DANIELSON HOLDING CORP
Form S-3
November 24, 2004

Table of Contents

As Filed with the Securities and Exchange Commission on November 24, 2004
Registration No. 333-

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

Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware	**95-6021257**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

40 Lane Road

Fairfield, New Jersey 07004
(973) 882-9000
(Address, including zip code and telephone number, including area code, of registrant s principal executive offices)

Anthony J. Orlando

President and Chief Executive Officer
Danielson Holding Corporation
40 Lane Road
Fairfield, New Jersey 07004
(Name, address, including zip code, and telephone number, including area code, of agent for service)

with copies to:

Timothy J. Simpson, Esq.

Senior Vice President, General Counsel and Secretary
Danielson Holding Corporation
40 Lane Road
Fairfield, New Jersey 07004

and

David S. Stone, Esq.

Neal, Gerber & Eisenberg LLP
Two North LaSalle Street
Chicago, Illinois 60602
(312) 269-8000

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

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: o

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: þ

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, $.10 par value per share	3,000,000 shares	$1.53	$4,590,000	$582

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

Table of Contents

The information in this prospectus is not complete and may be changed. These securities will not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any states where the offer or sale is not permitted.

PROSPECTUS (SUBJECT TO COMPLETION)

PROSPECTUS DATED , 2004

Danielson Holding Corporation

Up To 3,000,000 Shares of Common Stock

We are conducting a rights offering and offering at no charge the right to subscribe to up to 3,000,000 shares of our common stock at a purchase price of $1.53 per share to satisfy our obligations as the sponsor of the second plan of reorganization of our wholly-owned subsidiary, Covanta Energy Corporation. This rights offer is being made solely to holders as of January 12, 2004 of the $100,000,000 of principal amount of 9.25% Debentures issued by Covanta who voted in favor of Covanta s second reorganization plan. The holders of $99,600,000 in principal amount of 9.25% Debentures who voted in favor of our second plan of reorganization for Covanta are eligible to participate in this rights offering. Such holders who voted in favor of our second plan of reorganization for Covanta are referred to in this prospectus as Eligible Offerees . Each Eligible Offeree is entitled to purchase his, her or its pro rata portion of this rights offering. The number of shares of our common stock each Eligible Offeree is entitled to purchase is determined by the ratio of the principal amount of 9.25% Debentures held by each Eligible Offeree voted in favor of our second plan of reorganization for Covanta over the principal amount of all outstanding 9.25% Debentures voted in favor of our second plan of reorganization for Covanta and multiplying this ratio by 3,000,000. The rights are not certificated and non-transferable and rights that are not exercised by each Eligible Offeree by the expiration date will expire and have no value. There are no over-subscription rights being offered and any rights not exercised will be cancelled. If all of the rights are exercised in the rights offering, the total purchase price of our common stock in the rights offering will be $4,590,000.

The rights offering begins on the date of this prospectus and ends on , 2004.

Our common stock is listed on the American Stock Exchange under the symbol DHC. On November 22, 2004, the last reported sale price for the common stock was $7.47 per share.

You should carefully consider the risk factors beginning on page 5 of this prospectus before exercising your rights to purchase any of the shares offered by this prospectus.

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

In order to avoid an ownership change for federal income tax purposes, we have implemented certain escrow protection mechanics as follows: (1) by exercising the rights, each Eligible Offeree will represent to us that such Eligible Offeree will not be, after giving effect to the exercise of the rights, an owner of more than 3,400,000 shares of our common stock; (2) if such exercise would result in such Eligible Offeree owning directly or indirectly (as described in this prospectus), more than 3,400,000 shares of our common stock, such Eligible Offeree must notify the rights agent, Wells Fargo Bank, National Association, at the telephone number included in this prospectus; (3) if requested, each Eligible Offeree will be required to provide us with additional information regarding the amount of common stock that the Eligible Offeree owns; and (4) we have the right to instruct the rights agent to refuse to honor such Eligible Offeree s exercise to the extent such exercise might, in our sole and absolute discretion, result in such Eligible Offeree owning at least 3,824,938 shares constituting 5% or more of our outstanding common stock. By exercising your rights, you agree that the escrow protection mechanics are valid, binding and enforceable against you. We also have the right, in our sole and absolute discretion, to limit the exercise of rights, including instructing the rights agent to refuse to honor any rights exercise, by holders of 5% or more of our common stock or persons who would become a 5% holder through the exercise of rights.

Our obligation to consummate the rights offering is subject to the conditions described in this prospectus. Our common stock is listed on the American Stock Exchange under the symbol DHC. We expect that shares of our common stock issued upon the exercise of the rights will also be listed on the American Stock Exchange under the same symbol. The rights are not certificated and are not transferable and will not be listed on the American Stock Exchange.

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

The date of this prospectus is November , 2004.

TABLE OF CONTENTS

	Page
SUMMARY	1
RISK FACTORS	5
FORWARD-LOOKING STATEMENTS	18
DANIELSON S BUSINESS	18
COVANTA S BUSINESS	19
ACQUISITION OF COVANTA ENERGY CORPORATION	19
SUBSEQUENT EVENT REGARDING QUEZON POWER	20
USE OF PROCEEDS	21
THE OFFERING	21
UNITED STATES FEDERAL INCOME TAX CONSEQUENCES	27
PLAN OF DISTRIBUTION	28
DESCRIPTION OF COMMON STOCK	28
EXPERTS	30
LEGAL MATTERS	31
WHERE YOU CAN FIND MORE INFORMATION	31
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	32
Legal Opinion of Neal, Gerber & Eisenberg LLP	
Consent of Independent Registered Pub. Acct. Firm	
Consent of Independent Registered Pub. Acct. Firm	
Consent of Independent Registered Pub. Acct. Firm	
Consent of Independent Registered Pub. Acct. Firm	
Consent of Independent Registered Pub. Acct. Firm	
Consent of Independent Registered Pub. Acct. Firm	

Table of Contents

Unless the context otherwise requires, references in this prospectus to Danielson, and we, our, us and similar terms refer to Danielson Holding Corporation and its subsidiaries; references to NAICC refer to National American Insurance Company of California and its subsidiaries; references to ACL refer to American Commercial Lines, LLC and its subsidiaries; and references to Covanta refer to Covanta Energy Corporation and its subsidiaries.

SUMMARY

About Danielson Holding Corporation

We are a holding company incorporated in Delaware. Substantially all of our current operations were conducted in the insurance services industry prior to our acquisition of Covanta Energy Corporation in March 2004. We engage in insurance operations through our indirect subsidiaries, National American Insurance Company of California and related entities. We also have investments in companies engaged in the marine transportation and services industry through our investment in ACL. We are the owners of all of the equity interests in ACL. ACL and certain of its related entities are currently subject to Chapter 11 bankruptcy proceedings.

As a result of the consummation of the Covanta acquisition on March 10, 2004, our future performance will predominantly reflect the performance of Covanta s operations which are significantly larger than our other operations. As a result, the nature of our business, the risks attendant to such business and the trends that it will face will be significantly altered by the acquisition of Covanta. Accordingly, our prior financial results will not be comparable to our future results.

As of the end of 2003, we reported aggregate consolidated net operating loss tax carryforwards, which we refer to as NOLs in this prospectus, for federal income tax purposes of approximately $680 million. These losses will expire over the course of the next 19 years unless utilized prior thereto.

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

About Covanta Energy Corporation

Covanta develops, constructs, owns and operates for itself and others infrastructure for the conversion of waste to energy, independent power production and the treatment of water and wastewater in the United States and abroad. Covanta owns or operates 50 power generation facilities, 39 of which are in the United States and 11 of which are located outside of the United States. Covanta s power generation facilities use a variety of fuels, including municipal solid waste, water (hydroelectric), natural gas, coal, wood waste, landfill gas and heavy fuel oil. Covanta also operates two water or wastewater treatment facilities, both of which are located in the United States. Until September 1999, and under prior management, Covanta was also actively involved in the entertainment and aviation services industries.

Prior to March 10, 2004 when we acquired Covanta upon its emergence from bankruptcy proceedings, it and most of its domestic subsidiaries had been operating as debtors in possession under Chapter 11 of the United States Bankruptcy Code.

The Rights Offering

Reason for Offering	We agreed to make this offering to provide additional benefits to those holders of 9.25% Debentures who voted in favor of our proposed plan of reorganization for Covanta as an inducement to facilitate the approval of our proposed plan.
Eligible Offerees	Eligible Offerees are only those persons who held the 9.25% Debentures on January 12, 2004 and who voted in favor of our proposed second plan of reorganization for Covanta. No other

Table of Contents

	person is eligible to participate in this rights offering and the rights to purchase shares of our common stock offered under this prospectus may not be transferred to any other person.
Size of Rights Offering	We are offering to sell 3,000,000 shares of our common stock. If all of the common stock is purchased in the rights offering, the total purchase price of our common stock in the offering will be $4,590,000.
Rights Being Offered	We are offering a total of 3,000,000 shares of our common stock at $1.53 per share. Each Eligible Offeree is entitled to purchase his, her or its pro rata portion of this rights offering. The number of shares of our common stock each Eligible Offeree is entitled to purchase is determined by the ratio of the principal amount of 9.25% Debentures held by each Eligible Offeree voted in favor of our plan of reorganization over $99,600,000, the principal amount of all outstanding 9.25% Debentures voted in favor of our plan of reorganization, and multiplying this ratio by 3,000,000. Wells Fargo, the rights agent in this rights offering, will verify and confirm the eligibility of and the number of shares each Eligible Offeree is entitled to purchase.
Offering Period	This rights offering will commence on the date of this prospectus and remain open until the 5:00 p.m. New York City time on , 2004.
Oversubscription Rights	There are no oversubscription rights in this rights offering. Any rights not exercised by any Eligible Offeree entitled to exercise such rights will not be reallocated to any other Eligible Holder and will be cancelled.
Transferability of Rights	The rights are not transferable. The rights may only be exercised by Eligible Offerees in the amount offered to each Eligible Offeree.
Conditions to the Rights Offering	The closing of the rights offering is subject to conditions. See The Rights Offering Conditions to the Rights Offering for more details. Your subscription rights are subject to, among other things, ownership restrictions imposed by our certificate of incorporation and the escrow protection mechanics described herein.
Certificate of Incorporation Restrictions; Escrow Protection Mechanics	Our ability to utilize our net operating loss tax carryforwards would be substantially reduced if we were to undergo an ownership change within the meaning of Section 382 of the Internal Revenue Code. In order to reduce the risk of an ownership change, our certificate of incorporation restricts the ability of any holder of 5% or more of our common stock to sell or otherwise transfer any shares owned by such holder or to purchase or otherwise acquire shares of our common stock. Our certificate of incorporation also restricts the ability of any other holder to make an acquisition of our common stock which will result in total ownership by such stockholder of 5% or more of our common stock. These restrictions will apply unless and until we determine that such acquisition will not result in an unreasonable risk of an ownership change. We have the right, in

Table of Contents

	our sole and absolute discretion, to limit the exercise of the rights, including instructing the rights agent to refuse to honor any exercise of rights, by 5% stockholders or stockholders who would become 5% holders upon exercise of their rights. The total number of shares of our common stock to be outstanding upon completion of the offering, assuming the offering is fully subscribed, would be 76,498,771. Five percent of 76,498,771 is 3,824,938. In order to avoid an ownership change for Federal income tax purposes, we have implemented the escrow protection mechanics, which are as follows: (1) by exercising its rights, each Eligible Offeree will represent to us that such Eligible Offeree will not be, after giving effect to the exercise of the rights, an owner, directly or indirectly (as described in this prospectus), of more than 3,400,000 shares; (2) if such exercise would result in such holder owning more than 3,400,000 shares of our common stock, such holder must notify the rights agent at the telephone number set forth under The Rights Offering Delivery of Subscription Materials and Payment; (3) if requested, each Eligible Offeree will provide us with additional information regarding the amount of common stock that the Eligible Offeree owns; and (4) we shall have the right to instruct the rights agent to refuse to honor such Eligible Offeree s exercise to the extent such exercise of rights might, in our sole and absolute discretion, result in such holder owning 5% or more of our common stock. By exercising your rights in the rights offering, you agree that the escrow protection mechanics are valid, binding and enforceable against you. See The Rights Offering Certificate of Incorporation Restrictions; Escrow Protection Mechanics.
Procedure for Purchasing Common Stock under the Automated Subscription Offer Program	The rights offering is eligible for the Automated Subscription Offer Program, referred to in this prospectus as ASOP , of Depository Trust Company, referred to in this prospectus as DTC . Since all record holders of the 9.25% Debentures are DTC participants, we are requiring that all rights be exercised through ASOP. If you are an Eligible Offeree and wish to purchase shares of our common stock through the exercise of rights issued to you in this rights offering, you must transmit your notice of exercise by electronic message through ASOP prior to 5:00 p.m., New York City time, on the expiration date. DTC will then send an agent s message to the rights agent for the rights offering, Wells Fargo Bank, National Association, for its acceptance. Delivery of the agent s message by DTC indicates that the you agree to be bound to the terms and conditions of the rights offering (including the authorization that the exercise price be debited from your DTC account). Once you have exercised your subscription rights, your exercise may not be revoked in whole or in part. Rights not exercised prior to the expiration date will lose their value.

Table of Contents

We will make the necessary book-entry transfers or, upon your request, issue certificates or representing shares purchased in the offering, as soon as reasonably practicable after the closing of the rights offering. All exercises of rights will be effective on the closing of the rights offering.

Our common stock is traded on the American Stock Exchange, which we sometimes refer to as the AMEX, under the symbol DHC. On November 22, 2004, the closing price of our common stock on the AMEX was $7.47 per share. Shares of our common stock issued upon the exercise of the rights will also be listed on the AMEX under the same symbol.

Risk Factors

An investment in our common stock is very risky. You should consider carefully the risk factors beginning on this page 5 of this prospectus.

Use of Proceeds

The proceeds from the offering, estimated to be approximately $4.5 million, after deduction of expenses of the offering estimated to be $100,000, will be used by us for general corporate purposes.

Table of Contents

RISK FACTORS

An investment in our common stock is very risky. You should carefully consider the following factors and all the information in this prospectus and the information incorporated by reference herein.

Danielson-Specific Risks

We cannot be certain that the net operating loss tax carryforwards will continue to be available to offset our tax liability.

As of December 31, 2003, we had approximately $680 million of net operating loss tax carryforwards for Federal income tax purposes, which we refer to as NOLs . In order to utilize the NOLs, we must generate taxable income which can offset such carryforwards. The NOLs are also utilized by income from certain grantor trusts that were established as part of the Mission Insurance reorganization. The NOLs will expire if not used. The availability of NOLs to offset taxable income would be substantially reduced if we were to undergo an ownership change within the meaning of Section 382(g)(1) of the Internal Revenue Code. We will be treated as having had an ownership change if there is more than a 50% change in stock ownership during a three year testing period by 5% stockholders .

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

The NOLs will expire in various amounts, if not used, between 2004 and 2023. The Internal Revenue Service has not audited any of our tax returns for any of the years during the carryforward period including those returns for the years in which the losses giving rise to the NOLs were reported. We cannot assure you that we would prevail if the IRS were to challenge the availability of the NOLs. If the IRS was successful in challenging our NOLs, all or some portion of the NOLs would not be available to offset our future consolidated income and we may not be able to satisfy our obligations to Covanta under a tax sharing agreement described below, or to pay taxes that may be due from our consolidated tax group.

In addition to the foregoing, other possible reductions in our NOLs could occur in connection with ACL s emergence from bankruptcy proceedings. Management anticipates that should ACL emerge from bankruptcy proceedings, while we will attempt to manage the tax consequences of that transaction, taxable income could result from ACL debt forgiveness and asset sales, which could materially reduce our NOLs.

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

The volume of trading in our stock has historically been low. Having a market for shares without substantial liquidity can adversely affect the price of the stock at a time an investor might want to sell his, her or its shares.

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

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

Concentrated stock ownership and charter provision may discourage unsolicited acquisition proposals.

Assuming the issuance of 3,000,000 shares of our Common Stock in the rights offering described in this prospectus, SZ Investments, L.L.C., a stockholder referred to in this prospectus as SZ Investments,

Table of Contents

Third Avenue Trust, on behalf of Third Avenue Value Fund, a stockholder referred to in this prospectus as Third Avenue, and D. E. Shaw Laminar Portfolios, L.L.C., a creditor of Covanta and a stockholder referred to in this prospectus as Laminar, separately own or will have the right to acquire approximately 15.4%, 5.9% and 18.2%, respectively, or when aggregated, 40.0% of our outstanding common stock. Although there are no agreements among them regarding their voting or disposition of shares of our common stock, the level of their combined ownership of shares of common stock could have the effect of discouraging or impeding an unsolicited acquisition proposal. In addition, the change in ownership limitations contained in Article Fifth of our charter could have the effect of discouraging or impeding an unsolicited takeover proposal.

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

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

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

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

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

A Risk of Noncompliance with Section 404 of the Sarbanes-Oxley Act of 2002 May Adversely Affect our Stock Price

Throughout 2004, we have worked diligently to document and evaluate our internal controls over financial reporting in order to allow us to report on, and allow our independent auditors to attest to, these internal controls as required by Section 404 of the Sarbanes-Oxley Act of 2002. The internal control report must contain the following:

a statement of management s responsibility for establishing and maintaining adequate internal controls over financial reporting;

a description of the framework used by management to conduct its evaluation of these controls;

management s assessment of the effectiveness of these internal controls as of the end of 2004; and

Table of Contents

a statement as to whether our independent auditors have issued an attestation report on management s assessment of these controls.

In addition, in order to achieve compliance with Section 404 within the required period to document and evaluate our internal controls over financial reporting, management has dedicated internal resources, and engaged external consultants and advisors, to develop and execute a work plan intended to:

integrate and coordinate our internal controls among our various subsidiaries;

document and assess the adequacy of our internal controls over financial reporting;

take steps to improve controls where appropriate;

test that controls are functioning as designed; and

keep our independent auditors apprised of its progress on an ongoing basis.

Our documentation and testing to date have identified certain aspects of our internals controls over financial reporting that we believe require remediation. Where such circumstances have been identified, we have implemented such remediation. While we continue to dedicate substantial resources to this effort, we can provide no assurance as to our, or our independent auditors , conclusions as of the end of 2004 with respect to the effectiveness of our internal controls over financial reporting under Section 404. The existence of the above factors and circumstances create a risk that we, or our independent auditors, will not be able to conclude that, as of the end of 2004, our internal controls over financial reporting are effective as required by Section 404, which may adversely affect our stock price.

Covanta-Specific Risks

Covanta emerged from bankruptcy with a large amount of domestic debt, and we cannot assure you that its cash flow from domestic operations will be sufficient to pay this debt.

If a sufficient portion of NOLs are not available and Danielson cannot meet its obligations under the tax sharing agreement to Covanta, it is likely that Covanta will not have sufficient cash flow from operations or other sources of liquidity to pay the principal and interest due with respect to its domestic debt.

Covanta s ability to service its domestic debt will also depend upon:

its ability to continue to operate and maintain its facilities consistent with historical performance levels;

its ability to maintain compliance with its debt covenants;

its ability to avoid increases in overhead and operating expenses in view of the largely fixed nature of its revenues;

its ability to maintain or enhance revenue from renewals or replacement of existing contracts, which begin to expire in October, 2007, and from new contracts to expand existing facilities or operate additional facilities; and

market conditions affecting waste disposal and energy pricing, as well as competition from other companies for contract renewals, expansions, and additional contracts, particularly after its existing contracts expire.

The amount of unsecured claims for which Covanta is liable has not been determined and could exceed our estimates.

In connection with Covanta s emergence from bankruptcy, Covanta authorized the issuance of $50 million of unsecured notes under an indenture. Although Covanta estimates that it will issue such notes in an amount less than $30 million, the ultimate amount of unsecured notes will not be determined until remaining claims are resolved through settlement or litigation in Bankruptcy Court. We cannot assure

Table of Contents

you that the final amount of such notes issued will be less that Covanta s estimate, or that the ultimate resolution of such claims will result in liabilities of less than $50 million.

Covanta may not be able to refinance its domestic debt agreements prior to maturity.

Covanta issued high yield notes, which mature in 2011. Prior to maturity, Covanta is obligated to pay only interest, and no principal, with respect to these notes. Covanta s cash flow may be insufficient to pay the principal at maturity, which will be $230 million at such time. Consequently, Covanta may be obligated to refinance these notes prior to maturity. Covanta may refinance the notes during the first two years after issuance without paying a premium, and thereafter may refinance these notes but must pay a premium to do so.

Several of Covanta s contracts require it to provide certain letters of credit to contract counterparties. The aggregate stated amount of these letters declines materially each year, particularly prior to 2010. Covanta s financing arrangements under which these letters of credit are issued expire in 2009, and so it must refinance these arrangements in order to allow Covanta to continue to provide the letters of credit beyond the current expiration date.

We cannot assure you that Covanta will be able to obtain refinancing on acceptable terms, or at all.

Covanta s ability to grow its business is limited.

Covanta s ability to grow its domestic business by investing in new projects will be limited by debt covenants in its principal financing agreements, and from potentially fewer market opportunities for new waste-to-energy facilities.

We cannot assure you that, when it seeks to refinance its domestic debt agreements, Covanta will be able to negotiate covenants that will provide it with more flexibility to grow its business.

Covanta s liquidity is limited by the amount of domestic debt issued when it emerged from bankruptcy.

Covanta believes that its cash flow from domestic operations will be sufficient to pay for its domestic cash needs, including debt service on its domestic corporate debt, and that its revolving credit facility will provide a secondary source of liquidity. We cannot assure you that Covanta s cash flow from domestic operations will not be adversely affected by adverse economic conditions or circumstances specific to one or more projects or that if such conditions or circumstances do occur, its revolving credit facility will provide Covanta with access to sufficient cash for such purposes.

Operation of Covanta s facilities and the construction of new or expanded facilities involve significant risks that cannot always be covered by insurance or contractual protections.

The operation of Covanta s facilities and the construction of new or expanded facilities involve many risks, including:

- the inaccuracy of Covanta s assumptions with respect to the timing and amount of anticipated revenues;
- supply interruptions;
- work stoppages;
- permitting and other regulatory issues;
- labor disputes;
- social unrest;

weather interferences;

unforeseen engineering and environmental problems;

Table of Contents

unanticipated cost overruns;

catastrophic events including fires, explosions, earthquakes and droughts;

changes in legal requirements;

acts of terrorism;

breakdown or failure of equipment or processes;

performance below expected levels of output or efficiency;

license revocation; and

the exercise of the power of eminent domain.

Expansions of existing plants and construction of new plants may require that Covanta incorporate recently developed and technologically complex equipment, especially in the case of newer environmental emission control technology.

Although Covanta maintains insurance, obtains warranties from vendors, obligates contractors to meet certain performance levels, and attempts, where feasible, to pass risks Covanta cannot control to the service recipient or output purchaser, the proceeds of such insurance, warranties, performance guarantees or risk sharing arrangements may not be adequate to cover lost revenues, increased expenses or liquidated damages payments.

Performance reductions could materially and adversely affect Covanta.

Any of the risks described in this prospectus or unforeseen problems could cause Covanta s projects to operate below expected levels, which in turn could result in lost revenues, increased expenses, higher maintenance costs and penalties for defaults under Covanta s service agreements and operating contracts. As a result, a project may operate at less than expected levels of profit or at a loss.

Most of Covanta s service agreements for waste-to-energy facilities provide for limitations on damages and cross-indemnities among the parties for damages that such parties may incur in connection with their performance under the contract. Such contractual provisions excuse Covanta from performance obligations to the extent affected by uncontrollable circumstances and provide for service fee adjustments if uncontrollable circumstances increase its costs.

We cannot assure you that these provisions will prevent Covanta from incurring losses upon the occurrence of uncontrollable circumstances or that if Covanta were to incur such losses it would continue to be able to service its debt.

Covanta and certain of its subsidiaries have issued or are party to performance guarantees and related contractual obligations undertaken mainly pursuant to agreements to construct and operate certain energy and water facilities. With respect to its domestic businesses, Covanta has issued guarantees to its municipal clients and other parties that Covanta s subsidiaries will perform in accordance with contractual terms, including, where required, the payment of damages or other obligations. Such contractual damages or other obligations could be material, and in circumstances where one or more subsidiary s contract has been terminated for its default, such damages could include amounts sufficient to repay project debt. Additionally, damages payable under such guarantees on Company-owned waste-to-energy facilities could expose Covanta to recourse liability on project debt. Covanta may not have sufficient sources of cash to pay such damages or other obligations. Although it has not incurred material liability under energy, water and waste-to-energy guarantees previously, we cannot assure you that Covanta will be able to continue to avoid incurring material payment obligations under such guarantees or that if it did incur such obligations that it would have the cash resources to pay them.

With respect to the international projects, Covanta Power International Holdings, Inc., referred to as CPIH in this prospectus, Covanta and certain of Covanta s domestic subsidiaries have issued guarantees of CPIH s operating obligations. The potential damages that may be owed under these guarantees may be

9

Table of Contents

material. Covanta is generally entitled to be reimbursed by CPIH for any payments it may make under guarantees related to international projects.

Covanta generates its revenue primarily under long term contracts, and must avoid defaults under its contracts in order to service its debt and avoid material liability to contract counterparties.

Covanta must satisfy its performance and other obligations under its contracts to operate waste-to-energy facilities. These contracts typically require Covanta to meet certain performance criteria relating to amounts of waste processed, energy generation rates per ton of waste processed, residue quantity, and environmental standards. Covanta s failure to satisfy these criteria may subject it to termination of its operating contracts. If such a termination were to occur, Covanta would lose the cash flow related to the project, and incur material termination damage liability. In circumstances where the contract of one or more subsidiaries has been terminated for Covanta s default, Covanta may not have sufficient sources of cash to pay such damages.

None of Covanta s operating contracts for its waste-to-energy facilities previously have been terminated for Covanta s default. We cannot assure you, however, that Covanta will be able to continue to be able to perform its obligations under such contracts in order to avoid such contract terminations, or damages for related to any such contract termination, or that if it could not avoid such terminations that it would have the cash resources to pay amounts that may then become due.

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

Covanta s contracts to operate waste-to-energy projects begin to expire in 2007, and its contracts to sell energy output generally expire when the project s operating contract expires. Expiration of these contracts will subject Covanta to greater market risk in maintaining and enhancing its revenues. As its operating contracts at municipally-owned projects approach expiration, Covanta will seek to enter into renewal or replacement contracts to continue operating such projects. Covanta will seek to bid competitively in the market for additional contracts to operate other facilities as similar contracts of other vendors expire. The expiration of Covanta s existing energy sales contracts, if not renewed, will require Covanta to sell project energy output either into the electricity grid or pursuant to new contracts.

At some of Covanta s facilities, market conditions may allow Covanta to effect extensions of existing operating contracts along with facility expansions which would increase the waste processing capacity of these projects. Such extensions and expansions are currently being considered at a limited number of Covanta s facilities in conjunction with its municipal clients. If Covanta were unable to reach agreement with its municipal clients on the terms under which it would implement such extensions and expansions, or if the implementation of these extensions and expansions is materially delayed, this may adversely affect Covanta s cash flow and profitability.

Covanta s cash flow and profitability may be adversely affected if it is unable to obtain contracts acceptable to it for such renewals, replacements or additional contracts, or extension and expansion contracts. We cannot assure you that Covanta will be able to enter into such contracts, or that the terms available in the market at the time will be favorable to Covanta.

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

Covanta often relies on single suppliers and single customers at Covanta s facilities, exposing such facilities to financial risks if any supplier or customer should fail to perform its obligations.

Covanta often relies on a single supplier to provide waste, fuel, water and other services required to operate a facility and on a single customer or a few customers or to purchase all or a significant portion of a facility s output or capacity. In most cases, Covanta has long-term agreements with such suppliers and customers in order to mitigate the risk of supply interruption. The financial performance of these facilities depends on such customers and suppliers continuing to perform their obligations under their long-term agreements. A facility s financial results could be materially and adversely affected if any one customer or

Table of Contents

supplier fails to fulfill its contractual obligations and Covanta is unable to find other customers or suppliers to produce the same level of profitability. We cannot assure you that such performance failures by third parties will not occur, or that if they do occur, such failures will not adversely affect Covanta s cash flow or profitability.

In addition, for its waste-to-energy facilities, Covanta relies on its municipal clients as a source not only of waste for fuel but also of revenue from fees for disposal services Covanta provides. Because Covanta s contracts with its municipal clients are generally long term (none expires prior to 2007), Covanta may be adversely affected if the credit quality of one or more of its municipal clients were to decline materially. We cannot assure you that such credit quality will not decline, or that if one or more of Covanta s municipal clients credit quality does decline, that it would not adversely affect Covanta s domestic cash flow or profitability.

Covanta s international businesses emerged from bankruptcy with a large amount of debt, and we cannot assure you that its cash flow from international operations will be sufficient to pay this debt.

Covanta s subsidiary holding the equity interests in its international businesses, CPIH, is also highly leveraged, and its debt will be serviced solely from the cash generated from the international operations. Cash distributions from international projects are typically less dependable as to timing and amount than distributions from domestic projects, and we cannot assure you that CPIH will have sufficient cash flow from operations or other sources to pay the principal or interest due on its debt.

CPIH s ability to service its debt will depend upon:

its ability to continue to operate and maintain its facilities consistent with historical performance levels;

stable foreign political environments that do not resort to expropriation, contract renegotiations or currency or exchange changes;

the financial ability of the electric and steam purchasers to pay the full contractual tariffs on a timely basis;

the ability of its international project subsidiaries to maintain compliance with their respective project debt covenants in order to make equity distributions to CPIH; and

its ability to sell existing projects in an amount sufficient to repay CPIH indebtedness at or prior to its maturity in three years, or to refinance its indebtedness at or prior to such maturity.

CPIH s debt is due in 2007, and it will need to refinance its debt or obtain cash from other sources to repay this debt at maturity.

Covanta believes that cash from CPIH s operations, together with liquidity available under CPIH s revolving credit facility, will provide CPIH with sufficient liquidity to meet its needs for cash, including cash to pay debt service on CPIH s debt prior to maturity in 2007. Covanta believes that CPIH will not have sufficient cash from its operations and its revolving credit facility to pay off its debt at maturity, and so if it is unable to generate sufficient additional cash from asset sales or other sources, CPIH will need to refinance its debt at or prior to maturity. While CPIH s debt is non-recourse to Covanta, it is secured by a pledge of Covanta s stock in CPIH and CPIH s equity interests in certain of its subsidiaries. We cannot assure you that such additional cash will be available to CPIH, or that it will be able to refinance its debt on acceptable terms, or at all.

CPIH s assets and cash flow will not be available to Covanta.

Although CPIH s results of operations are consolidated with Danielson s and Covanta s for financial reporting purposes, as long as the CPIH debt is outstanding, CPIH is restricted under its credit agreements from distributing cash to Covanta. Under these agreements, CPIH s cash may only be used for CPIH s purposes and to service CPIH s debt. Accordingly, although reported on Danielson s and Covanta s

Table of Contents

consolidated financial statements, Covanta does not have access to CPIH s revenues or cash flows and will have access only to Covanta s domestically generated cash flows.

A sale or transfer of CPIH or its assets may not be sufficient to repay CPIH indebtedness.

Although CPIH s results of operations are consolidated with Danielson s and Covanta s for financial reporting purposes, due to CPIH s indebtedness and the terms of Covanta s credit agreements, CPIH s cash flow is available only to repay CPIH s debt. Similarly, in the event that CPIH determines that it is desirable to sell or transfer all or any portion of its assets or business, the proceeds would first be applied to reduce CPIH s debt. We cannot assure you that the proceeds of any such sale would be sufficient to repay all of CPIH s debt, consisting of principal and accrued interest or, if sufficient to repay CPIH s debt, that such proceeds would offset the loss of CPIH s revenues and earnings as reported by Danielson and Covanta in their respective consolidated financial statements.

Exposure to international economic and political factors may materially and adversely affect Covanta s business.

CPIH s operations are entirely outside the United States and expose it to legal, tax, currency, inflation, convertibility and repatriation risks, as well as potential constraints on the development and operation of potential business, any of which can limit the benefits to CPIH of a foreign project.

CPIH s projected cash distributions from existing facilities over the next five years comes from facilities located in countries having sovereign ratings below investment grade, including Bangladesh, the Philippines and India. In addition, Covanta continues to provide operating guarantees and letters of credit for certain of CPIH s projects, which if drawn upon would require CPIH to reimburse Covanta for any related payments it may be required to make. The financing, development and operation of projects outside the United States can entail significant political and financial risks, which vary by country, including:

changes in law or regulations;

changes in electricity tariffs;

changes in foreign tax laws and regulations;

changes in United States, federal, state and local laws, including tax laws, related to foreign operations;

compliance with United States, federal, state and local foreign corrupt practices laws;

changes in government policies or personnel;

changes in general economic conditions affecting each country, including conditions in financial markets;

changes in labor relations in operations outside the United States;

political, economic or military instability and civil unrest; and

expropriation and confiscation of assets and facilities.

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

The occurrence of any of these risks could substantially delay the receipt of cash distributions from international projects or reduce the value of the project concerned. In addition, the existence of the operating guarantees and letters of credit provided by Covanta for CPIH projects could expose it to any or all of the risks identified above with respect to the CPIH projects, particularly if CPIH s cash flow or other sources of liquidity are insufficient to reimburse Covanta for amounts due under such instruments.

Table of Contents

As a result, these risks may have a material adverse effect on Covanta s business, consolidated financial condition and results of operations and on CPIH s ability to service its debt.

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

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

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

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

The market prices and availability of fuel supplies of some of CPIH s facilities fluctuate. Although CPIH believes that it has adequate and reliable fuel supplies and that its suppliers have adequate production and transportation systems to comply with their contractual requirements to supply CPIH s facilities, any price increase, delivery disruption or reduction in the availability of such supplies could affect CPIH s ability to operate CPIH s facilities and impair its cash flow and profitability. CPIH may be subject to further exposure if any of its future operations are concentrated in facilities using fuel types subject to fluctuating market prices and availability. Covanta may not be successful in its efforts to mitigate its exposure to supply and price swings.

Covanta s inability to obtain resources for operations may adversely affect its ability to effectively compete.

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

Compliance with environmental laws could adversely affect Covanta s results of operations.

Costs of compliance with existing and future environmental regulations by federal, state and local authorities could adversely affect Covanta s cash flow and profitability. Covanta s business is subject to extensive environmental regulation by federal, state and local authorities, primarily relating to air, waste (including residual ash from combustion) and water. Covanta is required to comply with numerous environmental laws and regulations and to obtain numerous governmental permits in operating Covanta s

Table of Contents

facilities. Covanta may incur significant additional costs to comply with these requirements. Environmental regulations may also limit Covanta s ability to operate Covanta s facilities at maximum capacity or at all. If Covanta fails to comply with these requirements, Covanta could be subject to civil or criminal liability, damages and fines. Existing environmental regulations could be revised or reinterpreted, and new laws and regulations could be adopted or become applicable to Covanta or its facilities, and future changes in environmental laws and regulations could occur. This may materially increase the amount Covanta must invest to bring its facilities into compliance. In addition, lawsuits by the Environmental Protection Agency, commonly referred to as the EPA, and various states highlight the environmental risks faced by generating facilities. Stricter environmental regulation of air emissions, solid waste handling or combustion, residual ash handling and disposal, and waste water discharge could materially affect Covanta s cash flow and profitability.

Covanta may not be able to obtain or maintain, from time to time, all required environmental regulatory approvals. If there is a delay in obtaining any required environmental regulatory approvals or if Covanta fails to obtain and comply with them, the operation of Covanta s facilities could be jeopardized or become subject to additional costs.

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

Covanta s business is subject to extensive energy regulations by federal and state authorities. The economics, including the costs, of operating Covanta s generating facilities may be adversely affected by any changes in these regulations or in their interpretation or implementation or any future inability to comply with existing or future regulations or requirements.

The Public Utility Holding Company Act of 1935, or PUHCA, and the Federal Power Act, or the FPA, regulate public utility holding companies and their subsidiaries and place constraints on the conduct of their business. The FPA regulates wholesale sales of electricity and the transmission of electricity in interstate commerce by public utilities. Under the Public Utility Regulatory Policies Act of 1978, known as PURPA, Covanta s domestic facilities are qualifying facilities (facilities meeting statutory size, fuel and ownership requirements), which are exempt from regulations under PUHCA, most provisions of the FPA and state rate regulation. Covanta s foreign projects are exempt from regulation under PUHCA.

If Covanta becomes subject to either the FPA or PUHCA, the economics and operations of Covanta s energy projects could be adversely affected, including rate regulation by the Federal Energy Regulation Commission, with respect to its output of electricity. If an alternative exemption from PUHCA was not available, Covanta could be subject to regulation by the SEC as a public utility holding company. In addition, depending on the terms of the project s power purchase agreement, a loss of Covanta s exemptions could allow the power purchaser to cease taking and paying for electricity or to seek refunds of past amounts paid. Such results could cause the loss of some or all contract revenues or otherwise impair the value of a project and could trigger defaults under provisions of the applicable project contracts and financing agreements. Defaults under such financing agreements could render the underlying debt immediately due and payable. Under such circumstances, Covanta cannot assure you that revenues received, the costs incurred, or both, in connection with the project could be recovered through sales to other purchasers.

Failure to obtain regulatory approvals could adversely affect Covanta s operations.

Covanta is continually in the process of obtaining or renewing federal, state and local approvals required to operate Covanta s facilities. Covanta may not always be able to obtain all required regulatory approvals, and Covanta may not be able to obtain any necessary modifications to existing regulatory approvals or maintain all required regulatory approvals. If there is a delay in obtaining any required regulatory approvals or if Covanta fails to obtain and comply with any required regulatory approvals, the operation of Covanta s facilities or the sale of electricity to third parties could be prevented, made subject to additional regulation or subject Covanta to additional costs.

Table of Contents

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

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

Changes in laws and regulations affecting the solid waste and the energy industries could adversely affect Covanta s business.

Covanta s business is highly regulated. Covanta cannot predict whether the federal or state governments or foreign governments will adopt legislation or regulations relating to the solid waste or energy industries. We cannot assure you that the introduction of new laws or other future regulatory developments will not have a material adverse effect on Covanta s business, financial condition or results of operations.

Insurance Services-Specific Risks

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

The insurance products sold by NAICC are subject to intense competition from many competitors, many of whom have substantially greater resources than NAICC. We cannot assure you that NAICC will be able to successfully compete in these markets and generate sufficient premium volume at attractive prices to be profitable. This risk is enhanced by the reduction in the lines of business NAICC writes as a result of its decision to reduce underwriting operations.

Insurance regulations may affect NAICC s operations.

The insurance industry is highly regulated and it is not possible to predict the impact of future state and federal regulations on the operations of NAICC.

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

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

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

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

NAICC is subject to regulatory risk-based capital requirements. Depending on its risk-based capital, NAICC could be subject to four levels of increasing regulatory intervention ranging from company action to mandatory control. NAICC s capital and surplus is also one factor used to determine its ability to

Table of Contents

distribute or loan funds to us. If NAICC has insufficient capital and surplus, as determined under the risk-based capital test, it will need to obtain additional capital to establish additional reserves. NAICC cannot provide any assurance that it will be able to obtain such additional capital on commercially reasonable terms or at all.

ACL Bankruptcy-Specific Risks

ACL s emergence from bankruptcy might cause our NOLs to be reduced.

If ACL emerges from bankruptcy, taxable income could result from ACL debt forgiveness and asset sales which could materially reduce our NOLs.

ACL may not be able to reorganize in Chapter 11.

Additional risks associated with the reorganization of ACL and its emergence from Chapter 11 include, but are not limited to, adverse developments with respect to ACL s liquidity, poor results of operations limiting ACL s ability to continue as a going concern, and the availability of exit financing to facilitate emergence from Chapter 11 pursuant to a plan of reorganization. In addition, third parties could seek and obtain court approval to terminate or shorten the exclusivity period for ACL, to propose and confirm one or more plans of reorganization, to appoint a Chapter 11 trustee or to convert ACL s cases to Chapter 7 cases for the liquidation of its businesses. In the event of the liquidation and sale of ACL s assets or other plan terminations, under certain circumstances, statutory obligations for ACL s ERISA qualified pension plans could be imposed upon us.

Uncertainties in the bankruptcy process may adversely affect ACL.

ACL s future results are dependent upon successfully obtaining approval, confirmation and implementation of a plan of organization. On September 10, 2004, ACL submitted a plan of reorganization to the Bankruptcy Court for approval, however, it cannot make any assurance that it will be able to obtain confirmation of such plan in a timely manner. Failure to confirm a plan in a timely manner could adversely affect ACL s operating results, as ACL s ability to obtain financing to fund its operations and its relations with its customers may be harmed by protracted bankruptcy proceedings.

ACL may, under certain circumstances, file motions with the Bankruptcy Court to assume or reject executory contracts. An executory contract is one in which the parties have mutual obligations to perform, such as contracts of affreightment, charters, equipment leases and real property leases. Unless otherwise agreed, the assumption of a contract will require ACL to cure or provide for the cure of all prior defaults under the related contract, including all pre-petition liabilities. Unless otherwise agreed, the rejection of a contract is deemed to constitute a breach of the agreement as of the moment immediately preceding the Chapter 11 filing, giving the counter party a right to assert a general unsecured claim for damages arising out of the breach. Additional liabilities subject to the proceedings may arise in the future as a result of the rejection of executory contracts, including leases, and from the determination of the Bankruptcy Court, or agreement by parties in interest, of allowed claims for contingencies and other disputed amounts. Conversely, the assumption of executory contracts and unexpired leases may convert liabilities shown as subject to compromise to post-petition liabilities. Due to the uncertain nature of many of the potential claims, ACL is unable to project the magnitude of such claims with any degree of certainty.

The adverse publicity of ACL s bankruptcy could adversely affect its results of operations.

The potential adverse publicity associated with the Chapter 11 filing and the resulting uncertainty regarding ACL s future prospects may hinder ACL s ongoing business activities and its ability to operate, fund and execute its business plan by:

impairing relations with existing and potential customers;

negatively impacting the ability of ACL to attract, retain and compensate key executives and associates and to retain employees generally;

Table of Contents

limiting ACL s ability to obtain trade credit; and

impairing present and future relationships with vendors and service providers.

Uncertainties in the bankruptcy process may adversely affect the value of our investment in ACL.

Currently, it is not possible to predict with certainty the length of time ACL will operate under the protection of Chapter 11, the outcome of the Chapter 11 proceedings in general, or the effect of the proceedings on the business of ACL or on the interests of the various creditors and stakeholders. Under the priority scheme established by the Bankruptcy Code, many post-petition liabilities and pre-petition liabilities need to be satisfied before equity holders can receive any distribution. We, directly and indirectly, hold 100% of the equity interests in ACL. The ultimate recovery to us, if any, will not be determined until confirmation of a plan of reorganization. There can be no assurance as to what value, if any, will be ascribed to our equity interests in ACL and the other debtors in the bankruptcy proceedings. It is likely that our equity will have little or no value.

The ongoing costs of the bankruptcy process may affect ACL s results of operations and cash flows.

ACL has incurred and will continue to incur significant costs associated with the reorganization. The amount of these costs, which are being expensed as incurred, are expected to have a significant adverse affect on its results of operations and cash flows.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference in this prospectus contain forward-looking statements as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. Any statements that express or involve discussions as to expectations, beliefs and plans involve known and unknown risks, uncertainties and other factors that may cause the actual results to materially differ from those considered by the forward-looking statements. Factors that could cause actual results to differ materially include: our ability to fund our capital requirements in the near term and in the long term; and other factors, risks and uncertainties that are described in this prospectus and Covanta Energy Corporation s and our filings with the Securities and Exchange Commission. As a result, no assurances can be given as to future results, levels of activity and achievements. Any forward-looking statements speak only as of the date the statements were made. Neither we nor Covanta Energy Corporation undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, unless otherwise required by law.

DANIELSON S BUSINESS

We are a holding company incorporated in Delaware. Substantially all of our current operations were conducted in the insurance services industry prior to our acquisition of Covanta in March 2004. We engage in insurance operations through our indirect subsidiaries, National American Insurance Company of California and related entities. We also have an equity interest in companies engaged in the marine transportation and services industry through our investment in ACL. We are the owners of all of the equity interests in ACL. ACL and certain of its related entities are currently subject to Chapter 11 Bankruptcy proceedings.

Our strategy has been to grow by making strategic acquisitions. Such acquisitions have not and may not complement our existing operations. They also have not and may not be related to our current businesses. As part of this corporate strategy, we have sought acquisition opportunities, such as the recent acquisition of Covanta, which management believes will enable us to earn an attractive return on our investment.

As a result of the consummation of the Covanta acquisition on March 10, 2004, our future performance will predominantly reflect the performance of Covanta s operations which are significantly larger than our other operations. As a result, the nature of our business, the risks attendant to such business and the trends that it will face will be significantly altered by the acquisition of Covanta. Accordingly, our prior financial results will not be comparable to our future results.

In May 2002, we acquired a 100% ownership interest in ACL, thereby entering into the marine transportation, construction and related service provider businesses. On January 31, 2003, ACL and many of its subsidiaries and its immediate direct parent entity, American Commercial Lines Holdings, LLC, referred to in this prospectus as ACL Holdings, filed a petition with the U.S. Bankruptcy Court to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Material uncertainty exists as to the impact of the bankruptcy on our equity interest in ACL upon the conclusion of ACL s bankruptcy proceeding. While it cannot presently be determined, we believe that our investment in ACL is likely to have little or no value upon the completion of that bankruptcy proceeding. Accordingly, we attribute no value to our investment in ACL on our financial statements. Danielson, NAICC and our equity investees, operating in the marine services industries, are not guarantors of ACL s debt, nor are they contractually liable for any of ACL s liabilities. See Risk Factors ACL Bankruptcy Specific Risks for a more complete discussion of the risk associated with our investment in ACL.

We currently own a direct 50% interest in Vessel Leasing, LLC. ACL owns the remaining 50% of Vessel Leasing LLC. Vessel Leasing LLC did not file for Chapter 11 protection. We and Vessel Leasing LLC are not guarantors of ACL s debt nor are we, or they, contractually liable for any of ACL s liabilities. As of October 6, 2004, we sold our 5.4% interest and ACL sold its 50% interest in Global Materials Services, LLC.

Table of Contents

As a result of the bankruptcy filing, while we continue to exercise influence over the operating and financial policies of ACL through our ownership of all of the equity interests in ACL, we no longer maintain control of ACL. Accordingly, beginning for the year ended December 31, 2003, we accounted for our investments in ACL, Global Materials Services, LLC and Vessel Leasing using the equity method of accounting. Under the equity method of accounting, we report our share of the equity investees income or loss based on our ownership interest. In determining the proper equity method earnings to be recognized for ACL, we do not recognize losses in excess of our investment carrying value of zero at December 31, 2003, as we are not liable either directly or as guarantor for such losses.

As of the end of 2003, we reported aggregate consolidated NOLs for federal income tax purposes of approximately $680 million. These losses will expire over the course of the next 19 years unless utilized prior thereto.

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

COVANTA S BUSINESS

Covanta develops, constructs, owns and operates for itself and others infrastructure for the conversion of waste to energy, independent power production and the treatment of water and wastewater in the United States and abroad. Covanta owns or operates 50 power generation facilities, 39 of which are in the United States and 11 of which are located outside of the United States. Covanta s power generation facilities use a variety of fuels, including municipal solid waste, water (hydroelectric), natural gas, coal, wood waste, landfill gas and heavy fuel oil. Covanta operates water or wastewater treatment facilities, all of which are located in the United States. Until September 1999, and under prior management, Covanta was also actively involved in the entertainment and aviation services industries.

Covanta s current principal business units are domestic and international energy.

On March 10, 2004, Covanta and most of its domestic affiliates consummated a plan of reorganization and emerged from their reorganization proceedings under Chapter 11 of the Bankruptcy Code. As a result of the consummation of the plan, Covanta is our wholly-owned subsidiary. The Covanta bankruptcy commenced on April 1, 2002, when Covanta and 123 of its domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankrupt Code in the United States Bankruptcy Court for the Southern District of New York. After the first petition date, 32 additional subsidiaries filed their Chapter 11 petitions for relief under the Bankruptcy Code. Prior to emergence, the debtors under the Chapter 11 cases operated their business as debtors-in-possession pursuant to the Bankruptcy Code.

ACQUISITION OF COVANTA ENERGY CORPORATION

On December 2, 2003, we executed a definitive investment and purchase agreement to acquire Covanta in connection with Covanta s emergence from Chapter 11 proceedings. The primary components of the transaction were: (1) the purchase by us of 100% of the equity of Covanta in consideration for a cash purchase price of $30.0 million, and (2) agreement as to new letter of credit and revolving credit facilities for Covanta s domestic and international operations, provided by some of the existing Covanta lenders and three additional lenders arranged by us. We amended this agreement with Covanta as of February 23, 2004 to reduce the purchase price and release from an escrow account $175,000 so that a limited liability company formed by us and one of our subsidiaries could acquire an equity interest in Covanta Lake, Inc., a wholly-owned indirect subsidiary of Covanta, in a transaction separate and distinct from the acquisition of Covanta out of bankruptcy.

As required by the investment and purchase agreement, Covanta filed a proposed plan of reorganization, a proposed plan of liquidation for specified non-core businesses, and the related draft disclosure statement, each reflecting the transactions contemplated under the investment and purchase agreement, with the Bankruptcy Court. On March 5, 2004, the Bankruptcy Court confirmed the proposed

Table of Contents

plans. As part of the plan of reorganization, we agreed to offer to sell up to 3,000,000 shares of our common stock to the Eligible Offerees at a price of $1.53 per share.

Under the terms of the investment and purchase agreement, on March 10, 2004, we acquired 100% of Covanta s equity in consideration for $30 million (net of $175,000 discussed above). As part of the investment and purchase agreement, we arranged for a new $118 million replacement letter of credit facility for Covanta, secured by a second lien on Covanta s domestic assets. This financing was provided by each of SZ Investments, a stockholder, Third Avenue, a stockholder, and Laminar, a creditor of Covanta and a stockholder. In addition, in connection with a note purchase agreement described below, Laminar arranged for a $10.0 million revolving loan facility for Covanta s international assets that we acquired, secured by these assets.

The purchase price recognized by us in our financial statements was $47.5 million which includes the cash purchase price of $29.8 million, an expense estimate of approximately $6.4 million for professional fees and other costs incurred in connection with the acquisition, and an estimated fair value of $11.3 million for our commitment to sell up to 3,000,000 shares of our common stock at $1.53 per share to the Eligible Offerees in this rights offering.

On May 18, 2004 we commenced a pro rata rights offering to our stockholders to purchase 0.75 shares of our common stock for at a price of $1.53 per share for each share of our common stock held by our stockholders. The rights offering was completed on June 11, 2004. We issued a total of 27,438,118 additional shares of our common stock in the rights offering, constituting all of the shares offered for sale, with net proceeds to us of approximately $42.0 million. We repaid $40.0 million of bridge financing notes obtained in connection with the Covanta acquisition with the proceeds from the rights offering and through the conversion of a portion of the notes held by Laminar.

Based upon information provided to us, Laminar is an Eligible Offeree and was a holder of $10.4 million in principal amount of 9.25% Debentures as of January 12, 2004.

Following the consummation of the foregoing rights offering to our stockholders and the issuance of 8,750,000 shares of our common stock to Laminar in accordance with the note purchase agreement, we reviewed the number of shares of our common stock that could be sold in this rights offering without creating an unreasonable risk of an ownership change. Based on this determination, we are offering the full 3,000,000 shares of our common stock hereunder to the Eligible Offerees.

SUBSEQUENT EVENT REGARDING QUEZON POWER

On April 27, 2004, Quezon Power (Philippines) Ltd. Co., a Philippines limited partnership, and a subsidiary of Quezon Power, Inc., proposed a refined third amendment to the power purchase agreement and transmission line agreement with the Manila Electric Company, which we refer to as Meralco in this prospectus. Covanta s subsidiary, CPIH, holds an indirect 26.125% equity interest in Quezon Power (Philippines) Ltd. Co. through its interest in Quezon Power, Inc. As of July 27, 2004, Meralco had not approved the proposed amendment, which must also be approved by the Philippine Energy Regulatory Commission.

The details of this transaction with Meralco were set forth in detail in Note 8 to the notes to the consolidated financial statements of Quezon Power, Inc., both of which should be read in conjunction with this discussion and were provided as supplemental financial information, attached to Covanta s Annual Report on Form 10-K, dated March 30, 2004, and incorporated by reference into our filings pursuant to a Current Report on Form 8-K/ A filed with the SEC on May 11, 2004. As a result of this proposed amendment, the general manager of Quezon Power (Philippines) Ltd. Co. determined to provide for certain deferred revenues. The general manager of Quezon Power (Philippines) Ltd. Co. is not an affiliate of Covanta or us.

Table of Contents

As of September 30, 2004, the aggregate amount reserved by Quezon Power (Philippines) Ltd. Co. relating to the transmission line agreement was approximately $6.2 million, of which Covanta s equity share was approximately $1.6 million.

The impact of this reserve to Covanta s consolidated statement of operations was a $1.4 million reduction in equity income from unconsolidated investments for the nine months ended September 30, 2004. Additionally, a corresponding reduction was reflected on Covanta s consolidated balance sheet in investments in advances to investees and joint ventures.

USE OF PROCEEDS

The proceeds from the offering, will be used for general corporate purposes, including expenses of this offering estimated to be $100,000. We have not engaged an underwriter so no underwriting fees or commission will be payable in connection with this rights offering.

Assuming full participation, we expect to receive approximately $4.49 million from this offering, after deducting expenses.

THE OFFERING

We are offering at no charge the right to subscribe to up to 3,000,000 shares of our common stock at a purchase price of $1.53 per share to satisfy our obligations as the sponsor of the second plan of reorganization of Covanta. This rights offer is being made solely to Eligible Offerees. The holders of $99.6 million in principal amount of 9.25% Debentures who held such 9.25% Debentures on January 12, 2004 and voted in favor of Covanta s second plan of reorganization are eligible to participate in this rights offering. Such holders who voted in favor of our plan of reorganization are referred to in this prospectus as Eligible Offerees . Each Eligible Offeree is entitled to purchase their pro rata portion of this rights offering. The number of shares of our common stock each Eligible Offeree is entitled to purchase is determined by the ratio of the principal amount of 9.25% Debentures held by each Eligible Offeree voted in favor of our plan of reorganization over the principal amount of all outstanding 9.25% Debentures voted in favor of our plan of reorganization and multiplying this ratio by 3,000,000. If all of the rights are exercised in the rights offering, the total purchase price of our common stock in the rights offering will be $4.59 million.

The rights are exercisable beginning on the date of this prospectus and will expire if they are not exercised by 5:00 p.m., New York City time, on , 2004.

The rights are not certificated and any rights that are not exercised by the Eligible Offerees prior to the expiration date of the rights offering will expire and will have no value. There are no oversubscription privileges being offered and rights not exercised will not be reallocated to other Eligible Offerees nor may any rights be transferred.

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

Eligible Offerees should note that immediately available funds must be received by the expiration date for a subscription to be valid. See Rights Exercise. We reserve the right to limit the exercise of any rights that would result in a risk of any stockholder becoming the owner of 5% or more of our common stock. See Risk Factors We Have The Right to Limit The Exercise of The Rights and Escrow Protection Mechanics. Eligible Offerees who exercise their rights will not be entitled to revoke their exercise. Eligible Offerees who do not exercise their rights will relinquish any value inherent in the rights.

To avoid the inconvenience of issuing fractional shares, you will not receive fractional shares of our common stock, but instead, you will receive cash in lieu of fractional shares of our common stock as a

Table of Contents

result of your rights exercise, calculated as the product of the fraction of a share of common stock multiplied by the difference between the current market price of a share of common stock and the exercise price.

ASOP Procedures

Eligible Offerees that are exercising rights issued in this rights offering must transmit their notices by electronic message through ASOP. DTC will then send an agent s message to the rights agent for the rights offering, Wells Fargo Bank, National Association, for its acceptance. Delivery of the agent s message by DTC indicates that the you agree to be bound to the terms and conditions of the rights offering (including the authorization that the exercise price be debited from your DTC account).

Expiration of The Offering

You may exercise your rights at any time before 5:00 p.m., New York City time, on , 2004. If you do not exercise your rights before the expiration date, your unexercised rights will be null and void. We will not be obligated to honor your exercise of rights if the rights agent receives the agent s message relating to your exercise after the rights offering expires.

Purchase Price

The purchase price is $1.53 per share, payable by debiting your account at DTC when the agent s message is electronically sent to the rights agent. If the conditions to the completion of the offering are not satisfied or the offering is otherwise terminated, your funds will be returned to you as soon as practicable by crediting your DTC account, without interest or deduction.

Purchase of Shares

You may purchase the shares of common stock pursuant to your subscription privileges by delivering your electronic notice through ASOP prior to 5:00 p.m., New York City time, on the expiration date.

Certificate of Incorporation Restrictions; Escrow Protection Mechanics

Our ability to utilize our NOLs would be substantially reduced if we were to undergo an ownership change within the meaning of Section 382 of the Internal Revenue Code. In order to reduce the risk of an ownership change, our certificate of incorporation restricts the ability of any record or beneficial, direct or indirect, holder of 5% or more of our common stock, however acquired, including acquisition though exercise of rights to purchase shares granted by us, to sell, transfer, pledge, encumber or dispose of any shares owned by such 5% stockholder, or to purchase, acquire, or otherwise receive additional shares of our common stock without our prior consent. Our certificate of incorporation also restricts the ability of any other holder whether direct or indirect, record or beneficial, to make an acquisition of our common stock which will result in total ownership, either direct or indirect, record or beneficial, by such stockholder of 5% or more of our common stock without our prior consent. These restrictions will apply unless and until we determine that such acquisition will not result in an unreasonable risk of an ownership change. In determining 5% ownership, the following attribution provisions apply for purposes of Section 382 of the Code:

Any family group consisting of an individual, spouse, children, grandchildren and parents are treated as one person. Note that an individual can be treated as a member of several different family groups. For example, your family group would include your spouse, children, father and mother, but your mother s family group would include her spouse, all her children and her grandchildren.

Any common stock owned by any entity will generally be attributed proportionately to the ultimate owners of that entity. Such attribution will also occur through tiered entity structures.

Any persons or entities acting in concert or having a formal or informal understanding among themselves to make a coordinated purchase of common stock will be treated as one stockholder.

Table of Contents

In determining stock ownership, any person or entity that holds an option to acquire either common stock or another option or right to acquire common stock should be treated as owning the underlying common stock.

Ownership may not be structured with an abusive principal purpose of avoiding these rules.

We have the right, in our sole and absolute discretion, to limit the exercise of rights, including instructing the rights agent to refuse to honor any exercise of rights, by 5% stockholders.

The total number of our common shares expected to be outstanding upon completion of the offering, assuming all of the shares of common stock are purchased, is 76,498,771. Five percent of 76,498,771 is 3,824,938.

In order to avoid an ownership change for Federal income tax purposes, we have implemented the escrow protection mechanics as follows:

(1) by purchasing shares of common stock, each purchaser will represent to us that such purchaser will not be, after giving effect to the purchase of the common stock, an owner, either direct or indirect, record or beneficial, or by application of Section 382 attribution provisions summarized above, of more than 3,400,000 shares, constituting approximately 4.5% of our outstanding common stock;

(2) if such exercise would result in such purchaser owning more than 3,400,000 shares of our common stock, constituting approximately 4.5% of our outstanding common stock, such purchaser must notify the rights agent at the telephone number set forth under Rights Agent;

(3) if requested, each purchaser will be required to provide us with additional information regarding the amount of common stock that the purchaser owns; and

(4) we shall have the right to instruct the rights agent to refuse to honor such purchaser s exercise to the extent such exercise might, in our sole and absolute discretion, result in such purchaser owning 5% or more of our common stock.

By exercising rights in the offering, you agree that the escrow protection mechanics are valid, binding and enforceable against you.

The escrow protection mechanics are meant to be applied in conjunction with the restrictions in our certificate of incorporation and to provide us with a means to both supplement and enforce such restrictions with regard to the exercise of the rights issued in the rights offering. We have received opinions of counsel that the provisions in our certificate of incorporation and the escrow protection mechanics are legal, valid, binding and enforceable under Delaware law. We intend to vigorously challenge any attempt to violate these restrictions and to pursue all available remedies in the event of any violation. Any purported exercise of rights, in violation of either the restrictions in our certificate of incorporation or the escrow protection mechanics section, will be void and of no force and effect.

Conditions to The Offering

We may terminate the offering if at any time before completion of the offering there is any judgment, order, decree, injunction, statute, law or regulation entered, enacted, amended or held to be applicable to the rights offering that in the sole judgment of our board of directors would or could make the rights offering or its completion illegal or materially more burdensome to us or otherwise restrict or prohibit completion of the rights offering. We may waive any of these conditions and choose to proceed with the rights offering even if one or more of these events occurs.

In addition, if we determine that the purchase of the shares of common stock would cause an unreasonable risk of a Section 382 ownership change, we may terminate the rights offering. See United States Federal Income Tax Consequences Section 382 and Limitations on The Use of Losses by Us .

Table of Contents

If the conditions to completion of the offering are not satisfied or we otherwise terminate the rights offering, all rights will expire without value and all exercise payments received by the rights agent will be returned promptly, without interest or deduction.

Amendments

We reserve the right to amend the terms or conditions of the rights offering.

We may amend the terms of the rights only to cure an ambiguity or correct or supplement a provision which may be defective or inconsistent with other provisions. We may also add provisions relating to questions or matters which arise and additions which we and the rights agent deem necessary or desirable and which will not adversely affect the interests of the Eligible Offerees. If we amend the terms or conditions of the rights offering, a new prospectus will be distributed to all Eligible Offerees who have previously exercised rights and to Eligible Offerees of record of unexercised rights on the date we amend the terms.

In addition, all Eligible Offerees who have previously exercised rights, or who exercise rights within four business days after the mailing of the new prospectus, will be asked to confirm through ASOP their exercise of rights under the terms of the rights offering as amended by us. An Eligible Offeree who has previously exercised any rights, or who exercises rights within four business days after the mailing of the new prospectus, and who does not confirm through ASOP the exercise of the rights under the amended terms within five business days after our request for confirmation will be deemed to have canceled such Eligible Offeree s exercise of rights, and the full amount of the exercise price previously paid by such Eligible Offeree will be promptly returned by crediting such Eligible Offeree s DTC account, without interest or deduction. Any agent s message received by the rights agent five or more business days after the date of the amendment will be deemed to constitute the consent of the Eligible Offeree who sent such agent s message to the amended terms.

Rights Agent

We have appointed Wells Fargo as rights agent for the rights offering. Any questions regarding your status as an Eligible Offeree, the number of shares you are entitled to purchase or requests for additional copies of this prospectus or any ancillary documents may be directed to the rights agent at the following address and telephone number:

Matt Raviv

Wells Fargo Corporate Trust
Sixth & Marquette
MAC N9303-120
Minneapolis, MN 55479
Tel 612-667-4456
Fax 612-667-9825

Wells Fargo, as rights agent, will verify all exercises of rights and will certify to us that the rights have been properly allocated and exercised in accordance with the terms of this rights offering. We will pay the rights agent customary fees and reimbursements for its expenses. We have also agreed to indemnify the rights agent against any liabilities that it may incur in connection with the rights offering, subject to their failure to follow the terms of this rights offering or their willful misconduct or gross negligence.

Method of Payment

Your payment of the purchase price will be made by debiting your DTC account at the time DTC sends the agent s message to the rights agent through ASOP and will considered received by the rights agent at such time.

Table of Contents

Exercising a Portion of Your Rights

If you wish to subscribe for fewer than all the shares of our common stock represented by your rights, you should indicate in your ASOP message the number of rights you wish to exercise.

Your Funds Will Be Held by the Rights Agent until Shares of Common Stock are Issued

The rights agent will hold your payment of the exercise price payment in a segregated account with other payments received from other Eligible Offerees until we issue your shares to you or return your payment, without interest or deduction.

Issuance of Shares

Our transfer agent and registrar, American Stock Transfer & Trust Company, will make the necessary book-entry transfers, or upon your request, will deliver to you certificates, representing the shares that you purchase upon the exercise of your rights as soon as practicable after the rights offering has expired.

Notice to Record Holders

If you are a bank, broker, trustee, depository or other nominee who held the 9.25% Debentures for the account of others on the record date, you should notify the respective beneficial owners of such 9.25% Debentures as of January 12, 2004 of the rights offering as soon as possible to find out their intentions with respect to exercising their rights. You should obtain instructions from the beneficial owner with respect to the rights, as set forth in the instructions we have provided to you for your distribution to beneficial owners. If the beneficial owner instructs you to exercise the rights, you should send the appropriate electronic notice to DTC. When you exercise the subscription privilege on behalf of beneficial owners through ASOP, you will be required to certify that each beneficial owner for whom you are subscribing is an Eligible Offeree.

Beneficial Owners

If you were the beneficial owner of the 9.25% Debentures on January 12, 2004 and voted in favor of our plan of reorganization, we will ask your bank, broker, trustee, depository or other nominee to notify you of the rights offering. If you wish to exercise your rights, you will need to have your bank, broker, trustee, depository or other nominee act for you. To indicate your decision with respect to your rights, you should complete and return to your bank, broker, trustee, depository or other nominee the form entitled Beneficial Owner Election Form. You should receive this form from your bank, broker, trustee, depository or other nominee with the other rights offering materials.

Determinations Regarding the Exercise of Your Rights

We and the rights agent will decide all questions concerning the timeliness, validity, form and eligibility of your rights exercise and their determinations will be final and binding. We, in our sole discretion, may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as we may determine. We may reject the exercise of any of your rights because of any defect or irregularity. We will not receive or accept any exercise until all irregularities have been waived by us or cured by you within such time as we decide, in our sole discretion.

Neither we nor the rights agent will be under any duty to notify you of any defect or irregularity in connection with your submission of subscription notices and we will not be liable for failure to notify you of any defect or irregularity. We reserve the right to reject your exercise of rights if your exercise is not in accordance with the terms of the rights offering or in proper form. We will also not accept your exercise of rights if our issuance of shares of our common stock to you could be deemed to violate our certificate of incorporation, be unlawful under applicable law, is materially burdensome to us or as otherwise described under Conditions to the Rights Offering.

Table of Contents

Questions about Exercising Your Rights

If you have any questions, require assistance regarding the method of exercising your rights or have any requests for additional copies of this prospectus, you should contact the rights agent at the address and telephone number set forth above under Rights Agent.

Shares of Common Stock Outstanding after The Offering

If all the rights are exercised in the offering, 76,498,771 shares of our common stock will be issued and outstanding, based on the number of shares outstanding on November 1, 2004. Based on the 76,498,771 shares of our common stock issued and outstanding as of November 1, 2004, our issuance of shares in the rights offering would result, on a pro forma basis in an approximately 4.1% increase in the number of outstanding shares of our common stock.

Other Matters

We are not making the offering in any state or other jurisdiction in which it is unlawful to do so, nor are we selling or accepting any offers to purchase any shares of our common stock from Eligible Offerees who are residents of those states or other jurisdictions. We may delay the commencement of the rights offering in those states or other jurisdictions, or change the terms of the rights offering, in order to comply with the securities law requirements of those states or other jurisdictions. We may decline to make modifications to the terms of the rights offering requested by those states or other jurisdictions, in which case, if you are a resident in those states or jurisdictions you will not be eligible to participate in the rights offering.

Determination of Terms of Rights Offering

The terms of the rights offering were determined as part of Covanta s second plan of reorganization. Under this plan, part of the consideration to be provided to holders of the 9.25% Debentures (who are considered to be holders of approved subclass 3B claims under the terms of the plan of reorganization) who voted in favor the plan of reorganization have the right to participate in this rights offering.

While our common stock has traded at a price in excess of the exercise price on the date of this prospectus, there can be no assurance that the market price of our common stock will not decline during the exercise period to a level equal to or below the exercise price, or that, following the issuance of the rights and of our common stock upon exercise of rights, an exercising holder will be able to sell shares purchased in the rights offering at a price equal to or greater than the exercise price. See Risk Factors for a more complete discussion of risks associated with this rights offering and our businesses.

Table of Contents

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain U.S. federal income tax consequences upon the issuance of the rights in the offering and upon the exercise of the rights. The discussion is based upon the Internal Revenue Code, treasury regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations possibly with retroactive effect. The discussion does not address all of the tax consequences that may be relevant to a particular Eligible Offeree or to holders subject to special treatment under federal income tax laws such as financial institutions, insurance companies, broker-dealers, tax-exempt organizations, foreign persons, or persons holding our common stock as part of a straddle or conversion transaction. This discussion is limited to U.S. persons that hold our common stock, or would hold our common stock acquired upon the exercise of warrants issued in this rights offering, as capital assets. Except as otherwise stated herein, no ruling has been or will be sought from the IRS regarding any matter discussed herein. Considerable uncertainty exists as to the federal income tax consequences of the receipt of the warrants under this rights offering. Our counsel has not rendered any legal opinion regarding any tax consequences relating to us or an investment in us. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below. Eligible Offerees should consult their tax advisors as to the federal income tax consequences of the rights offering, including those that are relevant to their particular situations, as well as the effects of state, local and non-U.S. tax laws.

For purposes of this discussion, a U.S. person means any one of the following:

- a citizen or resident of the United States;
- a partnership, corporation or other entity created or organized in or under the laws of the United States or of any political subdivision thereof;
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

Issuance of Rights, Basis and Holding Period

We agreed to make this offering as an inducement to holders of the 9.25% Debentures to approve our proposed plan of reorganization of Covanta. It is likely that the IRS would take the position that each Eligible Offeree will recognize ordinary income for federal income tax purposes in an amount equal to the value of the rights upon receipt. Each Eligible Offeree would have a basis in the rights equal to the income recognized upon receipt of the rights. The holding period for the rights would commence upon receipt of the rights.

Expiration of the Rights

Eligible Offerees whose rights expire unexercised, and for whom our common stock would be a capital asset, will recognize a short-term capital loss equal to their basis in the expired rights upon the expiration of the rights.

Exercise of the Rights, Basis and Holding Period of Acquired Shares

No gain or loss is recognized by a holder upon the exercise of the rights received in the rights offering (except with respect to cash received in lieu of fractional shares). The basis of each share of common stock acquired through exercise of the rights will be equal to the sum of the exercise price paid and the

Table of Contents

basis of the rights. The holding period for the common stock acquired through exercise of the rights received in the rights offering will begin on the date of the closing of the rights offering.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS and to each holder the amount, if any, of the dividends paid on our stock and the amount of tax, if any, that we withheld on such distribution. Reporting will also be required with respect to the income realized upon receipt of the rights issued in this rights offering. Under current U.S. Treasury Regulations, backup withholding tax will generally apply unless such holder furnishes a correct taxpayer identification number and provides other certification or is otherwise exempt from backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against the holder s U.S. federal income tax liability if certain required information is furnished to the IRS.

Section 382 and Limitations on Use of Losses by Us

As of December 31, 2003 we reported that we had NOLs estimated to be approximately $680 million for federal income tax purposes, which expire in various amounts, if not used before December 31, 2023. Some or all of these NOLs may be available to offset our future taxable income, if any, but the continued availability of our NOLs is subject to the rules of Section 382 of the Internal Revenue Code. Section 382 generally restricts the use of an NOL after an ownership change , generally a more than 50% increase in stock ownership, measured by value, during a 3-year testing period by 5% stockholders . In the event of an ownership change, the amount of our NOLs that could be utilized in any taxable year would be generally limited to the product of the value of our stock on the date of the ownership change, multiplied by the long-term tax-exempt rate, which is a measure of interest rates on long-term tax-exempt bonds.

We believe that the rights offering will not result in an ownership change. The rights offering has been structured to substantially comply with applicable treasury regulations.

In addition, our certificate of incorporation contains restrictions on the transfer and acquisition of our shares, which were designed to prevent an involuntary ownership change, although such restrictions cannot prevent an involuntary ownership change in all circumstances. The rights offering also contains certain other provisions which will be applied in conjunction with the restrictions in our certificate of incorporation to provide us with a means to enforce such restrictions with regard to the exercise of the warrants issued in the rights offering. See The Rights Offering Certificate of Incorporation Restrictions; Escrow Protection Mechanics for a more complete discussion. We cannot be certain, however, that these restrictions will prevent a transaction that is outside of our control from triggering an ownership change.

PLAN OF DISTRIBUTION

The common stock covered by this prospectus will be issued directly to the purchasers by us without the use of any underwriter, selling agent, broker, dealer or finder. The expenses of the offering are being paid for by us.

DESCRIPTION OF COMMON STOCK

We are authorized to issue 160,000,000 shares of capital stock. The number of shares of common stock authorized is 150,000,000 with each share having a par value of $0.10.

Table of Contents

Voting Rights

Each holder of an outstanding share of our common stock is entitled to cast one vote for each share registered. Any consolidation or merger pursuant to which shares of our common stock would be converted into or exchanged for any securities or other consideration, would require the affirmative vote of a majority of the outstanding shares of the common stock holders.

Dividends

Subject to the rights and preferences of any outstanding preferred stock and limitations imposed by the note purchase agreement, we will award dividends on common stock payable out of our funds if and when our board of directors declares them. However, we will not pay any dividend, set aside payment for dividends, or distribute on common stock unless:

we have paid or set apart all accrued and unpaid dividends for the preferred stock and any stock ranking on its parity; and

we have set apart sufficient funds for the payment of the dividends for the current dividend period with respect to the preferred stock and any of the stock ranking on its parity.

Rights in Liquidation

Upon our liquidation, dissolution or winding up, all holders of our common stock are entitled to share ratably in any assets available for distribution to holders of our common stock, after payment of any preferential amounts due to the holders of any series of our preferred stock.

Preemptive Rights

Shares of our common stock do not entitle a stockholder to any preemptive rights to purchase additional shares of our common stock.

Transfer Restrictions

Our common stock is subject to the following transfer restrictions: No holder of 5% or more of our common stock, including any holder who proposes to acquire common stock which would result in that holder owning 5% or more of our common stock, may purchase or receive additional shares of our common stock, or sell or transfer any of our shares of common stock, without our determining that the transaction will not result in, or create an unreasonable risk of, an ownership change within the meaning of Section 382(g) of the Internal Revenue Code, or any similar provisions relating to preservation of our NOLs. This 5% limitation on ownership of stock may preserve effective control of us by our principal stockholders and preserve our board s and management s tenure.

In order to ensure compliance with this restriction, and to establish a procedure for processing the requests of a 5% stockholder to acquire or transfer common stock, as described in Article Fifth of our certificate of incorporation the following provisions apply to all 5% stockholders:

Delivery of Shares and Escrow Receipts. We will issue all shares of common stock of a 5% stockholder in the name of Danielson Holding Corporation, as Escrow Agent and we will hold them in escrow. In lieu of certificates reflecting ownership of the escrowed common stock, we will issue the 5% stockholders an escrow receipt reflecting their beneficial ownership of common stock and recording ownership of the escrowed stock. Escrow receipts are non-transferable. The 5% stockholders retain full voting and dividend rights for all escrowed stock.

Duration of Our Holding the Escrowed Stock. As escrow agent, we hold all shares of escrowed stock until the termination of the escrow account. If a 5% stockholder desires to transfer escrowed stock to a non-5% stockholder, we will hold all shares of escrowed stock until we receive a favorable opinion from our tax counsel that the transfer may be made without creating an unreasonable risk of resulting in an ownership change under the tax law.

Table of Contents

Acquisitions and Transfers. We will treat all requests by 5% stockholders to acquire or transfer escrowed stock on a first to request, first to receive basis. All requests must be in writing and delivered to us at our principal executive office, attention General Counsel, by registered mail, return receipt requested, or by hand. In the event that we are unable to conclude that a requested acquisition or transfer can be made without an ownership change under the tax law, then provided the 5% stockholder has acquired our common stock in accordance with the procedures set forth in our certificate of corporation:

we will advise the requesting party in writing; and

we will approve any subsequent request by other 5% stockholders of a type that we had previously denied only after we give all previously denied requests (in the order denied) the opportunity to complete the previously desired transaction. In addition, we may approve any requested transaction in any order of receipt if, in our business judgment, the transaction is in our best interests.

Termination of the Stock Escrow Account. The stock escrow will terminate upon the first to occur of the following:

we conclude that the restrictions are no longer necessary in order to avoid a loss of the NOLs;

the NOLs are no longer available to us; or

our board concludes, in its business judgment, that preservation of the NOLs are no longer in our interest.

Upon termination of the stock escrow, each 5% stockholder will receive a notice that the stock escrow has been terminated and will receive a common stock certificate evidencing ownership of the previously escrowed stock.

Our certificate of incorporation provides that we are held harmless and released from any liability to 5% stockholders arising from our actions as escrow agent, except for liabilities arising from our intentional misconduct. In performing our duties we are entitled to rely upon the written advice of our tax counsel and our other experts. In the event that we require further advice regarding our role as escrow agent, we may deposit the escrowed stock at issue with a court of competent jurisdiction and make further transfers in a manner consistent with the rulings of the court.

EXPERTS

The consolidated financial statements and schedules of Danielson Holding Corporation at December 31, 2003, and for each of the two years in the period then ended, incorporated by reference in this prospectus and registration statement have been audited by Ernst & Young LLP, an independent registered public accounting firm, and at December 31, 2001, and for the year then ended, by KPMG, LLP, an independent registered public accounting firm as set forth in their respective reports thereon incorporated by reference in this prospectus and registration statement, and are included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing. We have agreed to indemnify and hold KPMG harmless against and from any and all legal costs and expenses incurred by KPMG in successful defense of any legal action or proceeding that arises as a result of KPMG s consent to the incorporation by reference of its report on our past financial statements incorporated by reference in this registration statement.

The consolidated financial statements and the related financial statement schedules of Covanta Energy Corporation (Debtor in Possession) and subsidiaries as of December 31, 2003 and 2002, and for each of the three years in the period ended December 31, 2003, incorporated into this prospectus and registration statement by reference to the Current Report on Form 8-K/ A of Danielson Holding Corporation filed on May 11, 2004, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes explanatory paragraphs relating to Covanta Energy Corporation and various domestic subsidiaries having filed voluntary petitions for reorganization under Chapter 11 of the Federal Bankruptcy Code, the Bankruptcy Court

Table of Contents

having entered an order confirming Covanta Energy Corporation s plan of reorganization which became effective after the close of business on March 10, 2004, substantial doubt about Covanta Energy Corporation s ability to continue as a going concern, and Covanta Energy Corporation s adoption of Statement of Financial Accounting Standards, referred to in this prospectus as SFAS , No. 143, Accounting for Asset Retirement Obligations in 2003, SFAS No. 142, Goodwill and Other Intangible Assets , SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets in 2002, and SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , as amended, in 2001) which is incorporated by reference herein, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of Quezon Power, Inc. at December 31, 2003 and 2002, and for each of the years then ended, incorporated by reference in this prospectus and registration statement have been audited by Sycip Gorres Velayo & Co., an independent registered public accounting firm, and at December 31, 2001, and for the year then ended, by Arthur Andersen LLP, independent auditors who have ceased operations, as set forth in their respective reports thereon incorporated by reference in this prospectus and registration statement, and are included in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

The consolidated financial statements of American Commercial Lines LLC at December 26, 2003 and December 27, 2002, and for the year ended December 26, 2003, and for the periods from May 29, 2002 to December 27, 2002 and December 29, 2001 to May 28, 2002, incorporated by reference in this prospectus and registration statement have been audited by Ernst & Young LLP, an independent registered public accounting firm, and for the year ended December 28, 2001 by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as set forth in their respective reports thereon incorporated by reference in this prospectus and registration statement, and are incorporated in reliance upon such reports given on the authority of such firms as experts in accounting and auditing.

LEGAL MATTERS

The validity of the securities offered hereby will be passed upon for the Company by Neal, Gerber & Eisenberg LLP of Chicago, Illinois. David S. Stone, a partner of Neal, Gerber & Eisenberg LLP served as Secretary and Acting General Counsel of Danielson until October 5, 2004.

WHERE YOU CAN FIND MORE INFORMATION

Danielson Holding Corporation

This prospectus is part of a registration statement on Form S-3 we filed with the SEC under the Securities Act of 1933. You should rely only on the information or representations provided in this prospectus. We have authorized no one to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of the document.

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934, under which we file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material also can be obtained at the SEC s website, www.sec.gov or by mail from the public reference room of the SEC, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public on our corporate website, www.danielsonholding.com. Our common stock is traded on the American Stock Exchange. Material filed by us can be inspected at the offices of the American Stock Exchange at 86 Trinity Place, New York, NY 10006.

Table of Contents

Covanta Energy Corporation

Covanta also files periodic reports and other information with the SEC. Such reports and other information filed by Covanta with the SEC can be read and copied at the public reference room of the SEC at the address set forth above. Copies of such material also can be obtained at the SEC s website, www.sec.gov or by mail from the public reference room of the SEC, at prescribed rates. Please call the SEC at the number set forth above for further information on the public reference room. Covanta s SEC filings are also available to the public on their corporate website at www.covantaenergy.com.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the termination of the offering described in this prospectus:

1. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed on March 15, 2004, as amended by our Annual Report on Form 10-K/ A filed on May 18, 2004;

2. Our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed on May 7, 2004, as amended by our Quarterly Report on Form 10-Q/ A filed on May 18, 2004; our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 filed on August 9, 2004; and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 9, 2004; and

3. Our Current Reports on Form 8-K filed on March 11, 2004, as amended by our Current Reports on Form 8-K/ A filed on May 11, 2004 and May 18, 2004, and our Current Reports on Form 8-K filed on April 5, 2004, April 27, 2004, May 18, 2004, June 15, 2004, July 23, 2004, September 9, 2004, October 7, 2004 and October 19, 2004.

The consolidated financial statements of Quezon Power, Inc. included in the Form 8-K/ A incorporated by reference herein should be read in conjunction with the disclosure appearing on page 20 of this prospectus regarding developments during 2004 with respect to pre-existing contract disputes.

You may request a copy of these filings, at no cost, by writing or telephoning as follows: Danielson Holding Corporation, 40 Lane Road, Fairfield, New Jersey 07004 and our telephone number is (973) 882-9000.

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. ***Other Expenses of Issuance and Distribution.***

The following table sets forth the various expenses in connection with the sale and distribution of securities being registered, other than discounts, concessions and brokerage commissions. All amounts set forth below are estimates, other than the SEC registration fee.

SEC registration fee	$ 582
Legal fees and expenses	50,000
Accounting fees and expenses	43,333
Miscellaneous	6,085
Total	$ 100,000

Danielson will bear all of the foregoing expenses.

Item 15. ***Indemnification of Directors and Officers.***

Under Section 145 of Delaware General Corporation Law (DGCL), a corporation has the authority to indemnify any person who was or is a party or is threatened to be made a party to an action (other than an action by or in the right of the corporation) by reason of such person s service as a director of officer of the corporation, or such person s service, at the corporation s request, as a director, officer, employee or agent of another corporation or other enterprise, against amounts paid and expenses incurred in connection with the defense or settlement of such action, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the corporation s best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such person s conduct was unlawful. If such person has been judged liable to the corporation in any action or proceeding brought by or in the right of the corporation, however, indemnification is only permitted to the extent that the adjudicating court (or the court in which the action was brought) determines, despite the adjudication of liability, that such indemnification is proper.

As permitted by Section 145 of DGCL, the restated certificate of incorporation and by-laws of Danielson authorize Danielson to indemnify any officer, director and employee of Danielson against amounts paid or expenses incurred in connection with any action, suit or proceeding (other than any such action by or in the right of the corporation) to which such person is or is threatened to be made a party as a result of such position if the Board of Directors or stockholders of or independent legal counsel to, Danielson, in a written opinion, determine that indemnification is proper.

We have agreed to indemnify and hold KPMG harmless against and from any and all legal costs and expenses incurred by KPMG in successful defense of any legal action or proceeding that arises as a result of KPMG s consent to the incorporation by reference of its report on our past financial statements incorporated by reference in this registration statement.

Table of Contents

Item 16. ***Exhibits.***

(a) *Exhibits*

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of Danielson Holding Corporation.(1)
3.2	Amended and Restated Bylaws of Danielson Holding Corporation.(2)
5.1	Legal Opinion of Neal, Gerber & Eisenberg LLP
23.1	Consent of Independent Registered Public Accounting Firm of Danielson Holding Corporation and Subsidiaries, dated November 22, 2004, by Ernst & Young LLP.
23.2	Consent of Independent Registered Public Accounting Firm of American Commercial Lines, LLC and Subsidiaries, dated November 18, 2004, by Ernst & Young LLP.
23.3	Consent of Independent Registered Public Accounting Firm of Covanta Energy Corporation and Subsidiaries, dated November 23, 2004, by Deloitte & Touche LLP.
23.4	Consent of Independent Registered Public Accounting Firm of Quezon Power, Inc. and Subsidiary, dated November 22, 2004, Sycip Gorres Velayo & Co., a Member Practice of Ernst & Young Global.
23.5	Consent of Independent Registered Public Accounting Firm of Danielson Holding Corporation and Subsidiaries dated November 23, 2004 by KPMG LLP.
23.6	Consent of Independent Registered Public Accounting Firm of American Commercial Lines, LLC, dated November 24, 2004, by PricewaterhouseCoopers LLP.
23.7	Consent of Neal, Gerber & Eisenberg LLP (included as part of opinion attached hereto as Exhibit 5.1)
24.1	Powers of Attorney (included as part of the signature page of this Registration Statement)

(1) Filed as Exhibit 3.1 to the Company s Annual Report on Form 10-K filed on March 30, 2000, and incorporated herein by reference (File No. 1-6732).

(2) Filed as Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q filed on September 8, 2004, and incorporated herein by reference (File No. 1-6732).

(b) Supplemental Financial Statement Schedules:

Item 17. ***Undertakings.***

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

Provided, however, that paragraphs (i) and (ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

Table of Contents

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than insurance payments and the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fairfield, State of New Jersey, on November 22, 2004.

DANIELSON HOLDING CORPORATION
(Registrant)

By: /s/ ANTHONY J. ORLANDO

Anthony J. Orlando
President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints ANTHONY J. ORLANDO and CRAIG D. ABOLT, and each of them, his/her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, to sign, execute and file with the Securities and Exchange Commission (or any other governmental or regulatory authority), for us and in our names in the capacities indicated below, this registration statement on Form S-3 (including all amendments thereto) with all exhibits and any and all documents required to be filed with respect thereto, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and to perform each and every act and thing necessary and/or desirable to be done in and about the premises in order to effectuate the same as fully to all intents and purposes as he himself/she herself might or could do if personally present, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement on Form S-3 has been signed on November 22, 2004 by the following persons in the capacities indicated:

Signature	Title
/s/ WILLIAM C. PATE William C. Pate	Chairman of the Board
/s/ ANTHONY J. ORLANDO Anthony J. Orlando	President and Chief Executive Officer (Principal Executive Officer)
/s/ CRAIG D. ABOLT Craig D. Abolt	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ DAVID M. BARSE David M. Barse	Director
/s/ RONALD J. BROGLIO Ronald J. Broglio	Director
/s/ PETER C.B. BYNOE Peter C.B. Bynoe	Director

Table of Contents

Signature	Title
/s/ RICHARD L. HUBER	Director
Richard L. Huber	
/s/ JEAN SMITH	Director
Jean Smith	
/s/ JOSEPH P. SULLIVAN	Director
Joseph P. Sullivan	
/s/ CLAYTON YEUTTER	Director
Clayton Yeutter	

Table of Contents

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