Plan Sponsor or the Investor Group with respect to their contractual obligations pursuant to the Investment and Purchase Agreement or as specifically provided pursuant to this Liquidation Plan.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 Retention of Jurisdiction. The Court shall retain exclusive jurisdiction of all matters arising under, arising out of, or related to, the Chapter 11 Cases and this Liquidation Plan pursuant to, and for the purposes of, sections 105(a) and 1142 of the Bankruptcy Code and for, among other things, the following non-exclusive purposes:

(a) To determine the allowance or classification of Claims and to hear and determine any objections thereto;

(b) to hear and determine any motions for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases, and the allowance of any Claims resulting therefrom;

(c) to determine any and all motions, adversary proceedings, applications, contested matters and other litigated matters in connection with the Chapter 11 Cases that may be pending in the Court on, or initiated after, the Effective Date;

(d) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(e) to issue such orders in aid of the execution, implementation and consummation of this Liquidation Plan to the extent authorized by section 1142 of the Bankruptcy Code or otherwise;

(f) to construe and take any action to enforce this Liquidation Plan;

(g) to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order;

(h) to modify the Liquidation Plan pursuant to section 1127 of the Bankruptcy Code, or to remedy any apparent non-material defect or omission in this Liquidation Plan, or to reconcile any non-material inconsistency in the Liquidation Plan so as to carry out its intent and purposes;

(i) to hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

(j) to resolve any disputes over the reasonableness, accuracy and proper scope of any Dissolution Expenses (including those of the Liquidating Trustee and any Retained Liquidation Professionals);

(k) to determine any other requests for payment of Priority Tax Claims, Priority Non-Tax Claims or Administrative Expense Claims;

(l) to hear and determine all matters relating to the 9.25% Debentures Adversary Proceeding, including any disputes arising in connection with the interpretation, implementation or enforcement of any settlement agreement related thereto;

(m) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Liquidation Plan;

(n) to consider and act on the compromise and settlement or payment of any Claim against the Liquidating Debtors;

(o) to recover all assets of Liquidating Debtors and property of the Estates, wherever located;

(p) to determine all questions and disputes regarding title to the assets of the Liquidating Debtors or their Estates;

(q) to issue injunctions, enter and implement other orders or to take such other actions as may be necessary or appropriate to restrain interference by any entity with the consummation, implementation or enforcement of the Liquidation Plan or the Confirmation Order;

(r) to remedy any breach or default occurring under this Liquidation Plan;

(s) to resolve and finally determine all disputes that may relate to, impact on or arise in connection with, this Liquidation Plan;

(t) to hear and determine matters concerning state, local, and federal taxes for any period of time, including, without limitation, pursuant to sections 346, 505, 1129 and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after each of the applicable Petition Dates through, and including, the Final Liquidation Distribution Date);

(u) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(v) to hear any other matter consistent with the provisions of the Bankruptcy Code; and

(w) to enter a final decree closing the Chapter 11 Cases.

13.2 Deletion of Classes and Subclasses. Any class or subclass of Claims that does not contain as an element thereof an Allowed Claim or a Claim temporarily allowed under Bankruptcy Rule 3018 as of the date of the commencement of the Confirmation Hearing shall be deemed deleted from this Liquidation Plan for purposes of voting to accept or reject this Liquidation Plan and for purposes of determining acceptance or rejection of this Liquidation Plan by such class or subclass under section 1129(a)(8) of the Bankruptcy Code.

13.3 Courts of Competent Jurisdiction. If the Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of this Liquidation Plan, such abstention, refusal or failure of jurisdiction shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other Court having competent jurisdiction with respect to such matter.

13.4 Payment of Statutory Fees. All fees payable for any particular Liquidating Debtor, pursuant to section 1930 of Title 28 of the United States Code shall be paid through the entry of a final decree closing the Chapter 11 Case of such Liquidating Debtor. Unless relieved of any of the obligation to pay the United States Trustee Fees by further order of the Court, the Liquidating Trustee shall timely pay the United States Trustee Fees, and after the Confirmation Date, the Liquidating Trustee shall file with the Court and serve on the United States Trustee a quarterly disbursement report for each quarter, or portion thereof, until a final decree closing the Chapter 11 Cases has been entered, or the Chapter 11 Cases dismissed or converted to another chapter, in a format prescribed by and provided by the United States Trustee.

13.5 Dissolution of the Committee. On the Effective Date, the Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities, and obligations related to and arising from and in connection with the Chapter 11 Cases, and the retention or employment of the Committee's attorneys, accountants, and other agents, shall terminate, except as otherwise expressly authorized pursuant to the Reorganization Plan.

13.6 Effectuating Documents and Further Transactions. The chief executive officer of each of the Liquidating Debtors, or his or her designee, shall be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions on behalf of the Liquidating Debtors as may be necessary or appropriate to effectuate and further evidence the terms and conditions of this Liquidation Plan, without any further action by or approval of the Board of Directors or other governing body of the Liquidating Debtors.

13.7 Successors and Assigns. The rights, benefits and obligations of any person named or referred to in this Liquidation Plan shall be binding upon, and shall inure to the benefit of, the heir, executor, administrator, successor or assignee of such person.

13.8 Governing Law. Except to the extent that the Bankruptcy Code or the Bankruptcy Rules are applicable, the rights, duties and obligations arising under this Liquidation Plan shall be governed by and construed in accordance with the laws of the State of New York.

13.9 Modification of Plan. Subject to the provisions of the DIP Financing Facility and Section 5.5 of this Liquidation Plan the Liquidating Debtors reserve the right: (i) in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify this Liquidation Plan at any time prior to the entry of the Confirmation Order; provided, however, that any such amendment or modification shall require the prior written consent of the Reorganization Plan Sponsor, (ii) to alter, amend, modify, revoke or withdraw the Liquidation Plan as it applies to any particular Liquidating Debtor on or prior to the Confirmation Date; and (iii) to seek confirmation of the Liquidation Plan or a separate liquidation plan with substantially similar terms with respect to only certain of the Liquidating Debtors, and to alter, amend, modify, revoke or

withdraw the Liquidation Plan, in whole or in part, for such purpose.

Additionally, the Liquidating Debtors reserve their rights to redesignate Debtors as Reorganizing Debtors or Liquidating Debtors at any time prior to ten (10) days prior to the Confirmation Hearing. Holders of Claims or Equity Interests who are entitled to vote on the Reorganization Plan or the Liquidation Plan and who are affected by any such redesignation shall have five (5) days from the notice of such redesignation to vote to accept or reject the Reorganization Plan or the Liquidation Plan, as the case may be. The Liquidating Debtors also reserve the right to withdraw prior to the Confirmation Hearing one or more Liquidating Debtors from the Liquidation Plan, as the case may be, and to thereafter file a plan solely with respect to such Liquidating Debtor or Liquidating Debtors.

After the entry of the Confirmation Order, the Liquidating Trustee may, upon approval of the Oversight Nominee and order of the Court, amend or modify this Liquidation Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in this Liquidation Plan in such a manner as may be necessary to carry out the purpose and intent of this Liquidation Plan. A holder of an Allowed Claim or Equity Interest that is deemed to have accepted this Liquidation Plan shall be deemed to have accepted this Liquidation Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim or Equity Interest of such holder.

13.10 Rules of Construction. For purposes of this Liquidation Plan, the following rules of interpretation apply:

(a) The words "herein," "hereof," "hereto," "hereunder" and others of similar import refer to this Liquidation Plan as a whole and not to any particular section, subsection, or clause contained in this Liquidation Plan.

(b) The word "including" shall mean "including without limitation."

(c) Wherever from the context it appears appropriate, each term stated in either the singular or the plural shall include the singular and the plural and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter.

(d) Any reference in this Liquidation Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document shall be substantially in such form or substantially on such terms and conditions.

(e) Any reference in this Liquidation Plan to an existing document or exhibit filed or to be filed means such document or exhibit, as it may have been or may be amended, modified or supplemented.

(f) Unless otherwise specified, all references in this Liquidation Plan to Sections, Articles, Schedules and Exhibits are references to Sections, Articles, Schedules and Exhibits of or to this Liquidation Plan.

(g) Captions and headings to Articles and Sections are inserted for convenience of reference only are not intended to be a part of or to affect the interpretation of this Liquidation Plan.

(h) Unless otherwise expressly provided, the rules of construction set forth in section 102 of the Bankruptcy Code and in the Bankruptcy Rules shall apply to this Liquidation Plan.

13.11 Computation of Time. In computing any period of time prescribed or allowed by this Liquidation Plan, unless otherwise expressly provided, the provisions of Bankruptcy Rule 9006 shall apply.

13.12 Notices. Following the Effective Date, any notices to or requests of the Liquidation Debtors by parties in interest under or in connection with this Liquidation Plan shall be in writing and served either by (a) certified mail, return receipt requested, postage prepaid, (b) hand delivery, or (c) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the Liquidating Trustee and any counsel to the Liquidating Trustee (each such party to be designated in the Notice of Designation).

13.13 Exhibits. All Exhibits and Schedules to this Liquidation Plan are incorporated into and are a part of this Liquidation Plan as if set forth in full herein.

13.14 Counterparts. This Liquidation Plan may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

13.15 Severability. If, prior to the Confirmation Date, any term or provision of this Liquidation Plan is determined by the Court to be invalid, void or unenforceable, the Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Liquidation Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding alteration or interpretation. The Confirmation Order will constitute a judicial interpretation that each term and provision of this Liquidation Plan, as it may have been altered or interpreted in accordance with the forgoing, is valid and enforceable pursuant to its terms. Additionally, if the Court determines that the Liquidation Plan, as it applies to any particular Liquidating Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code (and cannot be altered or interpreted in a way that makes it confirmable), such determination shall not limit or affect (a) the confirmability of the Liquidation Plan as it applies to any other Liquidating Debtor or (b) the Liquidating Debtors' ability to modify the Liquidation Plan, as it applies to any particular Liquidating Debtor, to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code.

Dated: January 14, 2004

OGDEN NEW YORK SERVICES, INC.

By: /s/ Anthony J. Orlando

ALPINE FOOD PRODUCTS, INC.

By: /s/ Anthony J. Orlando

BDC LIQUIDATING CORP.

By: /s/ Anthony J. Orlando

BOULDIN DEVELOPMENT CORP.

By: /s/ Anthony J. Orlando

COVANTA CONCERTS HOLDINGS, INC.

By: /s/ Anthony J. Orlando

COVANTA ENERGY SAO JERONIMO, INC.

By: /s/ Anthony J. Orlando

COVANTA FINANCIAL SERVICES, INC.

By: /s/ Anthony J. Orlando

COVANTA HUNTINGTON, INC.

By: /s/ Anthony J. Orlando

COVANTA KEY LARGO, INC.

By: /s/ Anthony J. Orlando

COVANTA NORTHWEST PUERTO RICO, INC.

By: /s/ Anthony J. Orlando

COVANTA OIL & GAS, INC.

By: /s/ Anthony J. Orlando

COVANTA SECURE SERVICES USA, INC.

By: /s/ Anthony J. Orlando

COVANTA WASTE SOLUTIONS, INC.

By: /s/ Anthony J. Orlando

DOGGIE DINER, INC.

By: /s/ Anthony J. Orlando

GULF COAST CATERING COMPANY, INC.

By: /s/ Anthony J. Orlando

J.R. JACK'S

CONSTRUCTION CORPORATION

By: /s/ Anthony J. Orlando

LENZAR ELECTRO-OPTICS, INC.

By: /s/ Anthony J. Orlando

LOGISTICS OPERATIONS, INC.

By: /s/ Anthony J. Orlando

OFFSHORE FOOD SERVICE, INC.

By: /s/ Anthony J. Orlando

OFS EQUITY OF ALEXANDRIA/ARLINGTON, INC.

By: /s/ Anthony J. Orlando

OFS EQUITY OF BABYLON, INC.

By: /s/ Anthony J. Orlando

OFS EQUITY OF DELAWARE, INC.

By: /s/ Anthony J. Orlando

OFS EQUITY OF HUNTINGTON, INC.

By: /s/ Anthony J. Orlando

OFS EQUITY OF INDIANAPOLIS, INC.

By: /s/ Anthony J. Orlando

OFS EQUITY OF STANISLAUS, INC.

By: /s/ Anthony J. Orlando

OGDEN ALLIED ABATEMENT & DECONTAMINATION SERVICE, INC.

By: /s/ Anthony J. Orlando

OGDEN ALLIED MAINTENANCE CORP.

By: /s/ Anthony J. Orlando

OGDEN ALLIED PAYROLL SERVICES, INC.

By: /s/ Anthony J. Orlando

OGDEN ATTRACTIONS, INC.

By: /s/ Anthony J. Orlando

OGDEN AVIATION DISTRIBUTING CORP.

By: /s/ Anthony J. Orlando

OGDEN AVIATION FUELING COMPANY OF VIRGINIA, INC.

By: /s/ Anthony J. Orlando

OGDEN AVIATION SECURITY SERVICES OF
INDIANA, INC.

By: /s/ Anthony J. Orlando

OGDEN AVIATION SERVICE COMPANY OF
COLORADO, INC.

By: /s/ Anthony J. Orlando

OGDEN AVIATION SERVICE COMPANY OF
PENNSYLVANIA, INC.

By: /s/ Anthony J. Orlando

OGDEN AVIATION SERVICE INTERNATIONAL
CORPORATION

By: /s/ Anthony J. Orlando

OGDEN AVIATION TERMINAL SERVICES, INC.

By: /s/ Anthony J. Orlando

OGDEN AVIATION, INC.

By: /s/ Anthony J. Orlando

OGDEN CARGO SPAIN, INC.

By: /s/ Anthony J. Orlando

OGDEN CENTRAL AND SOUTH AMERICA, INC.

By: /s/ Anthony J. Orlando

OGDEN CISCO, INC.

By: /s/ Anthony J. Orlando

OGDEN COMMUNICATIONS, INC.

By: /s/ Anthony J. Orlando

OGDEN CONSTRUCTORS, INC.

By: /s/ Anthony J. Orlando

OGDEN ENVIRONMENTAL & ENERGY SERVICES
CO., INC.

By: /s/ Anthony J. Orlando

OGDEN FACILITY HOLDINGS, INC.

By: /s/ Anthony J. Orlando

OGDEN FACILITY MANAGEMENT CORPORATION
OF ANAHEIM

By: /s/ Anthony J. Orlando

OGDEN FACILITY MANAGEMENT CORPORATION
OF WEST VIRGINIA

By: /s/ Anthony J. Orlando

OGDEN FILM AND THEATRE, INC.

By: /s/ Anthony J. Orlando

OGDEN FIREHOLE ENTERTAINMENT CORP.

By: /s/ Anthony J. Orlando

OGDEN FOOD SERVICE CORPORATION OF
MILWAUKEE, INC.

By: /s/ Anthony J. Orlando

OGDEN INTERNATIONAL EUROPE, INC.

By: /s/ Anthony J. Orlando

OGDEN LEISURE, INC.

By: /s/ Anthony J. Orlando

OGDEN MANAGEMENT SERVICES, INC.

By: /s/ Anthony J. Orlando

COVANTA TULSA, INC.

By: /s/ Anthony J. Orlando

OGDEN PIPELINE SERVICE CORPORATION

By: /s/ Anthony J. Orlando

OGDEN SERVICES CORPORATION

By: /s/ Anthony J. Orlando

OGDEN SUPPORT SERVICES, INC.

By: /s/ Anthony J. Orlando

OGDEN TECHNOLOGY SERVICES CORPORATION

By: /s/ Anthony J. Orlando

OGDEN TRANSITION CORPORATION

By: /s/ Anthony J. Orlando

PA AVIATION FUEL HOLDINGS, INC.

By: /s/ Anthony J. Orlando

PHILADELPHIA FUEL FACILITIES CORPORATION

By: /s/ Anthony J. Orlando

EXHIBIT 1 TO THE LIQUIDATION PLAN

LIST OF LIQUIDATING DEBTORS

Liquidating Debtor	Case Number
Alpine Food Products, Inc.	03-13679 (CB)
BDC Liquidating Corp.	03-13681 (CB)
Bouldin Development Corp.	03-13680 (CB)
Covanta Concerts Holdings, Inc.	02-16322 (CB)
Covanta Energy Sao Jeronimo, Inc.	02-40854 (CB)
Covanta Financial Services, Inc.	02-40947 (CB)
Covanta Huntington, Inc.	02-40918 (CB)
Covanta Key Largo, Inc.	02-40864 (CB)
Covanta Northwest Puerto Rico, Inc.	02-40942 (CB)
Covanta Oil & Gas, Inc.	02-40878 (CB)
Covanta Secure Services USA, Inc.	02-40896 (CB)
Covanta Tulsa, Inc.	02-40945 (CB)
Covanta Waste Solutions, Inc.	02-40897 (CB)
Doggie Diner, Inc.	03-13684 (CB)
Gulf Coast Catering Company, Inc.	03-13685 (CB)
J.R. Jack's Construction Corporation	02-40857 (CB)
Lenzar Electro-Optics, Inc.	02-40832 (CB)
Logistics Operations, Inc.	03-13688 (CB)
Offshore Food Service, Inc.	03-13694 (CB)
OFS Equity of Alexandria/Arlington, Inc.	03-13687 (CB)
OFS Equity of Babylon, Inc.	03-13690 (CB)
OFS Equity of Delaware, Inc.	03-13689 (CB)

OFS Equity of Huntington, Inc.	03-13691 (CB)
OFS Equity of Indianapolis, Inc.	03-13693 (CB)
OFS Equity of Stanislaus, Inc.	03-13692 (CB)
Ogden Allied Abatement & Decontamination Service, Inc.	02-40827 (CB)
Ogden Allied Maintenance Corp.	02-40828 (CB)
Ogden Allied Payroll Services, Inc.	02-40835 (CB)
Ogden Attractions, Inc.	02-40836 (CB)
Ogden Aviation Distributing Corp.	02-40829 (CB)
Ogden Aviation Fueling Company of Virginia, Inc.	02-40837 (CB)
Ogden Aviation Security Services of Indiana, Inc.	03-13695 (CB)
Ogden Aviation Service Company of Colorado, Inc.	02-40839 (CB)
Ogden Aviation Service Company of Pennsylvania, Inc.	02-40834 (CB)
Ogden Aviation Service International Corporation	02-40830 (CB)
Ogden Aviation Terminal Services, Inc.	03-13696 (CB)
Ogden Aviation, Inc.	02-40838 (CB)
Ogden Cargo Spain, Inc.	02-40843 (CB)
Ogden Central and South America, Inc.	02-40844 (CB)
Ogden Cisco, Inc.	03-13698 (CB)
Ogden Communications, Inc.	03-13697 (CB)
Ogden Constructors, Inc.	02-40858 (CB)
Ogden Environmental & Energy Services Co., Inc.	02-40859 (CB)
Ogden Facility Holdings, Inc.	02-40845 (CB)
Ogden Facility Management Corporation of Anaheim	02-40846 (CB)
Ogden Facility Management Corporation of West Virginia	03-13699 (CB)
Ogden Film and Theatre, Inc.	02-40847 (CB)
Ogden Firehole Entertainment Corp.	02-40848 (CB)
Ogden Food Service Corporation of Milwaukee, Inc.	03-13701 (CB)
Ogden International Europe, Inc.	02-40849 (CB)
Ogden Leisure, Inc.	03-13700 (CB)
Ogden Management Services, Inc.	03-13702 (CB)
Ogden New York Services, Inc.	02-40826 (CB)
Ogden Pipeline Service Corporation	03-13704 (CB)
Ogden Services Corporation	02-40850 (CB)
Ogden Support Services, Inc.	02-40851 (CB)
Ogden Technology Services Corporation	03-13703 (CB)
Ogden Transition Corporation	03-13705 (CB)
PA Aviation Fuel Holdings, Inc.	02-40852 (CB)
Philadelphia Fuel Facilities Corporation	02-40853 (CB)

EXHIBIT 2 TO THE LIQUIDATION PLAN

LIST OF REORGANIZING DEBTORS

Reorganizing Debtor	Case Number
Covanta Acquisition, Inc.	02-40861 (CB)
Covanta Alexandria/Arlington, Inc.	02-40929 (CB)
Covanta Babylon, Inc.	02-40928 (CB)
Covanta Bessemer, Inc.	02-40862 (CB)
Covanta Bristol, Inc.	02-40930 (CB)
Covanta Cunningham Environmental Support Services, Inc.	02-40863 (CB)
Covanta Energy Americas, Inc.	02-40881 (CB)
Covanta Energy Construction, Inc.	02-40870 (CB)
Covanta Energy Corporation	02-40841 (CB)
Covanta Energy Group, Inc.	03-13707 (CB)
Covanta Energy International, Inc.	03-13706 (CB)
Covanta Energy Resource Corp.	02-40915 (CB)
Covanta Energy Services of New Jersey, Inc.	02-40900 (CB)
Covanta Energy Services, Inc.	02-40899 (CB)
Covanta Energy West, Inc.	02-40871 (CB)
Covanta Engineering Services, Inc.	02-40898 (CB)
Covanta Equity of Alexandria/Arlington, Inc.	03-13682 (CB)
Covanta Equity of Stanislaus, Inc.	03-13683 (CB)
Covanta Fairfax, Inc.	02-40931 (CB)
Covanta Geothermal Operations Holdings, Inc.	02-40873 (CB)
Covanta Geothermal Operations, Inc.	02-40872 (CB)
Covanta Heber Field Energy, Inc.	02-40893 (CB)
Covanta Hennepin Energy Resource Co., L.P.	02-40906 (CB)
Covanta Hillsborough, Inc.	02-40932 (CB)
Covanta Honolulu Resource Recovery Venture	02-40905 (CB)
Covanta Huntington Limited Partnership	02-40916 (CB)
Covanta Huntington Resource Recovery One Corp.	02-40919 (CB)
Covanta Huntington Resource Recovery Seven Corp.	02-40920 (CB)
Covanta Huntsville, Inc.	02-40933 (CB)
Covanta Hydro Energy, Inc.	02-40894 (CB)
Covanta Hydro Operations West, Inc.	02-40875 (CB)
Covanta Hydro Operations, Inc.	02-40874 (CB)
Covanta Imperial Power Services, Inc.	02-40876 (CB)
Covanta Indianapolis, Inc.	02-40934 (CB)
Covanta Kent, Inc.	02-40935 (CB)

Covanta Lake, Inc.	02-40936 (CB)
Covanta Lancaster, Inc.	02-40937 (CB)
Covanta Lee, Inc.	02-40938 (CB)
Covanta Long Island, Inc.	02-40917 (CB)
Covanta Marion Land Corp.	02-40940 (CB)
Covanta Marion, Inc.	02-40939 (CB)
Covanta Mid-Conn, Inc.	02-40911 (CB)
Covanta Montgomery, Inc.	02-40941 (CB)
Covanta New Martinsville Hydro-Operations Corp.	02-40877 (CB)
Covanta Oahu Waste Energy Recovery, Inc.	02-40912 (CB)
Covanta Onondaga Five Corp.	02-40926 (CB)
Covanta Onondaga Four Corp.	02-40925 (CB)
Covanta Onondaga Limited Partnership	02-40921 (CB)
Covanta Onondaga Operations, Inc.	02-40927 (CB)
Covanta Onondaga Three Corp.	02-40924 (CB)
Covanta Onondaga Two Corp.	02-40923 (CB)
Covanta Onondaga, Inc.	02-40922 (CB)
Covanta Operations of Union, LLC	02-40909 (CB)
Covanta OPW Associates, Inc.	02-40908 (CB)
Covanta OPWH, Inc.	02-40907 (CB)
Covanta Pasco, Inc.	02-40943 (CB)
Covanta Power Development of Bolivia, Inc.	02-40856 (CB)
Covanta Power Development, Inc.	02-40855 (CB)
Covanta Power Equity Corp.	02-40895 (CB)
Covanta Power International Holdings, Inc.	03-13708 (CB)
Covanta Projects, Inc.	03-13709 (CB)
Covanta Projects of Hawaii, Inc.	02-40913 (CB)
Covanta Projects of Wallingford, L.P.	02-40903 (CB)
Covanta RRS Holdings, Inc.	02-40910 (CB)
Covanta Secure Services, Inc.	02-40901 (CB)
Covanta SIGC Geothermal Operations, Inc.	02-40883 (CB)
Covanta Stanislaus, Inc.	02-40944 (CB)
Covanta Systems, Inc.	02-40948 (CB)
Covanta Union, Inc.	02-40946 (CB)
Covanta Wallingford Associates, Inc.	02-40914 (CB)
Covanta Waste to Energy of Italy, Inc.	02-40902 (CB)
Covanta Waste to Energy, Inc.	02-40949 (CB)
Covanta Water Holdings, Inc.	02-40866 (CB)
Covanta Water Systems, Inc.	02-40867 (CB)
Covanta Water Treatment Services, Inc.	02-40868 (CB)
DSS Environmental, Inc.	02-40869 (CB)
ERC Energy II, Inc.	02-40890 (CB)
ERC Energy, Inc.	02-40891 (CB)
Heber Field Energy II, Inc.	02-40892 (CB)
Heber Loan Partners	02-40889 (CB)
OPI Quezon, Inc.	02-40860 (CB)
Three Mountain Operations, Inc.	02-40879 (CB)
Three Mountain Power, LLC	02-40880 (CB)

EXHIBIT 3 TO THE LIQUIDATION PLAN

LIST OF LIQUIDATING DEBTORS THAT FILED ON
INITIAL PETITION DATE AND SUBSEQUENT PETITION DATE

SCHEDULE OF LIQUIDATING DEBTORS FILING ON APRIL 1, 2002
(THE INITIAL PETITION DATE)

Liquidating Debtor	Case Number
Covanta Energy Sao Jeronimo, Inc.	02-40854 (CB)
Covanta Financial Services, Inc.	02-40947 (CB)
Covanta Huntington, Inc.	02-40918 (CB)
Covanta Key Largo, Inc.	02-40864 (CB)
Covanta Northwest Puerto Rico, Inc.	02-40942 (CB)
Covanta Oil & Gas, Inc.	02-40878 (CB)
Covanta Secure Services USA, Inc.	02-40896 (CB)
Covanta Tulsa, Inc.	02-40945 (CB)
Covanta Waste Solutions, Inc.	02-40897 (CB)
J.R. Jack's Construction Corporation	02-40857 (CB)
Lenzar Electro-Optics, Inc.	02-40832 (CB)
Ogden Allied Abatement & Decontamination Service, Inc.	02-40827 (CB)
Ogden Allied Maintenance Corp.	02-40828 (CB)
Ogden Allied Payroll Services, Inc.	02-40835 (CB)
Ogden Attractions, Inc.	02-40836 (CB)
Ogden Aviation Distributing Corp.	02-40829 (CB)
Ogden Aviation Fueling Company of Virginia, Inc.	02-40837 (CB)
Ogden Aviation Service Company of Colorado, Inc.	02-40839 (CB)
Ogden Aviation Service Company of Pennsylvania, Inc.	02-40834 (CB)
Ogden Aviation Service International Corporation	02-40830 (CB)
Ogden Aviation, Inc.	02-40838 (CB)

Ogden Cargo Spain, Inc.	02-40843 (CB)
Ogden Central and South America, Inc.	02-40844 (CB)
Ogden Constructors, Inc.	02-40858 (CB)
Ogden Environmental & Energy Services Co., Inc.	02-40859 (CB)
Ogden Facility Holdings, Inc.	02-40845 (CB)
Ogden Facility Management Corporation of Anaheim	02-40846 (CB)
Ogden Film and Theatre, Inc.	02-40847 (CB)
Ogden Firehole Entertainment Corp.	02-40848 (CB)
Ogden International Europe, Inc.	02-40849 (CB)
Ogden New York Services, Inc.	02-40826 (CB)
Ogden Services Corporation	02-40850 (CB)
Ogden Support Services, Inc.	02-40851 (CB)
PA Aviation Fuel Holdings, Inc.	02-40852 (CB)
Philadelphia Fuel Facilities Corporation	02-40853 (CB)

SCHEDULE OF LIQUIDATING DEBTORS FILING ON JUNE 6, 2003
(THE SUBSEQUENT PETITION DATE)

Liquidating Debtor	Case Number
Alpine Food Products, Inc.	03-13679 (CB)
BDC Liquidating Corp.	03-13681 (CB)
Bouldin Development Corp.	03-13680 (CB)
Doggie Diner, Inc.	03-13684 (CB)
Gulf Coast Catering Company, Inc.	03-13685 (CB)
Logistics Operations, Inc.	03-13688 (CB)
Offshore Food Service, Inc.	03-13694 (CB)
OFS Equity of Alexandria/Arlington, Inc.	03-13687 (CB)
OFS Equity of Babylon, Inc.	03-13690 (CB)
OFS Equity of Delaware, Inc.	03-13689 (CB)
OFS Equity of Huntington, Inc.	03-13691 (CB)
OFS Equity of Indianapolis, Inc.	03-13693 (CB)
OFS Equity of Stanislaus, Inc.	03-13692 (CB)
Ogden Aviation Security Services of Indiana, Inc.	03-13695 (CB)
Ogden Aviation Terminal Services, Inc.	03-13696 (CB)
Ogden Cisco, Inc.	03-13698 (CB)
Ogden Communications, Inc.	03-13697 (CB)
Ogden Facility Management Corporation of West Virginia	03-13699 (CB)
Ogden Food Service Corporation of Milwaukee, Inc.	03-13701 (CB)
Ogden Leisure, Inc.	03-13700 (CB)
Ogden Management Services, Inc.	03-13702 (CB)
Ogden Pipeline Service Corporation	03-13704 (CB)
Ogden Technology Services Corporation	03-13703 (CB)
Ogden Transition Corporation	03-13705 (CB)

EXHIBIT 4 TO THE LIQUIDATION PLAN

LIST OF HEBER DEBTORS

Heber Debtor	Case Number
AMOR 14 Corporation	02-40886 (CB)
Covanta SIGC Energy, Inc.	02-40885 (CB)
Covanta SIGC Energy II, Inc.	02-40884 (CB)
Heber Field Company	02-40888 (CB)
Heber Geothermal Company	02-40887 (CB)
Second Imperial Geothermal Co., L.P.	02-40882 (CB)

EXHIBIT 5 TO THE LIQUIDATION PLAN

SCHEDULE OF ASSUMED CONTRACTS AND LEASES

As of the Effective Date, all executory contracts and unexpired leases to which each Liquidating Debtor is a party shall be deemed rejected, except for any executory contract or unexpired lease that (i) has been previously assumed or rejected pursuant to a Final Order of the Bankruptcy Court, (ii) is specifically designated as a contract or lease on this schedule, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Liquidating Debtors prior to the Confirmation Hearing.

<TABLE>

	Name of Liquidating Debtor that is the Party to the Contract	Name and Address of the Counterparty (or Other Party) to the Contract	Description of Contract
<S>	<C>	<C>	<C>
1.	Covanta Concerts Holdings, Inc.		No executory contract or unexpired lease will be assumed.
2.	Covanta Energy Sao Jeronimo, Inc.		No executory contract or unexpired lease will be assumed.
3.	Covanta Financial Services		No executory contract or unexpired lease will be assumed.
4.	Covanta Huntington, Inc.		No executory contract or unexpired lease will be assumed.
5.	Covanta Key Largo, Inc.		No executory contract or unexpired lease will be assumed.
6.	Covanta Northwest Puerto Rico, Inc.		No executory contract or unexpired lease will be assumed.
7.	Covanta Oil & Gas, Inc.		No executory contract or unexpired lease will be assumed.
8.	Covanta Secure Services USA, Inc.		No executory contract or unexpired lease will be assumed.
9.	Covanta Tulsa, Inc.	GE Capital P.O. Box 802585 Chicago, IL 60680-2585	Toshiba Telephone System Contract, effective November 12, 2001.(1)
10.	Covanta Tulsa, Inc.	GE Capital P.O. Box 802585 Chicago, IL 60680-2585	Lease for Copier, Parts, Labor and Toner with GE Capital (with J.D. Young Company as supplier), effective February 10, 2003 through February 10, 2007.(1)
11.	Covanta Tulsa, Inc.	Pitney Bowes Inc. P.O. Box 856390 Louisville, KY 40285-6639	Mailing Scale Lease.(1)
12.	Covanta Tulsa, Inc.	Sun Refining & Marketing Co. Attn: Refining Manager P. 0. Box 2039 Tulsa, OK	Steam Purchase Agreement, dated as of March 8, 1982, as amended.(1)
13.	Covanta Tulsa, Inc.	Tulsa Auth. for Rec. of Energy 200 Civic Center Tulsa, OK 74103	The Amended and Restated Service Agreement, dated April 9, 1999.(1)
14.	Covanta Tulsa, Inc.	Tulsa Public Facility Auth. 200 Civic Center Room 1006 Tulsa, OK 74103	Loan Agreement, dated May 1, 1984, between Covanta Tulsa, Inc. and the Tulsa Public Facility Authority.(1)
15.	Covanta Waste Solutions, Inc.		No executory contract or unexpired lease will be assumed.
16.	Doggie Diner, Inc.		No executory contract or unexpired lease will be assumed.
17.	Gulf Cost Catering Company, Inc.		No executory contract or unexpired lease will be assumed.
18.	J.R. Jacks Construction Corporation		No executory contract or unexpired lease will be assumed.
19.	Lenzar Electro-Optics, Inc.		No executory contract or unexpired lease will be assumed.
20.	Logistics Operations, Inc.		No executory contract or unexpired lease will be assumed.
21.	Offshore Food Service, Inc.		No executory contract or unexpired lease will be assumed.
22.	OFS Equity of Alexandria/Arlington, Inc.		No executory contract or unexpired lease will be assumed.
23.	OFS Equity of Babylon, Inc.		No executory contract or unexpired lease will be assumed.
24.	OFS Equity of Delaware, Inc.		No executory contract or unexpired lease will be assumed.

25.	OFS Equity of Huntington, Inc.	No executory contract or unexpired lease will be assumed.
26.	OFS Equity of Indianapolis, Inc.	No executory contract or unexpired lease will be assumed.
27.	OFS Equity of Stanislaus, Inc.	No executory contract or unexpired lease will be assumed.
28.	Ogden Allied Abatement & Decontamination Service, Inc.	No executory contract or unexpired lease will be assumed.
29.	Ogden Allied Maintenance Corp.	No executory contract or unexpired lease will be assumed.
30.	Ogden Allied Payroll Services, Inc.	No executory contract or unexpired lease will be assumed.
31.	Ogden Attractions, Inc.	No executory contract or unexpired lease will be assumed.
32.	Ogden Aviation Distributing Corp.	No executory contract or unexpired lease will be assumed.
33.	Ogden Aviation Fueling Company of Virginia, Inc.	No executory contract or unexpired lease will be assumed.
34.	Ogden Aviation Security Services of Indiana, Inc.	No executory contract or unexpired lease will be assumed.
35.	Ogden Aviation Service Company of Colorado, Inc.	No executory contract or unexpired lease will be assumed.
36.	Ogden Aviation Service Company of Pennsylvania, Inc.	No executory contract or unexpired lease will be assumed.
37.	Ogden Aviation Service International Corporation	No executory contract or unexpired lease will be assumed.
38.	Ogden Aviation Terminal Services, Inc.	No executory contract or unexpired lease will be assumed.
39.	Ogden Aviation, Inc.	No executory contract or unexpired lease will be assumed.
40.	Ogden Cargo Spain, Inc.	No executory contract or unexpired lease will be assumed.
41.	Ogden Central and South America, Inc.	No executory contract or unexpired lease will be assumed.
42.	Ogden Cisco, Inc.	No executory contract to be assumed.
43.	Ogden Communications, Inc.	No executory contract or unexpired lease will be assumed.
44.	Ogden Constructors, Inc.	No executory contract or unexpired lease will be assumed.
45.	Ogden Environmental & Energy Services Co., Inc.	No executory contract or unexpired lease will be assumed.
46.	Ogden Facility Holdings, Inc.	No executory contract or unexpired lease will be assumed.
47.	Ogden Facility Management Corporation of West Virginia	No executory contract or unexpired lease will be assumed.
48.	Ogden Facility Management Corporation of Anaheim	No executory contract or unexpired lease will be assumed.
49.	Ogden Film and Theatre, Inc.	No executory contract or unexpired lease will be assumed.
50.	Ogden Firehole Entertainment Corp.	No executory contract or unexpired lease will be assumed.
51.	Ogden Food Service Corp.of Milwaukee, Inc.	No executory contract or unexpired lease will be assumed.
52.	Ogden International Europe, Inc.	No executory contract or unexpired lease will be assumed.
53.	Ogden Leisure, Inc.	No executory contract or unexpired lease will be assumed.
54.	Ogden Management Services, Inc.	No executory contract or unexpired lease will be assumed.
55.	Ogden New York Services, Inc.	No executory contract or unexpired lease will be assumed.
56.	Ogden Pipeline Service Corporation	No executory contract or unexpired lease will be assumed.
57.	Ogden Services Corporation	No executory contract or unexpired lease will be assumed.
58.	Ogden Support Services, Inc.	No executory contract or unexpired lease will be assumed.
59.	Ogden Technology Services Corporation	No executory contract or unexpired lease will be assumed.
60.	Ogden Transition Corporation	No executory contract or unexpired lease will be assumed.
61.	PA Aviation Fuel Holdings, Inc.	No executory contract or unexpired lease will be assumed.
62.	Philadelphia Fuel Facilities Corporation	No executory contract or unexpired lease will be assumed.

</TABLE>

CROSS-REFERENCE TABLE*

Trust Indenture Act Section	Indenture Section
310(a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.08, 7.10
(b)	7.08, 7.10, 13.02
(c)	N.A.
311(a)	7.11
(b)	7.11
(c)	N.A.
312(a)	2.05
(b)	13.03
(c)	13.03
313(a)	7.06
(b)(1)	N.A.
(b)(2)	7.06
(c)	7.06
(d)	7.06
314(a)	4.03, 4.04
(b)	10.02
(c)(1)	7.02, 13.04
(c)(2)	7.02, 13.05
(c)(3)	N.A.
(d)	10.03, 10.04, 10.05
(e)	13.05
(f)	N.A.
315(a)	7.01(b)
(b)	7.05
(c)	7.01
(d)	6.05, 7.01(c)
(e)	6.11
316(a) (last sentence)	2.9
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
(c)	9.04
317(a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318(a)	13.01
(b)	N.A.

N.A. means not applicable

*This Cross Reference Table is not part of the Indenture.