UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
OGDEN NEW YORK SERVICES, INC., et al.,	)	Case Nos. 02-40826 (CB), et al.
Debtors and Debtors In Possession.	)	(Jointly Administered)

AMENDED DISCLOSURE STATEMENT WITH RESPECT TO AMENDED JOINT PLAN OF REORGANIZATION OF COVANTA TAMPA BAY, INC. AND COVANTA TAMPA CONSTRUCTION, INC. UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: May 20, 2004

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AMENDED DISCLOSURE STATEMENT WITH RESPECT TO AMENDED JOINT PLAN OF REORGANIZATION OF COVANTA TAMPA BAY, INC. AND COVANTA TAMPA CONSTRUCTION, INC. UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

I. INTRODUCTION

Covanta Tampa Bay, Inc. ("CTB") and Covanta Tampa Construction, Inc. ("CTC" and, together with CTB, the "Reorganizing Debtors") submit this Amended Disclosure Statement pursuant to section 1125 of the Bankruptcy Code ("Disclosure Statement"), for use in the solicitation of votes on the Amended Joint Chapter 11 Plan of Reorganization of Covanta Tampa Bay, Inc. and Covanta Tampa Construction, Inc. under Chapter 11 of the Bankruptcy Code that was filed with the Court on May 20, 2004 (together with any subsequent amendments, the "Plan"), a copy of which is attached hereto as Exhibit A.

This Disclosure Statement sets forth certain information regarding the Reorganizing Debtors' prepetition history, significant events that have occurred during their jointly administrated bankruptcy cases (the "Chapter 11 Cases"), and the anticipated reorganization, operations and financing of the Reorganizing Debtors. This Disclosure Statement also describes the terms and provisions of the Plan, including certain alternatives to the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims must follow for their votes to be counted.

FOR A DESCRIPTION OF THE PLAN AND VARIOUS RISKS AND OTHER FACTORS PERTAINING TO THE PLAN AS THEY RELATE TO HOLDERS OF CLAIMS AND EQUITY INTERESTS, PLEASE SEE ARTICLE VII (SUMMARY OF THE PLAN) AND ARTICLE VIII (CERTAIN RISKS TO BE CONSIDERED).

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATED TO THE PLAN, CERTAIN EVENTS IN THE CHAPTER 11 CASES, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE REORGANIZING DEBTORS BELIEVE THAT SUCH SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE REORGANIZING DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE REORGANIZING DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND APPENDICES HERETO IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. SUMMARIES OF THE PLAN AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, OTHER EXHIBITS ANNEXED OR REFERRED TO IN THE PLAN, RESPECTIVELY, AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH 11 U.S.C. § 1125 AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE

"BANKRUPTCY RULES") AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER LAWS GOVERNING DISCLOSURE OUTSIDE THE CONTEXT OF TITLE 11 OF THE UNITED STATES CODE §§ 101-1330 (THE "BANKRUPTCY CODE"). THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SEC APPROVED OR DISAPPROVED OF THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT AND APPENDICES HERETO WILL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY NONBANKRUPTCY PROCEEDING NOR WILL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN THE REORGANIZING DEBTORS.

NO PARTY IS AUTHORIZED TO PROVIDE TO ANY OTHER PARTY ANY INFORMATION CONCERNING THE PLAN OTHER THAN THE CONTENTS OF THIS DISCLOSURE STATEMENT. THE REORGANIZING DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THEM OR THE VALUE OF THEIR PROPERTY OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD NOT RELY ON ANY INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE OF THE PLAN THAT ARE OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN AND IN THE PLAN.

ALTHOUGH THE REORGANIZING DEBTORS HAVE USED THEIR BEST EFFORTS TO ENSURE THE ACCURACY OF THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT, THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED, EXCEPT, TO THE EXTENT INDICATED, THE FINANCIAL STATEMENTS ARE INCLUDED IN THE ANNUAL REPORT ON FORM 10-K OF COVANTA ENERGY CORPORATION ("COVANTA" OR THE "COMPANY").

THE PROJECTIONS PROVIDED IN THIS DISCLOSURE STATEMENT HAVE BEEN PREPARED BY THE REORGANIZING DEBTORS' MANAGEMENT. THESE PROJECTIONS, WHILE PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY MANAGEMENT AT THE TIME THEY WERE MADE, MAY NOT BE ACHIEVED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC, COMPETITIVE, INDUSTRY, REGULATORY, MARKET AND FINANCIAL UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE REORGANIZING DEBTORS' CONTROL. THE REORGANIZING DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THESE PROJECTIONS OR TO THEIR ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE. FURTHER, EVENTS AND CIRCUMSTANCES OCCURING SUBSEQUENT TO THE DATE ON WHICH THESE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR, ALTERNATIVELY, MAY HAVE BEEN UNANTICIPATED, AND THUS THE OCCURRENCE OF THESE EVENTS MAY AFFECT FINANCIAL RESULTS IN A MATERIALLY ADVERSE OR MATERIALLY BENEFICIAL MANNER. THE PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR.

SEE ARTICLE VIII OF THIS DISCLOSURE STATEMENT, "RISK FACTORS," FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH A DECISION BY A HOLDER OF AN IMPAIRED CLAIM TO ACCEPT THE PLAN.

II. BANKRUPTCY PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims

This Disclosure Statement is being transmitted to certain holders of Claims for the purpose of soliciting votes on the Plan and to others for informational purposes. The purpose of this Disclosure Statement is to provide adequate information to enable the holder of a Claim to make a reasonably informed decision prior to exercising the right to vote to accept or reject the Plan.

By order entered on May 20, 2004 (Docket No. 3918) (the "Disclosure Statement Order"), the Court approved this Disclosure Statement as containing information of a kind and in sufficient and adequate detail to enable holders of Claims that are entitled to vote on the Plan to make an informed judgment with respect to acceptance or rejection of the Plan. THE COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE PLAN BY THE COURT.

ALL HOLDERS OF CLAIMS ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY, AND IF NECESSARY TO CONSULT WITH COUNSEL, BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE PLAN. This Disclosure Statement contains important information about the Plan, considerations pertinent to acceptance or rejection of the Plan and developments concerning the Chapter 11 Cases.

THIS DISCLOSURE STATEMENT AND THE OTHER MATERIALS INCLUDED IN THE SOLICITATION PACKAGE ARE THE ONLY DOCUMENTS AUTHORIZED BY THE COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. No solicitation of votes may be made except after distribution of this Disclosure Statement and no person has been authorized to distribute any information concerning the Reorganizing Debtors or the Plan other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD-LOOKING AND CONTAINS ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. Except with respect to the projections set forth in Exhibit B attached hereto and except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Reorganizing Debtors do not intend to update the projections subsequent to the date of this Disclosure Statement; thus, the Projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Projections. Further, the Reorganizing Debtors do not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure Statement does not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof.

EXCEPT WHERE SPECIFICALLY NOTED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN AUDITED BY A CERTIFIED PUBLIC ACCOUNTANT AND HAS NOT BEEN PREPARED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES.

B. Voting Record Date

The record date for determining which holders of Claims are entitled to vote on the Plan is May 19, 2004 (the "Voting Record Date").

C. Solicitation Package

This Disclosure Statement has been prepared with, among other things, copies of (1) the Plan (Exhibit A); (2) the Projected Financial Information (the "Projections") (Exhibit B); (3) the Liquidation Analysis of the Reorganizing Debtors (the "Liquidation Analysis") (Exhibit C); (4) the notice of, among other things, the time for

submitting Ballots to accept or reject the Plan, the date, time and place of the Confirmation Hearing, and the time for filing objections to the confirmation of the Plan (the "Confirmation Hearing Notice"); and (5) if you are entitled to vote, one or more Ballots (and return envelopes, without postage,) to be used by you in voting to accept or to reject the Plan.

Depending on the Class to which you belong under the Plan, you may receive this Disclosure Statement (along with the Plan and, as applicable, certain of the exhibits hereto described above). Holders of Claims in Classes 2, 3 and 4 under the Plan will receive a ballot for voting on this Plan (along with the Plan and this Disclosure Statement). In addition, all parties in the Reorganizing Debtors' most recent notice list filed with the Court will receive this Disclosure Statement (along with the Plan).

Subject to the limitations provided in the Disclosure Statement Order, the Confirmation Hearing Notice will be sent to all known holders of Claims against or Equity Interests in the Reorganizing Debtors' Estates as of the Voting Record Date, as well as to all parties in the Reorganizing Debtors' most recent notice list filed with the Court.

D. General Voting Procedures, Ballots, and Voting Deadline

If you are entitled to vote on the Plan, after carefully reviewing the Plan, this Disclosure Statement and the voting instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by checking the appropriate box on the enclosed Ballot. Please complete and sign your original Ballot (copies will not be accepted) and return it in the envelope provided. You must provide all of the information requested by the appropriate Ballot(s). Failure to do so may result in the disqualification of your vote on such Ballot(s). The description of the voting procedures contained in this Disclosure Statement represents a summary of the voting procedures approved by the Court and is qualified in its entirety by the Court-approved voting instructions accompanying each Ballot.

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot(s) sent to you with this Disclosure Statement.

IN ORDER FOR YOUR VOTE WITH RESPECT TO THE PLAN TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ON THE BALLOT AND ACTUALLY RECEIVED NO LATER THAN JULY 1, 2004, AT 4:00 P.M. (PREVAILING EASTERN TIME) (THE "VOTING DEADLINE") BY BANKRUPTCY SERVICES, LLC, 757 THIRD AVENUE, THIRD FLOOR, NEW YORK, NEW YORK 10017 (THE "BALLOTING AGENT"). BALLOTS RECEIVED AFTER SUCH TIME WILL NOT BE COUNTED, EXCEPT AS OTHERWISE PERMITTED BY ORDER OF THE COURT. BALLOTS SHOULD NOT BE DELIVERED DIRECTLY TO THE REORGANIZING DEBTORS, THE COURT, OR COUNSEL TO THE REORGANIZING DEBTORS.

E. Voting Procedures for Unknown Holders

With respect to all holders of impaired Claims against the Reorganizing Debtors' Estates who are entitled to vote on the Plan, but that cannot be identified or located by the Reorganizing Debtors, the Reorganizing Debtors will publish notice of the Confirmation Hearing in the WALL STREET JOURNAL (National Edition) once no later than 15 business days after entry of the Disclosure Statement Order. With respect to holders entitled to vote under the Plan, upon being contacted by holders who previously could not be identified or located, the Reorganizing Debtors will promptly provide each such holder with copies of this Disclosure Statement (and relevant exhibits thereto), as appropriate, after such holder has adequately evidenced its Claim in the Reorganizing Debtors' Estates.

F. Questions About Voting Procedures

If (1) you have any questions about (a) the procedure for voting your Claim, (b) the packet of materials that you have received, or (c) the amount of your Claim or (2) you wish to obtain, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such documents please contact:

Bankruptcy Services, LLC
757 Third Ave, Third Floor
New York, NY 10017
Telephone: (646) 282-2500
Facsimile: (646) 282-2501

NO INQUIRIES CONCERNING VOTING PROCEDURES SHOULD BE DIRECTED TO COUNSEL TO THE REORGANIZING DEBTORS, THE UNITED STATES TRUSTEE OR ANY OTHER PARTY.

FOR FURTHER INFORMATION AND INSTRUCTION ON VOTING TO ACCEPT OR REJECT THE PLAN, SEE ARTICLE XIII (VOTING REQUIREMENTS).

G. Tabulation of Votes and Voting Objection Procedures

Votes on the Plan will be counted in accordance with either (i) the Reorganizing Debtors' schedules (as amended) with respect to Claims as to which no proofs of claim have been filed or (ii) a proof of claim filed in these cases, provided that a vote in respect of a Claim that is subject to an objection seeking to (a) disallow or reduce a Claim for voting purposes, (b) disallow a Claim, (c) reduce the amount of a Claim, and (d) reallocate and transfer a proof of claim from the case of one debtor that is the subject of the bankruptcy cases jointly administrated with those of the Reorganizing Debtors under the caption In Re Ogden New York Services, Inc., et al., Case Nos. 02-40826(CB), et al. (the "Debtors") to another Debtor's case (collectively, "Claims Objections"), shall be counted in accordance with the treatment provided in such Claims Objection or as otherwise provided by the Court. If such an objection is timely filed, the Ballot for the holder of such proof of claim shall be counted in accordance with a Claims Objection, unless temporarily allowed in a different manner by the Court after notice and hearing. Any party seeking temporary allowance of a Claim for voting purposes in a manner different than as stated in a Claims Objection is required to file with the Court a motion, with evidence in support thereof, seeking temporary allowance of such Claim pursuant to Bankruptcy Rule 3018(a) ("Rule 3018(a) Motion") on or before June 19, 2004, at 4:00 p.m. (Prevailing Eastern Time) (the "Rule 3018(a) Motion Deadline"). Furthermore, any holder of a Claim that is scheduled as zero, disputed, unliquidated or contingent in the Schedules who wishes to vote on the Plan must file a Rule 3018(a) Motion on or prior to the Rule 3018(a) Motion Deadline. A Rule 3018(a) Motion must be served on counsel the Reorganizing Debtors so as to be received by the Rule 3018(a) Motion Deadline.

H. Confirmation Hearing and Deadline for Objections to Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Court has scheduled the Confirmation Hearing for July 14, 2004, at 2:00 p.m. (Prevailing Eastern Time). The Confirmation Hearing will be held before the Honorable Cornelius Blackshear, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, NY 10004-1408. The Confirmation Hearing may be adjourned from time to time by the Court without prior notice except for the announcement of the adjournment date made at the confirmation hearing or at any subsequently adjourned hearing.

The Court has established that the discovery cut-off date relating to the Plan is July 9, 2004, at 4:00 p.m. (Prevailing Eastern Time).

Pursuant to the Disclosure Statement Order, objections, if any, to confirmation of the Plan must be filed with the Court and served so that they are RECEIVED on or before July 1, 2004, at 4:00 p.m. (Prevailing Eastern Time) (the "Confirmation Objection Deadline") by the parties listed below. Objections, if any, to confirmation of the Plan must be served on the following parties:

Counsel for the Reorganizing Debtors

Cleary, Gottlieb, Steen & Hamilton
One Liberty Plaza
New York, NY 10006
Attn: James L. Bromley, Esq.

and

Jenner & Block LLP
One IBM Plaza
Chicago, IL 60611-7603
Attn: Vincent E. Lazar, Esq.

Office of the United States Trustee

Office of the United States Trustee
US Department of Justice
Southern District of New York
33 Whitehall Street, 21st Floor
New York, NY 10004
Attn: Brian Masumoto, Esq.

Counsel for Tampa Bay Water

Saxon, Gilmore, Carraway, Gibbons, Lash & Wilcox, P.A.
South Trust Bank Building
201 E. Kennedy Blvd., Suite 600
Tampa, FL 33602
Attn: Thomas A. Lash, Esq.

Responses or objections, if any, to confirmation of the Plan: (a) shall be in writing; (b) shall state the name and address of the objector and its interest in the Reorganizing Debtors; (c) shall state, if appropriate, the amount and nature of the objector's Claim or Equity Interest; (d) shall state the grounds for the responses or objections and the legal basis therefore; (e) shall reference with specificity the text of the Plan to which the responses or objections are made, and (f) shall provide proposed language changes or insertions to the Plan to resolve the responses or objections. If a response or objection to the confirmation of the Plan is not timely filed and served before the Confirmation Objection Deadline, the responding or objecting party shall be barred from objecting to confirmation of the Plan and be precluded from being heard at the Confirmation Hearing.

I. Additional Copies of Disclosure Statement and Plan

Additional copies of the Disclosure Statement and the Plan may be obtained from counsel to the Reorganizing Debtors at the address specified on the cover of this Disclosure Statement.

III. HISTORY OF THE REORGANIZING DEBTORS' BUSINESS OPERATIONS

A. Overview of Reorganizing Debtors' Business Operations

CTB and CTC are both wholly owned indirect subsidiaries of Covanta. On April 1, 2002 (the "First Petition Date"), Covanta and 123 of its domestic subsidiaries or affiliates (including CTB) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Court. On December 16, 2002 (the "Second Petition Date"), June 6, 2003 (the "Third Petition Date") and October 29, 2003 (the "Fourth Petition Date, and with the First Petition Date, the Second Petition Date and the Third Petition Date, the "Petition Dates") thirty-two (32) additional subsidiaries (including CTC) filed their chapter 11 petitions for relief under the Bankruptcy Code. The bankruptcy cases of the Debtors have been jointly administered under the caption "In re Ogden New York Services, Inc., et al., Case Nos. 02-40826 (CB), et al."

The sole businesses of the Reorganizing Debtors relate to a 25 million gallon per day desalination-to-drinking water facility (the "Facility") near Tampa Bay, Florida. Prior to the commencement of these Chapter 11 Cases, CTC had entered into a contract with Tampa Bay Water ("Tampa Bay Water" or "TBW") to construct and test the Facility, and CTB had entered into an Operation, Maintenance, Repair and Replacement Agreement, as

amended, on September 25, 2002 (the "O&M Agreement"), which provided that CTB would operate, maintain and repair the Facility after the completion of construction and testing and turnover of the Facility by CTC to TBW.

During the pendency of these Chapter 11 Cases, the Reorganizing Debtors, together with their affiliates, undertook substantial efforts towards completing construction and testing of the Facility. These efforts included the expenditure of substantial financial resources by Covanta in an effort to preserve the value of the Reorganizing Debtors, as further described in Section IV.B of this Disclosure Statement. Notwithstanding the efforts of the Reorganizing Debtors and their affiliates to complete construction of the Facility, a substantial dispute arose when TBW asserted that CTC failed to meet certain requirements with respect to the acceptance test for the Facility. This dispute culminated in extensive litigation between Covanta, CTC and CTB, on the one hand, and TBW, on the other hand, as described further below.

While CTC and CTB were embroiled in litigation with TBW regarding the Facility, Covanta and certain of its affiliated debtors (not including CTC and CTB) filed with the Bankruptcy Court a second plan of reorganization and second plan of liquidation (collectively, the "Second Plans") (Docket Nos. 3101 and 3100, respectively), and on January 9 and January 26, 2004, those same debtors filed with the Court revised versions of the Second Plans (Docket Nos. 3194 and 3191 and 3311 and 3312, respectively). On January 14, 2004, the Court entered an Order (Docket No. 3274) approving the disclosure statement describing the Second Plans and setting a hearing on confirmation of the Second Plans for March 3, 2004. On March 5, 2004, the Court entered orders confirming the Second Plans (Docket Nos. 3598 and 3600). On March 10, 2004, the Second Plans were substantially consummated and became effective. Confirmation and consummation of the Second Plans did not involve the Reorganizing Debtors or their Estates, as CTC, CTB and 3 other affiliated Debtors remained debtors-in-possession (together, the "Remaining Debtors"). A summary of certain material provisions of the Second Plans is set forth in Section VI below.

In response to the litigation among TBW, Covanta, CTC and CTB, the Bankruptcy Court ordered the parties to mediate their disputes. After extensive mediation, the parties agreed to settle their disputes to avoid the continued expense, uncertainty, and delay of litigation pursuant to the TBW Settlement Agreement among Tampa Bay Water, the Reorganizing Debtors and Covanta, a copy of which is attached to the Plan as Exhibit A. The TBW Settlement Agreement established a basis for CTC and CTB to emerge from bankruptcy by providing, among other things, that upon the effectiveness of a reorganization plan reflecting the terms of the TBW Settlement Agreement, Tampa Bay Water would pay the Reorganizing Debtors the sum of up to $4.95 million. For a more complete description of the TBW Settlement Agreement, see Section III.B below. Accordingly, CTC and CTB developed the Plan in order to implement the TBW Settlement Agreement and thereby maximize the value of the estates in these Chapter 11 Cases for the benefit of all parties in interest.

Pursuant to the TBW Settlement Agreement and the Plan, the Reorganizing Debtors will likely transfer their interests in and to the Facility to Tampa Bay Water as of the Effective Date. Following the Effective Date the Reorganizing Debtors will continue operating the Facility on behalf of Tampa Bay Water for an interim period until such time as responsibility for Facility operations is transferred from CTC to TBW, or to a third party designated by TBW. After such time, the Reorganizing Debtors likely will wind down their operations relating to the Facility.

B. TBW Settlement Agreement Embodied in the Plan

The Plan is premised substantially on the TBW Settlement Agreement, a copy of which is attached to the Plan as Exhibit A. The following is a summary of the events leading up to, and the material terms of, the TBW Settlement Agreement:

In December 2000, two private companies, S & W Water, LLC ("S&W"), as water developer, and CTB, as contractor, entered into a contract (the "EPC Contract") for the engineering, procurement and construction of the Facility. On April 29, 2002, Tampa Bay Water, an interlocal governmental agency of the State of Florida purchased the Facility and succeeded to S&W's rights and obligations under the EPC Contract. CTC succeeded to CTB's rights and obligations under the EPC Contract.

Under the EPC Contract, as amended, CTC is obligated to build, start-up, optimize and test the Facility. The EPC Contract contains performance guarantees with which CTC is required to demonstrate compliance through

an acceptance test. The EPC Contract also defines Tampa Bay Water's available remedies for missed performance guarantees and schedule delays. Under the EPC Contract, CTC is required to turn the Facility over to Tampa Bay Water after substantial completion of the acceptance test or termination of the EPC Contract. The EPC Contract also provides that Tampa Bay Water will withhold from CTC 10 percent of the contract price until the Facility is turned over to Tampa Bay Water.

On April 1, 2002, CTB filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, and on October 29, 2003, CTC filed a petition for relief under Chapter 11 of the Bankruptcy Code. On November 13, 2003, Tampa Bay Water filed a Verified Complaint for Possession and Permanent Injunction and requested the entry of a permanent injunction that would have allowed Tampa Bay Water to: (1) enter the Facility with its own subcontractors and materialmen; (2) correct alleged deficiencies in the Facility; and (3) thereafter operate the Facility until the alleged deficiencies had been corrected. On November 14, 2003, Tampa Bay Water filed: (1) a Motion for Temporary Restraining Order and a Request for Alternative Relief seeking an order requiring that CTC immediately cease operating the Facility and permitting Tampa Bay Water to assume operation of the Facility pending a hearing on and determination of its permanent injunction motion; and (2) a Request for Alternative Relief requesting that an order be entered modifying the automatic bankruptcy stay to allow Tampa Bay Water to enter the Facility with its subcontractors and materialmen to correct alleged deficiencies and to thereafter operate the Facility on an interim basis. On November 25, 2003, the Court entered an order denying Tampa Bay Water's motion for temporary and preliminary injunctive relief, and directing the parties to mediate their disputes.

On December 24, 2003, Tampa Bay Water filed an amended complaint against CTC. On January 14, 2004, CTC filed an answer and affirmative defenses to the amended complaint, as well as counterclaims against Tampa Bay Water. The parties disputed a number of issues, including: (a) whether the Facility passed the acceptance test conducted between April 30, 2003 and May 15, 2003; (b) whether CTC was entitled to schedule and cost relief on account of the wastewater discharge limitations imposed on the Facility by Hillsborough County; (c) whether the Facility had achieved the performance criteria specified in the EPC Contract; (d) whether CTC met the schedule required under the EPC Contract; and (e) whether circumstances beyond the parties' control, such as the quality of the intake water to the Facility, rendered CTC's performance of the EPC Contract impossible or impracticable. In addition to the dispute between CTC and Tampa Bay Water regarding the EPC Contract, and notwithstanding an adjudication of that dispute, CTB and Tampa Bay Water would likely have litigated their rights and obligations under the O&M Agreement. Further, Covanta asserted that it was entitled to certain claims directly against Tampa Bay Water, separate and apart from CTC's claims under the EPC Contract.

Following extensive mediation sessions, the parties agreed to settle their disputes to avoid the continued expense, uncertainty, and delay of litigation pursuant to the TBW Settlement Agreement among Tampa Bay Water, the Reorganizing Debtors and Covanta, a copy of which is attached to the Plan as Exhibit A. The TBW Settlement Agreement provides, among other things, that following confirmation of the Plan, Tampa Bay Water will pay to CTC the sum of up to $4.95 million. That amount includes a maximum of $550,000 to be paid to subcontractors with valid claims for certain subcontracts previously assigned to Tampa Bay Water, which may be paid prior to confirmation of the Plan; the Plan provides that the balance shall be paid on the Effective Date of the Plan.

The TBW Settlement Agreement also provides that: (a) Covanta will provide to Tampa Bay Water a list of all outstanding subcontracts and purchase orders and will retain responsibility for outstanding amounts under all contracts and purchase orders that have not been assigned to Tampa Bay Water; (b) CTC and Tampa Bay Water will exchange mutual global releases, as more fully described in the TBW Settlement Agreement; (c) King Engineering, a subcontractor that worked on elements of the design and construction of the Facility, will sign and seal all as builts. The signed and sealed as builts, as well as all non-privileged records and documents of the Facility will be transferred to Tampa Bay Water. Should King Engineering refuse to sign and seal all as builts, CTC and Tampa Bay Water agree to jointly pursue King in any necessary legal or other action; (d) with regard to insurance, Covanta will provide to Tampa Bay Water administrative information to close insurance and shall waive any claims for insurance premium rebates or return of insurance claim reserve funds. CTC will be responsible only for premiums on the policies placed by CTC and will not be responsible for any payments on insurance policies placed by Tampa Bay Water; (e) CTC will assign to Tampa Bay Water all existing warranties "as is." CTC also will quitclaim to Tampa Bay Water, free and clear of all liens, claims and encumbrances, all assets of the Facility "as is" and will not remove any project assets from the Facility site. In addition, CTC will quitclaim to Tampa Bay Water its interests in the pilot plant located at the Facility; (f) on the date of the final settlement, CTC will assign to Tampa Bay Water all

claims against non-Covanta affiliated entities that are related to the Facility. Any recovery to which Tampa Bay Water is entitled on any such or any other claims against third parties related to the Facility ("Third Parties") will be reduced by the amount the Third Parties would be entitled to receive as an actual distribution from the Reorganizing Debtors' bankruptcy cases and until all claims against the Reorganizing Debtors have been discharged, any settlement or compromise with any Third Party of claims related to the Facility will include a full release of the Reorganizing Debtors; (g) with regard to CTC's current employees: (1) Tampa Bay Water will aggressively pursue the transition the 16 full-time operations employees to a new operator without interruption in pay or benefits; (2) if Tampa Bay Water or its designated Facility contractor/operator has not hired all of the 15 hourly wage personnel at the time the Facility is surrendered, each unhired hourly wage operations personnel (not to exceed 12 persons) will receive from Tampa Bay Water a severance package of three months' wages; (3) upon surrender of the Facility, if the plant manager has not been hired by the new operator or Tampa Bay Water, Tampa Bay Water will retain the plant manager for a minimum of 90 days as an independent consultant at her wage level as of December 31, 2003, plus one month of severance pay; (4) the Reorganizing Debtors will use their best efforts to ensure the continuing services of certain Covanta employees to assist in the transition; (h) the Reorganizing Debtors will file the Plan consistent with the settlement provisions which (i) includes releases of and injunctions against all direct and indirect claims against the Reorganizing Debtors that are related to the Facility, claims against the Facility for which the Reorganizing Debtors may be liable, and the Reorganizing Debtors' own claims against Tampa Bay Water, (ii) includes provisions for the disallowance of all Third Party claims against the Reorganizing Debtors, and (iii) may provide for the payment of valid intercompany administrative claims incurred by CTC, up to $3.4 million; (i) Tampa Bay Water will pay for product water delivered by CTC until the Facility is placed on "hot-standby." During periods of "hot-standby", Tampa Bay Water shall pay $225,000 per month, plus the cost of wastewater storage and disposal and other approved extraordinary costs. If the Facility is restarted, CTC instead will be paid all out-of-pocket costs related to start up and operation, plus an additional five percent. CTC will not be obligated to continue operating the Facility beyond 30 days after the final date of the settlement and may, at its election, surrender possession of the Facility to Tampa Bay Water with seven days notice any time after the expiration of those 30 days; (j) Tampa Bay Water will be responsible for any uninsured losses or claims arising from the Facility after the date of the settlement agreement, provided they are not attributable to the Reorganizing Debtors' gross negligence or willful misconduct; and (k) the O&M Agreement and the EPC Contract will be assigned as directed by Tampa Bay Water, provided that the assignment does not impose additional obligations on the Reorganizing Debtors. Any assignee will provide the Reorganizing Debtors with a general release of all potential claims stemming from the assignment. If Tampa Bay Water does not direct any such assignment, such contract will be deemed rejected and terminated without further liability to any party.

On February 17, 2004, the Reorganizing Debtors filed a motion (Docket No. 3447) pursuant to Bankruptcy Rule 9019 to have the proposed settlement embodied in the TBW Settlement Agreement approved. The Court held a hearing on this motion on March 17, 2004, at which time the Court entered an order approving the TBW Settlement Agreement (Docket No. 3660), and authorized the Reorganizing Debtor to perform the pre-Plan confirmation obligations specified in the TBW Settlement Agreement. The Plan conforms to the requirements and agreements set forth in the TBW Settlement Agreement.

IV. CAPITAL STRUCTURE OF THE REORGANIZING DEBTORS

The Reorganizing Debtors' capital structure consists of the following:

A. DIP Financing Facility

On March 3, 2004, the Court entered an interim order (Docket No. 3592), and on March 24, 2004, the Court entered a final order (Docket No. 3678), approving a Post-Petition Credit Agreement between each of the Reorganizing Debtors, as borrowers, and Covanta, as lender (the "DIP Lender"), pursuant to which Covanta agrees to provide post-petition financing to the Reorganizing Debtors, on a joint and several liability basis, to fund the Reorganizing Debtors' continuing operations as debtors-in-possession up to $1 million (the "DIP Financing Facility"). As of April 30, 2004, there was an outstanding indebtedness under the DIP Financing Facility of approximately $200,000.00.

B. Covanta Administrative Expense Claim

The Covanta Administrative Expense Claim consists of the Administrative Expense Claim of Covanta for funds advanced and services provided to the Reorganizing Debtors during the pendency of the Reorganizing Debtors' Chapter 11 Cases, not including any Secured Claims arising under the DIP Financing Facility, which shall be deemed Allowed on the Confirmation Date in the amount of $3,400,000.00.

The Allowed amount of the Covanta Administrative Expense Claim represents a voluntary reduction of the otherwise allowable amount of Covanta's Administrative Expense Claim of several million dollars. If necessary, the Reorganizing Debtors will be prepared to demonstrate the validity and amount of the Covanta Administrative Claim at the Confirmation Hearing, including the substantial reduction in the amount of that Claim that is being implemented through the Plan.

C. Other Administrative Claims

The Reorganizing Debtors believe that there are no Administrative Expense Claims other than Claims related to Administrative Expenses incurred by the Reorganizing Debtors in the ordinary course of their business.

D. Secured Claims

The Reorganizing Debtors estimate that there are approximately $8,000,000.00 of Secured Claims, consisting of Tampa Bay Water's disputed claims against CTC that are secured by retainage in approximately such amount, and the claims of Federal Insurance Company, the CTC surety that has made payments on CTC's behalf and whose claims are secured by CTC's interest in that retainage. Under the TBW Settlement Agreement, TBW's Secured Claim will be waived on the Effective Date.

E. Unsecured Claims

The Reorganizing Debtors estimate that there are less than $250,000.00 of Unsecured Claims (excluding Third Party Claims and Intercompany Claims), consisting primarily of the Claims of parties who provided goods and services in connection with the construction or testing of the Facility.

F. Intercompany Claims

Intercompany Claims consist of Unsecured Claims against a Reorganizing Debtor asserted by any Person that was an Affiliate of such Reorganizing Debtor as of the applicable Petition Date. The Reorganizing Debtors estimate that there are approximately $12 million of pre-petition Intercompany Claims. This amount is in addition to, and exclusive of, the Covanta Administrative Expense Claims.

G. Third Party Claims

"Third Party Claims" consist of any Claim asserted against the Reorganizing Debtors by a Third Party seeking contribution, indemnity, reimbursement or other recovery from the Reorganized Debtors on account of claims that directly or indirectly are or may be asserted against such Third Party by Tampa Bay Water (expressly including but not limited to any claims that may be assigned by the Reorganized Debtors to Tampa Bay Water pursuant to the TBW Settlement Agreement). In turn, the term "Third Party" is defined by the Plan to mean any person or entity, including without limitation any insurance, bonding, or surety entity, other than the Reorganized Debtors and the Reorganizing Debtor Affiliates, against whom Tampa Bay Water has or may assert a claim, whether now or in the future, whether or not assigned to Tampa Bay Water by the Reorganizing Debtors or Covanta, relating to the Facility (including but not limited to claims arising from or relating to the design, engineering, construction or testing of the Facility or any of the components or processes used at or incorporated into the Facility). The Reorganizing Debtors believe that no valid Third Party Claims exist.

H. Equity

Covanta owns, directly or indirectly, 100% of the outstanding Equity Interests in and to each of the Reorganizing Debtors.

V. CORPORATE STRUCTURE OF THE REORGANIZING DEBTORS

A. The Debtors' Corporate Structure

Covanta is the parent holding company of 155 subsidiaries that have been Debtors. Of the entities that have filed as Debtors, 79 were reorganized pursuant to the Second Reorganization Plan, and 64 are being liquidated pursuant to the Second Liquidation Plan. In addition, four Debtors were sold as part of the Debtors' sale of their aviation fueling assets and are no longer Debtors, and six were reorganized pursuant to the Heber Reorganization Plan. Four Debtors will remain in bankruptcy and will attempt to subsequently consummate a restructuring transaction. Finally, the two Reorganizing Debtors, CTC and CTB, will be reorganized pursuant to this Plan.

B. Management of the Reorganizing Debtors

The current directors and officers of the Reorganizing Debtors consist of highly capable and seasoned professionals with substantial experience. The following contains brief background descriptions and lists the directors and officers of the Reorganizing Debtors as of April 2004:

1. Directors

Anthony J. Orlando was appointed a Director of the Debtors effective March 10, 2004. He was named President and Chief Executive Officer of the Debtors in November 2003. From March 2003 until November 2003 Mr. Orlando served as Senior Vice President, Business and Financial Management of the Debtors. From January 2001 until March 2003, Mr. Orlando served as the Debtors' Senior Vice President, Waste to Energy. Previously he served as Executive Vice President of Covanta Energy Group, Inc., a Covanta subsidiary. Mr. Orlando joined the Debtors in 1987.

Philip Tinkler was appointed a Director of the Debtors effective March 10, 2004. He was named Chief Financial Officer of Danielson Holding Corporation on January 27, 2003. Mr. Tinkler is Chief Financial Officer of Equity Group Investments, L.L.C. ("EGI") and has served in various other capacities for EGI or its predecessor since 1990. Mr. Tinkler has been Vice President – Finance and Treasurer of First Capital Financial, LLC, a sponsor of public limited real estate partnerships, since April 2001.

Joseph P. Sullivan was appointed a Director of the Debtors effective March 10, 2004. He has been a Director of Danielson Holding Corporation since July 2002. Mr. Sullivan is a private investor and is currently retired after serving as the Chairman of the Board of IMC Global from July 1999 to November 2000, and as a Member of its Board of Directors and Executive Commission from March 1996 through December 2000. Mr. Sullivan served as Chairman of the Board of the Vigoro Corporation from March 1991 through February 1996 and as its Chief Executive Officer from March 1991 to September 1994.

These directors will continue in their positions as directors of the Reorganized Debtors on and after the Effective Date of the Plan.

In addition, Kevin Flannery serves as an outside Director of CTC. He is Chairman of the Board and CEO of Rowecom, Inc., a spin-off of divine, inc., Chairman of the Board of Telespectrum Worldwide, Inc., and President and CEO of Whelan Financial Corp., a financial advisory services company. It is not anticipated that Mr. Flannery will continue to serve as a Director of either of the Reorganized Debtors after the Effective Date.

2. Senior Officers

Anthony J. Orlando:	President and Chief Executive Officer
John M. Klett:	Senior Vice President, Domestic Operations
Seth Myones:	Senior Vice President, Business Management
Scott W. Whitney:	Senior Vice President, Business Development
Timothy J. Simpson:	Senior Vice President, General Counsel and Secretary
Louis M. Walters:	Vice President and Treasurer

Sheila Bilder: Assistant Secretary

Anthony J. Orlando was named President and Chief Executive Officer of the Debtors in November 2003. From March 2003 until November 2003 Mr. Orlando served as Senior Vice President, Business and Financial Management of the Debtors. From January 2001 until March 2003, Mr. Orlando served as the Debtors' Senior Vice President, Waste to Energy. Previously he served as Executive Vice President of Covanta Energy Group, Inc., a Covanta subsidiary. Mr. Orlando joined the Debtors in 1987.

John M. Klett was named Senior Vice President, Domestic Operations of the Debtors in March 2003. Prior thereto he served as Executive Vice President of Covanta Waste to Energy, Inc. for more than ten years, during which time he was responsible for all Covanta Waste to Energy, Inc. facility operations and maintenance. Mr. Klett joined the Debtors in 1986.

Seth Myones was named Senior Vice President, Business Management as of March 10, 2004. Prior thereto he served as Vice President, Business Management, of Covanta Waste to Energy, Inc., a Covanta subsidiary, since September 2001. From 1994 through September 2001, Mr. Myones served as Vice President of several subsidiaries in the Debtors' WTE business. Mr. Myones joined the Debtors in 1989.

Scott W. Whitney was named Senior Vice President, Business Development as of March 10, 2004. Previously he served as Vice President, Business Development for Covanta Energy Group, Inc., a Covanta subsidiary. Mr. Whitney joined the Debtors in 1987.

Timothy J. Simpson was named Senior Vice President, General Counsel and Secretary as of March 10, 2004. Prior thereto he served as Vice President, Associate General Counsel and Assistant Secretary of Covanta since June 2001. Prior thereto he served as Senior Vice President, Associate General Counsel and Assistant Secretary of Covanta Energy Group, Inc., a Covanta subsidiary. Mr. Simpson joined the Debtors in 1992.

Louis M. Walters was named Vice President and Treasurer of Covanta in 2001. Mr. Walters served as Treasurer of Covanta Energy Group, Inc. from January 2000 to 2001. Mr. Walters joined the Debtors in 2000.

These officers will continue in their respective positions on and after the Effective Date of the Plan.

VI. THE CHAPTER 11 CASES

A. Overview

On April 1, 2002, Covanta and 123 of its domestic subsidiaries or affiliates (including CTB) filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Court. On December 16, 2002, June 6, 2003, and October 29, 2003, thirty-two (32) additional subsidiaries (including CTC) filed their chapter 11 petitions for relief under the Bankruptcy Code. Eight (8) subsidiaries that had filed petitions on the First Petition Date have been sold as part of the Company's disposition of assets during the bankruptcy cases and are no longer owned by the Company. The bankruptcy cases of the Debtors are jointly administered under the caption "In re Ogden New York Services, Inc., et al., Case Nos. 02-40826 (CB), et al." Plans of reorganization or liquidation have been confirmed with respect to all of the Debtors, other than the Remaining Debtors.

B. Confirmation of Second Plans

On December 2, 2003, Covanta and Danielson Holding Company ("Danielson") entered into an Investment and Purchase Agreement, which provided that Danielson would purchase 100% of the equity in Covanta for approximately $30 million as part of a plan of reorganization. Further, as part of a plan of reorganization Danielson and certain of Covanta's secured lenders agreed to provide new revolving credit and letter of credit facilities for the Company's domestic and international operations, and Danielson further agreed to execute and consummate a tax sharing agreement between Danielson and reorganized Covanta pursuant to which Covanta's share of Danielson's consolidated group tax liability for taxable years ending after consummation of the Transaction will be computed

taking into account net operating losses of Danielson, and Danielson will have an obligation to indemnify and hold harmless Covanta for certain excess tax liability.

On December 18, 2003, Covanta and certain of its subsidiaries or affiliates, not including the Reorganizing Debtors, filed with the Court their Second Reorganization Plan and Second Liquidation Plan (collectively, the "Second Plans") (Docket Nos. 3101 and 3100, respectively), and on January 9 and January 26, 2004, those same debtors filed with the Court revised versions of the Second Plans (Docket Nos. 3194 and 3191 and 3311 and 3312, respectively). On January 14, 2004, the Court entered an Order (Docket No. 3274) approving the disclosure statement describing the Second Plans and setting a hearing on confirmation of the Second Plans for March 3, 2004. On March 5, 2004, the Court entered orders confirming the Second Plans (Docket Nos. 3598 and 3600). On March 10, 2004, the Second Plans were substantially consummated and became effective. Confirmation and consummation of the Second Plans did not involve the Reorganizing Debtors or their Estates.

The Second Reorganization Plan provides for, among other things, the following distributions: (i) Covanta's secured lenders and its 9.25% debenture holders receive the cash available for distribution after payment by the Debtors of certain exit costs and the establishment of reserves required under the Reorganization Plan, new high-yield secured notes issued by Covanta and guaranteed by certain of its subsidiaries (other than Covanta Power International Holdings, Inc. ("CPIH") and its subsidiaries) which are not contractually prohibited from incurring or guaranteeing additional debt, and a term loan of CPIH with a stated maturity of 3 years; (ii) holders of allowed unsecured claims against the Company's reorganized operating subsidiaries receive new unsecured notes in a principal amount equal to the amount of their allowed unsecured claims with a stated maturity of 8 years; and (iii) holders of allowed unsecured claims against Covanta or certain of its holding company subsidiaries will receive a distribution consisting of $4 million in principal amount of unsecured notes, a participation interest equal to 5% of the first $80 million in net proceeds received in connection with the sale or other disposition of CPIH and its subsidiaries, and the recoveries, if any, from avoidance actions not waived under the plan that might be brought on behalf of the Company and its subsidiaries. Additionally, the Reorganization Plan incorporates the terms of a settlement of litigation that had been commenced during the Debtors' cases by the creditors committee challenging the validity of the lien asserted on behalf of the holders of the 9.25% debentures (Pursuant to the settlement, holders of general unsecured claims against the Company are entitled to receive 12.5% of the value that would otherwise be distributable to the holders of 9.25% Debenture claims that participate in the settlement.)

The Second Liquidation Plan provides for the complete liquidation of those of the Company's subsidiaries that were designated as liquidating entities. Substantially all of the assets of these liquidating entities have already been sold. Under the Liquidation Plan the creditors of the liquidating entities will not receive any distribution other than those administrative creditors with respect to claims against the liquidating entities that have been incurred in the implementation of the Liquidation Plan and priority claims required to be paid under the Bankruptcy Code.

As a result of the consummation of the DHC Transaction and the occurrence of the effective date of the Second Plans, Covanta and the other debtors that were the subject of the Second Reorganization Plan emerged from bankruptcy with a new debt structure. Domestic borrowers have two credit facilities; (i) a letter of credit facility for the issuance of a letter of credit in the amount up to $139 million required in connection with one waste-to-energy facility, and (ii) a junior letter of credit and liquidity facility, in the aggregate amount of $118 million, up to $10 million of which shall also be available for cash borrowings on a revolving basis and the balance for letters of credit. The domestic borrowers also have or will issue the high yield notes and the unsecured notes provided for in the Second Reorganization Plan. The High Yield Notes were issued in the initial principal amount of $205 million, which will accrete to $230 million at maturity in 7 years. Unsecured notes in a principal amount of $4 million were issued on the effective date of the Second Reorganization Plan, and Covanta expects to issue additional unsecured notes in a principal amount of between $30 and $35 million.

Also, CPIH and each of its domestic subsidiaries, which hold all of the assets and operations of the Company's international businesses, entered into two secured credit facilities: (i) a revolving credit facility, secured by a first priority lien on substantially all of their assets not otherwise pledged, consisting of commitments for cash borrowings of up to $10 million for purposes of supporting the international businesses, and (ii) a term loan facility of up to $95 million, secured by a second priority lien on the same collateral.

The foregoing is a very general description of the reorganizations and liquidations implemented under the Second Plans. For a more detailed description, please refer to the "Second Disclosure Statement with Respect to the Reorganizing Debtors' Second Joint Plan of Reorganization and Liquidating Debtors' Second Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code" filed with the Bankruptcy Court on January 14, 2004, as well as Covanta's 2003 annual report on Form 10-K filed with the SEC.

C. Significant Events During Reorganizing Debtors' Bankruptcy Cases

1. DIP Financing Facility

On March 3, 2004, the Court entered an interim order (Docket No. 3592), and on March 24, 2004, the Court entered a final order (Docket No. 3678), approving the DIP Financing Facility, between each of the Reorganizing Debtors, as borrowers, and Covanta, as lender (the "DIP Lender") pursuant to which Covanta agreed to provide post-petition financing to the Reorganizing Debtors to fund the Reorganizing Debtors' continuing operations as debtors-in-possession in an amount up to $1 million. The Court's orders also approved DIP facilities for the Remaining Debtors.

2. Intercompany Agreements

On March 3, 2004, the Court entered an order (Docket No. 3590) approving certain intercompany agreements between the Reorganizing Debtors and Covanta, consisting of a Support Services Agreement, an Employee Cost Reimbursement Agreement, and a Tax Sharing/Allocation Agreement to facilitate the Reorganizing Debtors' continuing operations as debtors-in-possession. The Court's order also approved substantially identical intercompany agreements between Covanta and the other Remaining Debtors.

3. Assumption and Rejection

As debtors in possession, the Reorganizing Debtors have the right, subject to Court approval and certain other limitations, to assume or to reject executory contracts and unexpired leases. Contracts or leases that are assumed may be assigned to a third party as provided under the Bankruptcy Code.

The treatment of contracts or leases that have not been assumed or rejected by order of the Court as of the date hereof, is discussed in Article VIII of the Plan. On the Effective Date, all executory contracts and unexpired leases of the Reorganizing Debtors shall be deemed rejected other than those executory contracts or unexpired leases that are specifically designated as assumed on the Schedule of Assumed Contracts and Leases or as otherwise provided in Article VIII of the Plan.

4. Creditors Committee

On April 9, 2002 the United States Trustee for the Southern District of New York appointed a Creditors Committee for the Debtors' cases in accordance with the applicable provisions of the Bankruptcy Code. The Creditors Committee was dissolved (except for certain limited purposes not applicable to the Reorganizing Debtors) pursuant to the Court's Order confirming the Second Plans.

5. Exclusivity

Pursuant to an order entered on March 27, 2003 (Docket No. 1391), the Court extended the Original Debtors' exclusivity period during which the Debtors (including CTB) may file a plan of reorganization (the "Exclusivity Period") through July 31, 2003 and the exclusive right to solicit acceptances thereto through September 23, 2003. On July 16, 2003 the Court entered an order (Docket No. 1746), extending the Exclusivity Period to and including August 14, 2003 with the exclusive right to solicit acceptances thereto through September 23, 2003. At a hearing before the Court on August 13, 2003, the Court extended the Exclusivity Period to and including September 4, 2003. On September 8, 2003, the Court entered an order (Docket No. 2055) extending the Exclusivity Period to and including September 10, 2003. On September 19, 2003, the Court entered an order (Docket No. 2109) extending the Exclusivity Period to and including December 8, 2003, with the exclusive right to solicit acceptances

thereto through January 7, 2004. On December 4, 2003, the Court entered an order (Docket No. 2927) extending the Exclusivity Period for the Debtors (including CTC and CTB) to and including February 23, 2004, with the exclusive right to solicit acceptances thereto through March 24, 2004. On February 18, 2004, the Court entered an order (Docket No. 3453) extending the Exclusivity Period to and including June 21, 2004, which the exclusive right to solicit acceptances thereto through July 21, 2004. Thus, the Exclusivity Period remains in effect for CTC and CTB through June 21, 2004.

6. Summary of Claims Process, Bar Dates and Claims Filed

(a) Schedules and Statements of Financial Affairs

On June 14, 2002 the Original Debtors (including CTB) filed with the Court their Original Schedules setting forth, among other things, the assets and liabilities of the Original Debtors as shown by their books and records, subject to the assumptions contained in certain notes filed in connection therewith. On November 22, 2002, the Original Debtors filed their First Amended Schedules with the Court (Docket No. 1107). On December 11, 2002, the Original Debtors filed their Second Amended Schedules with the Court (Docket No. 1146). On August 24 and 25, 2003, the Debtors filed their Third Amended Schedules (Docket Nos. 1886-2006), in order to (i) reclassify the claims of a number of scheduled creditors by transferring those creditors' claims from one Debtor's schedules to the applicable schedule for a different Debtor's case, (ii) reflect that certain schedule creditors whose claims were listed in the Original Schedules as contingent, unliquidated and/or disputed are no longer contingent, unliquidated or disputed, and (iii) add additional creditors. On March 25, 2004, certain of the Debtors filed their Fourth Amended Schedules (Docket Nos. 3688-3702), in order to properly categorize certain claims previously listed as undisputed.

(b) Claims Bar Dates

On June 26, 2002, the Court entered the General Bar Date Order establishing August 9, 2002 as the General Bar Date in the Chapter 11 Cases of the Original Debtors (including CTB) and approved the form and manner of notice to be provided with respect of the General Bar Date, and set deadlines for the Debtors to mail and publish notices of the General Bar Date. In accordance with the General Bar Date Order, on or before June 28, 2002, the Debtors' notice agent, Bankruptcy Services L.L.C. (the "Notice Agent"), gave notice of the General Bar Date by mailing to all scheduled creditors the notice of the General Bar Date approved by the Court and a proof of claim form substantially similar to Official Form No. 10. In addition, the Original Debtors published notice of the General Bar Date in the WALL STREET JOURNAL and USA TODAY on August 11, 2002.

On November 6, 2003, the Court entered the CTC Bar Date Order establishing December 15, 2003 as the CTC Bar Date. The Debtors sent notice of the CTC Bar Date to all scheduled creditors of CTC. April 1, 2004 was the CTC Government Bar Date, as defined in the CTC Bar Date Order.

(c) Claims Administration

Prior to the commencement of these cases, the Reorganizing Debtors maintained, in the ordinary course of business, books and records that reflected, among other things, the Reorganizing Debtors' liabilities and the amounts thereof owed to their creditors. The Reorganizing Debtors have conducted a review of the proofs of claim filed in the Chapter 11 Cases, including any supporting documentation, the Claims set forth therein, and the Reorganizing Debtors' books and records to determine the validity of the Claims asserted against the Reorganizing Debtors. Based on these reviews, the Reorganizing Debtors determined that certain Claims asserted against the Reorganizing Debtors are objectionable.

The Debtors have filed with the Court certain omnibus objections to Claims. To date, the Debtors have filed procedural objections to more than 3,000 claims, primarily seeking to reclassify claims filed in the Debtors' lead case (Case No. 02-40826) to other Debtors' cases, to disallow duplicate, amended or superceded claims, or to reclassify as general unsecured claims certain claims that were filed as secured or priority claims. The Debtors have also objected to approximately 800 claims, seeking to expunge those claims on the basis that the Second Plans provide for the treatment of those claims. The Debtors are continuing the process of reviewing all claims, and are preparing to object to claims on substantive grounds.

The Reorganizing Debtors have objected, or are preparing to object, to certain Claims filed in their Chapter 11 Cases.

BECAUSE THE DEADLINE UNDER THE PLAN FOR OBJECTING TO CLAIMS IS AFTER THE DATE BY WHICH OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE FILED, CREDITORS SHOULD NOT RELY ON THE ABSENCE OF AN OBJECTION TO THEIR PROOF OF CLAIM IN DETERMINING WHETHER TO OBJECT TO THE PLAN, OR ANY INDICATION THAT THE REORGANIZING DEBTORS OR OTHER PARTY IN INTEREST WILL NOT OBJECT TO THE AMOUNT, PRIORITY, SECURITY OR ALLOWABILITY OF SUCH CLAIM.

VII. SUMMARY OF THE PLAN

THIS SECTION CONTAINS A SUMMARY OF THE STRUCTURE OF, CLASSIFICATION AND TREATMENT OF CLAIMS AGAINST AND EQUITY INTERESTS IN AND IMPLEMENTATION OF THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, AND TO THE EXHIBITS ATTACHED THERETO OR REFERRED TO THEREIN. CAPITALIZED TERMS NOT DEFINED HEREIN SHALL HAVE THE RESPECTIVE MEANINGS SET FORTH IN THE PLAN OR THE SECOND PLANS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE PRECISE OR COMPLETE STATEMENTS OF ALL THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN, WHICH ARE OR WILL HAVE BEEN FILED WITH THE COURT, WILL CONTROL THE TREATMENT OF CREDITORS AND HOLDERS OF EQUITY INTERESTS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE OF THE PLAN, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN THE REORGANIZED DEBTORS AND OTHER PARTIES IN INTEREST, REGARDLESS OF WHETHER OR HOW THEY HAVE VOTED ON THE PLAN.

A. Overall Structure of the Plan

The Reorganizing Debtors have formulated the Plan to facilitate the successful resolution of their Chapter 11 Cases.

The overriding purpose of the Plan is to enable the Reorganizing Debtors to implement the TBW Settlement Agreement, and emerge from chapter 11 for purposes of operating the Facility on behalf of Tampa Bay Water for an agreed-upon amount of time.

The Plan constitutes separate plans for each of the respective Reorganizing Debtors thereunder. The Plan constitutes a joint plan for the Reorganizing Debtors. Pursuant to the Plan, the Reorganizing Debtors have been deemed consolidated solely for purposes of plan administration, procedure and voting. As a result, certain Classes have been established pursuant to the Plan as containing Claims against both of the Reorganizing Debtors.

If the Plan is confirmed by the Court and consummated, Classes of Claims against and Equity Interests in the Reorganizing Debtors will receive the treatment described in the Plan. A description of the Claims and Equity Interests included in each Class of Claims and Equity Interests, the treatment of those Classes under the Plan, the property (if any) to be distributed to holders of Allowed Claims in those Classes under the Plan appears below.

The amounts and forms of distributions under the Plan are based upon, among other things, the requirements of applicable law and the Reorganizing Debtors' assessment of their ability to achieve the goals set forth in the Projections.

B. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code requires that a plan of reorganization classify the claims of a debtor's creditors and the interests of its equity holders. The Bankruptcy Code also provides that, except for certain claims classified for administrative convenience, a plan of reorganization may place a claim of a creditor or an interest of an equity holder in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class.

The Bankruptcy Code also requires that a plan of reorganization provide the same treatment for each claim or interest of a particular class unless the holder of a particular claim or interest agrees to a less favorable treatment of its claim or interest. The Reorganizing Debtors believe that they have complied with such standard. If the Court finds otherwise, however, it could deny confirmation of the Plan if the holders affected do not consent to the treatment afforded them under the Plan.

The Plan classifies Claims and Equity Interests in the following Classes:

Class	**Plan**
Class 1	Allowed Priority Non-Tax Claims, which consist of all Claims that are entitled to priority under Section 507(a) of the Bankruptcy Code, other than an Administrative Expense Claim or a Priority Tax Claim.
Class 2	Allowed Secured Claims, which consists of that portion of a Claim that is secured by a valid, perfected and enforceable security interest, lien, mortgage or other encumbrance, in or upon any right, title or interest of any of the Reorganizing Debtors in and to property of the Estates, including any Claim that is (i) subject to an offset right under applicable law and (ii) a secured claim against any of the Reorganizing Debtors pursuant to Sections 506(a) and 553 of the Bankruptcy Code.
Class 3	Subclass 3A—Allowed Unsecured Claims, which consists of any Claims (including without limitation, Claims arising from the rejection of executory contracts and unexpired leases and the unsecured portion of any Secured Claim) that are not Secured Claims, Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims, Intercompany Claims or Third Party Claims. Subclass 3B—Allowed Intercompany Claims, which consists of any unsecured Claims against a Reorganizing Debtor asserted by any Person that was an Affiliate of such Reorganizing Debtor as of the applicable Petition Date.
Class 4	Allowed Third Party Claims, which consists of any Claim asserted against the Reorganizing Debtors by a Third Party (as defined in the Plan) seeking contribution, indemnity, reimbursement or other recovery from the Reorganized Debtors on account of claims that directly or indirectly are or may be asserted against such Third Party by Tampa Bay Water (expressly including but not limited to any claims that may be assigned by the Reorganized Debtors to Tampa Bay Water pursuant to the TBW Settlement Agreement).
Class 5	Allowed Equity Interests, which consists of Covanta's and its affiliates' equity interests in the Reorganizing Debtors.

The Reorganizing Debtors believe that they have classified all Claims and Equity Interests in compliance with the requirements of section 1122 of the Bankruptcy Code. If a holder of a Claim or Equity Interest challenges

such classification of Claims or Equity Interests and the Court finds that a different classification is required for the Plan to be confirmed, the Reorganizing Debtors, to the extent permitted by the Court, intend to make such modifications to the classifications of Claims or Equity Interests under the Plan to provide for whatever classification might be required by the Court for confirmation. UNLESS SUCH MODIFICATION OF CLASSIFICATION ADVERSELY AFFECTS THE TREATMENT OF A HOLDER OF A CLAIM OR EQUITY INTEREST AND REQUIRES RESOLICITATION, ACCEPTANCE OF THE PLAN BY ANY HOLDER OF A CLAIM OR EQUITY INTEREST PURSUANT TO THIS SOLICITATION WILL BE DEEMED TO BE A CONSENT TO THE PLAN'S TREATMENT OF SUCH HOLDER OF A CLAIM OR EQUITY INTEREST, RESPECTIVELY, REGARDLESS OF THE CLASS OF WHICH SUCH HOLDER IS ULTIMATELY DEEMED TO BE A MEMBER.

1. Treatment of Unclassified Claims

(a) Administrative Expense Claims Generally

Administrative Expense Claims consist primarily of the costs and expenses of administration of the Chapter 11 Cases. Subject to the provisions of the Plan, they include, but are not limited to, the cost of operating the Reorganizing Debtors' businesses since the applicable Petition Date, the outstanding unpaid fees and expenses of the professionals retained by the Reorganizing Debtors as approved by the Court, and the payments necessary to cure prepetition defaults on unexpired leases and executory contracts that are being assumed under the Plan ("Cure"). All payments to professionals in connection with the Chapter 11 Cases for compensation and reimbursement of expenses will be made in accordance with the procedures established by the Bankruptcy Code and the Bankruptcy Rules and are subject to approval of the Court as reasonable.

All Administrative Expense Claims are subject to the applicable Administrative Expense Claim Bar Date, as provided in the Plan, except for the following limited claims: (a) United States Trustee Claims; (b) postpetition liabilities incurred and payable in the ordinary course of business by the Reorganizing Debtors; or (c) fees and expenses incurred by (i) Retained Professionals, (ii) persons employed by the Reorganizing Debtors or serving as independent contractors to the Reorganizing Debtors in connection with their reorganization efforts, (iii) Bankruptcy Services, LLC, (iv) the Covanta Administrative Claims, and (v) the DIP Financing Facility Claims. To the extent that the Administrative Expense Bar Date applies, failure to file a timely request for payment of an Administrative Expense Claim prior to the Administrative Expense Bar Date shall result in the Administrative Expense Claim being forever barred and discharged. All Retained Professionals and other entities seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code must file a timely request for payment on or before the date that is specified in the Plan. Any such request for payment of compensation for services rendered or reimbursement of expenses incurred that is not filed by the applicable deadline shall be barred.

The Reorganizing Debtors believe that the proceeds of the Settlement Funds will be sufficient to enable them to pay all Allowed Administrative Expense Claims, the Covanta Administrative Expense Claim, any professional fees that remain unpaid as of the Effective Date, and all amounts outstanding under the DIP Financing Facility, at such time(s) as provided in the Plan. Moreover, the Reorganizing Debtors believe that the aggregate amount of Administrative Expense Claims that may become Allowed after the Effective Date will not exceed the Reorganized Debtors' ability to pay such Claims when they are Allowed and/or otherwise become due.

(i) Administrative Expense Claims

Subject to Section 2.2 of the Plan, (a) except to the extent that the applicable Reorganizing Debtor and a holder of an Allowed Administrative Expense Claim agree to less favorable treatment and except as set forth in Section 2.3 and 2.5 of the Plan, each Reorganizing Debtor shall pay to each holder of an Allowed Administrative Expense Claim against such Reorganizing Debtor, in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Administrative Expense Claim, Cash from the proceeds of the Settlement Funds in an amount equal to such Allowed Administrative Expense Claim on the Initial Distribution Date, provided that any such liabilities not incurred in the ordinary course of business were approved and authorized by a Final Order of the Court; provided, however, that (i) Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by such Reorganizing Debtor, as a debtor in possession, may be paid by the

Reorganizing Debtor in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions, and (ii) the Covanta Administrative Expense Claim shall be paid on the Effective Date from the proceeds of the Settlement Fund. To the extent that the Administrative Expense Claim Bar Date applies, failure to file a timely request for payment of an Administrative Expense Claim prior to the Administrative Expense Claim Bar Date shall result in the Administrative Expense Claim being forever barred and discharged. The Reorganizing Debtors estimate that Allowed Administrative Expense Claims (other than the Covanta Administrative Claims and the DIP Financing Facility Claims) will aggregate less than $100,000.

(ii) DIP Financing Facility Claims

Subject to Section 2.5 of the Plan, on the Effective Date, the Reorganizing Debtors shall repay using the proceeds of the Settlement Funds all of their obligations outstanding to the DIP Lender under the DIP Financing Facility and all commitments thereunder shall automatically and irrevocably terminate with respect to the Reorganizing Debtors. As of April 30, 2004, there was an outstanding balance under the DIP Financing Facility of approximately $200,000.00.

(iii) Covanta Administrative Expense Claim

Subject to Sections 2.2 and 2.6 of the Plan, on the Effective Date, the Reorganizing Debtors shall pay the Covanta Administrative Expense Claim, in Cash, from the proceeds of the Settlement Funds. The "Covanta Administrative Expense Claim" consists of the Administrative Expense Claim of Covanta for funds advanced and services provided to the Reorganizing Debtors during the pendency of the Reorganizing Debtors' Chapter 11 Cases, not including any Secured Claims arising under the DIP Financing Facility, which shall be deemed Allowed on the Confirmation Date in the amount of Three Million Four Hundred Thousand Dollars ($3,400,000.00). The Allowed amount of the Covanta Administrative Expense Claim reflects a voluntary reduction by Covanta of the otherwise allowable amount of its Administrative Expense Claim of several million dollars.

(iv) Administrative Expense Claim Bar Date

Administrative Expense Claims must be filed with the Court and served on counsel for the Reorganizing Debtors prior to the Administrative Expense Claim Bar Date, which is the earlier of (i) June 25, 2004, and (ii) thirty (30) days following the Effective Date. The Administrative Expense Claim Bar Date applies to all holders of Administrative Expense Claims except for holders of the following limited types of claims: (a) United States Trustee Claims; (b) postpetition liabilities incurred and payable in the ordinary course of business by any Reorganizing Debtor; and (c) fees and expenses incurred by (i) Retained Professionals and (ii) Persons employed by the Reorganizing Debtors or serving as independent contractors to the Reorganizing Debtors in connection with their reorganization efforts, including, without limitation, the Balloting Agent.

(v) Administrative Claims for Compensation and Reimbursement

All Retained Professionals, or Persons employed by the Reorganizing Debtors or serving as independent contractors to the Reorganizing Debtors or any other Persons seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code must file and serve on counsel for the Reorganizing Debtors and as otherwise required by the Court and Bankruptcy Code their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred on or before the deadline imposed by the Plan. All such Allowed Administrative Expense Claims shall be paid in full as provided in the Plan, or upon such terms as may be mutually agreed upon between the holder of such an Allowed Administrative Expense Claim and the applicable Reorganizing Debtor.

The Reorganizing Debtors expect that certain Retained Professionals, and certain other professionals to other parties in interest in the Chapter 11 Cases, may seek compensation for services rendered, reimbursement of expenses incurred, award of success fees, and payments on Substantial Contribution Claims under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code. Any Person who requests compensation or

expense reimbursement for a Substantial Contribution Claim must file an application with the clerk of the Court, on or before the applicable Administrative Expense Bar Date, and serve such application on counsel for the Reorganized Debtors and as otherwise required by the Court and the Bankruptcy Code on or before such date.

(b) *Priority Tax Claims*

Priority Tax Claims are those tax Claims entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code. The Plan provides that Priority Tax Claims, if any, are Unimpaired. Specifically, Tax Claims will be treated under the Plan as follows:

(i) Tax Claims Solely Against Reorganizing Debtors

Each holder of an Allowed Priority Tax Claim that may be asserted solely against the Reorganizing Debtors will receive in full satisfaction, settlement, release and discharge of and in exchange for such Allowed Priority Tax Claim, Cash from the proceeds of the Settlement Funds in an amount equal to the unpaid portion of such Allowed Priority Tax Claim on or as soon as practical after the later of: (i) thirty (30) days after the Effective Date, or (ii) thirty (30) days after the date on which such Priority Tax Claim becomes Allowed.

(ii) Tax Claims For Which Covanta Is Liable

Each Allowed Priority Tax Claim for which Covanta is liable in addition to a Reorganizing Debtor (including but not limited to Priority Tax Claims arising by virtue of one or more Reorganizing Debtor's status as a member of a consolidated tax group or group under common control with Covanta) will be treated in accordance with the provisions of Covanta's plan of reorganization (the "Second Reorganization Plan") filed in the Chapter 11 Cases and confirmed by order of the Court entered on March 5, 2004, in full satisfaction, settlement, release, and discharge of such Allowed Priority Tax Claim.

2. Unimpaired Classes of Claims and Interests

The Classes listed below are Unimpaired by the Plan.

Class 1: Priority Non-Tax Claims
Class 5: Equity Interests

3. Impaired Classes of Claims

The Classes listed below are Impaired by the Plan.

Class 2: Allowed Secured Claims
Subclass 3A: Allowed Unsecured Claims
Subclass 3B: Allowed Intercompany Claims
Class 4: Allowed Third Party Claims

4. Treatment of Classified Claims

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of classes of Claims against and Equity Interests in each of the applicable Reorganizing Debtors. All Claims and Equity Interests, except Administrative Expense Claims and Priority Tax Claims, are placed in the Classes set forth below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims of the kinds specified in sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been classified, and their treatment is set forth in Article II of the Plan.

A Claim or Equity Interest is placed in a particular Class only to the extent that the Claim or Equity Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Equity Interest falls within the description of such other Classes. A Claim or Equity Interest is also placed in a particular Class only for the purpose of voting on, and receiving distributions pursuant to, the Plan only to the extent that such Claim or Equity Interest is an Allowed Claim or an Allowed Equity Interest in that Class and such Claim or Equity Interest has not been paid, released or otherwise settled prior to the Effective Date.

(a) Unimpaired Classes of Claims under the Plan.

(i) Class 1 – Allowed Priority Non-Tax Claims. In full settlement, release and discharge of its Class 1 Claim, each holder of an Allowed Claim in Class 1 shall receive Cash from the proceeds of the Settlement Funds in an amount equal to such Allowed Class 1 Claim on the Initial Distribution Date. The Reorganizing Debtors believe that there are no Allowed Priority Non-Tax claims.

(ii) Class 5 – Allowed Equity Interests. On and after the Effective Date, in consideration of, *inter* alia, Covanta's agreement to provide the DIP Financing Facility to the Reorganizing Debtors, the agreement and consent of Covanta to the terms of the TBW Settlement Agreement (including but not limited to Covanta's waiver of any claims against Tampa Bay Water), and Covanta's agreement to limit its Administrative Expense Claim to the amount of the Covanta Administrative Expense Claim, each holder of an Equity Interest shall retain such Equity Interest, together with all rights pertaining thereto.

(b) Impaired Classes of Claims under the Plan.

(i) Class 2 – Allowed Secured Claims. On the Effective Date or as soon as practicable thereafter, at the option of the Reorganizing Debtors and in accordance with section 1124 of the Bankruptcy Code, all Allowed Secured Claims in Class 2 will be treated pursuant to one of the following alternatives: (I) the Plan will leave unaltered the legal, equitable and contractual rights to which such Allowed Secured Claim in Class 2 entitles the holder; (II) the Reorganizing Debtors shall cure any default that occurred before or after the Petition Date; the maturity of such Secured Claim shall be reinstated as such maturity existed prior to any such default; the holder of such Allowed Secured Claim shall be compensated for any damages incurred as a result of any reasonable reliance by the holder on any right to accelerate its claim; and the legal, equitable and contractual rights of such holder will not otherwise be altered; (III) an Allowed Secured Claim shall receive such other treatment as the Reorganizing Debtors and the holder of such Allowed Secured Claim shall agree; or (IV) all of the collateral for such Allowed Secured Claim will be surrendered by the Reorganizing Debtors to the holder of such Claim. The Reorganizing Debtors estimate that Allowed Secured Claims, after waiver of TBW's Secured Claims on the Effective Date in accordance with the provisions of the TBW Settlement Agreement, will aggregate approximately $300,000.00, consisting primarily of the Secured Claims of CTC's surety that has paid certain claims on behalf of CTC.

(ii) Subclass 3A – Allowed Unsecured Claims. The holders of Subclass 3A Claims shall receive their Pro Rata Class Share of the Net Settlement Funds calculated based on the amount of their Allowed Class 3 Claim on the applicable Distribution Dates. The Reorganizing Debtors estimate that Allowed Unsecured Claims will aggregate less than $250,000.

(iii) Subclass 3B – Allowed Intercompany Claims. In the event there are sufficient Net Settlement Funds to pay all Class 3A Claims the Allowed amounts of such Claims in full, holders of Subclass 3B Intercompany Claims shall receive Distributions on the applicable Distribution Dates, after all Allowed Subclass 3A Unsecured Claims have been paid in full, equal to their Pro Rata Class Share of the Net Settlement Funds remaining after paying all Allowed Subclass 3A Unsecured Claims, calculated based on the amount of their Allowed Subclass 3B Claim. The Reorganizing Debtors estimate that Allowed Intercompany Claims aggregate approximately $12 million.

(iv) Class 4 – Allowed Third Party Claims. The holders of any Allowed Class 4 Claims shall be entitled to the Judgment Reduction Protection described in Section 7.19 of the Plan, in full and complete satisfaction of their Allowed Class 4 Claims. The Judgment Reduction Protection consists of the following: In the event Tampa Bay Water is directly or indirectly entitled to any recovery against a Third Party (a "TBW Third Party Judgment"), and such Third Party in turn is entitled to assert a Third Party Claim against the Reorganizing Debtors

by reason of such TBW Third Party Judgment, then (i) the recovery to which Tampa Bay Water would otherwise be entitled against such Third Party by virtue of such TBW Third Party Judgment shall be reduced (through a reduction or credit against the TBW Third Party Judgment obtained against such Third Party or through some other appropriate action achieving the same result) by an amount equal to the aggregate Cash distribution which such Third Party hypothetically would have received under the Plan had its Allowed Third Party Claim been entitled to share pro rata in the Distributions made to holders of Allowed Class 3 Unsecured Claims (such reduction or credit, "Judgment Reduction Protection"), (ii) Tampa Bay Water is directed to so reduce the amount of its TBW Third Party Judgment, and (iii) such reduction in Tampa Bay Water's recovery against such Third Party shall discharge and satisfy in full any recovery to which such Third Party is entitled against the Reorganizing Debtors based upon its Third Party Claim. The Reorganizing Debtors believe that no Third Party Claims will be Allowed.

C. Confirmability, Modification and Severability of the Plan

The confirmation requirements of section 1129 of the Bankruptcy Code must be satisfied separately with respect to each Reorganizing Debtor.

Subject to the provisions of Section 12.7 of the Plan, the Reorganizing Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. Additionally, the Reorganizing Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan as it applies to any particular Reorganizing Debtor.

After the entry of the Confirmation Order, the Reorganizing Debtors may, upon order of the Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code and the Plan, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of an Allowed Claim or Allowed Equity Interest that is deemed to have accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim or Equity Interest of such holder.

If, prior to the Confirmation Date, any term or provision of the Plan is determined by the Court to be invalid, void or unenforceable, the Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding alteration or interpretation. The Confirmation Order will constitute a judicial interpretation that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the forgoing, is valid and enforceable pursuant to its terms. Additionally, if the Court determines that the Plan, as it applies to any particular Reorganizing Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code (and cannot be altered or interpreted in a way that makes it confirmable), such determination shall not limit or affect (a) the confirmability of the Plan as it applies to any other Reorganizing Debtor or (b) the Reorganizing Debtors' ability to modify the Plan, as they apply to any particular Reorganizing Debtor, to satisfy the confirmation requirements of section 1129 of the Bankruptcy Code.

D. Implementation of the Plan

1. Funding of the Plan

On the Confirmation Date, the Final Settlement Effective Date (as defined in the TBW Settlement Agreement) shall occur. As a result, on the Effective Date, Covanta and the Reorganizing Debtors shall, inter alia, (i) quitclaim to Tampa Bay Water, free and clear of all liens, claims and encumbrances, all assets both tangible and intangible contemplated under the TWB Settlement Agreement to be transferred to Tampa Bay Water, including, without limitation, all information and documents, and (ii) assign to Tampa Bay Water all Claims against parties that are not the Reorganizing Debtors or the Reorganizing Debtor Affiliates that are required to be assigned to Tampa Bay Water under the TWB Settlement Agreement. In consideration thereof, and pursuant to the terms of the TBW Settlement Agreement, on the Effective Date Tampa Bay Water shall (i) pay to the Reorganizing Debtors the balance of the funds required to be paid under the TWB Settlement Agreement, from which the obligations of the

Reorganizing Debtors under the Plan will be funded, and (ii) grant the releases to the Reorganizing Debtors and the Reorganizing Debtor Affiliates contemplated by the TBW Settlement Agreement.

2. Effective Date Payments

All Cash necessary for the Reorganized Debtors to make payments pursuant to the Plan will be obtained from the proceeds of the Settlement Funds received from Tampa Bay Water pursuant to the TBW Settlement Agreement on the Effective Date.

3. Resolution of Third Party Claims In Connection with TBW Settlement Agreement

While immediately resolving most non-contingent Claims against the Reorganizing Debtors, the Plan provides the following mechanism for the resolution of Third Party Claims (if any). Subject to Section 7.19 of the Plan, in the event Tampa Bay Water is directly or indirectly entitled to assert a TBW Third Party Judgment, and such Third Party in turn is entitled to assert a Third Party Claim against the Reorganizing Debtors by reason of such TBW Third Party Judgment, then (i) the recovery to which Tampa Bay Water would otherwise be entitled against such Third Party by virtue of such TBW Third Party Judgment shall be reduced (through a reduction or credit against the TBW Third Party Judgment obtained against such Third Party or through some other appropriate action achieving the same result) by an amount equal to the aggregate Cash distribution which such Third Party hypothetically would have received under the Plan had its Allowed Third Party Claim been entitled to share pro rata in the Distributions made to holders of Allowed Class 3 Unsecured Claims, (ii) Tampa Bay Water is directed to so reduce the amount of its TBW Third Party Judgment, and (iii) such reduction in Tampa Bay Water's recovery against such Third Party shall discharge and satisfy in full any recovery to which such Third Party is entitled against the Reorganizing Debtors based upon its Third Party Claim. To facilitate the orderly and expeditious resolution of all Claims and Third Party Claims, the orderly and expeditious distribution of the proceeds of the Settlement Funds, and if necessary the estimation of the amount of any Judgment Reduction Protection to which a Third Party is entitled in satisfaction of its Claims, any disputes concerning interpretation of Section 7.19 of the Plan or the amount of the Judgment Reduction shall be resolved exclusively by the Court, including but not limited to any disputes concerning the amount of any Third Party Claims Nothing in Section 7.19 or any other provision of the Plan shall be deemed to extend the Bar Dates fixed by the Court or the Plan for the filing proofs of claim or interests in the Reorganizing Debtors' Chapter 11 Cases.

4. Continued Corporate Existence

Each of the Reorganized Debtors will continue to exist after the Effective Date as a separate corporate entity, with all the powers of a corporation under applicable law in the jurisdiction in which each applicable Reorganized Debtor is incorporated and pursuant to the respective certificate of incorporation and bylaws in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws are amended pursuant to the Plan.

5. Revesting of Corporate Assets

The Reorganized Debtors shall be revested with the assets of their Estates (except for leases and executing contracts that have not yet been assumed or rejected, which shall only be deemed vested if and when they are assumed) on the Effective Date.

6. Directors and Officers of Reorganized Debtors

(a) On the Effective Date, the operation of the Reorganized Debtors shall become the general responsibility of their respective boards of directors who shall, thereafter, have the responsibility for the overall management, control and operation of the Reorganized Debtors.

(b) The officers and directors of the Reorganized Debtors that are in office immediately before the Effective Date (other than the Independent Director) shall continue to serve immediately after the Effective Date in their respective capacities. Such persons shall be deemed elected pursuant to the Confirmation Order, and such

elections shall be effective on and after the Effective Date, without any requirement of further action by stockholders or other owners of the Reorganized Debtors.

7. Certificate of Incorporation and Bylaws

The certificates of incorporation and bylaws of the Reorganized Debtors will be amended as may be required in order that they are consistent with the provisions of the Plan and the Bankruptcy Code. On the Effective Date, the Reorganized Debtors are authorized to, and shall, without the need for any further corporate action, adopt and, as applicable, file their respective amended organizational documents with the applicable Secretary of State. The amended organizational documents shall prohibit the issuance of nonvoting equity securities, to the extent required by sections 1123(a) and (b) of the Bankruptcy Code, subject to further amendment as permitted by applicable law. Any modification to the certificate of incorporation of any of the Reorganized Debtors as originally filed may be filed after the Confirmation Date and may become effective on or prior to the Effective Date.

8. Corporate Action

Each of the matters provided for under the Plan involving the corporate structure of the Reorganizing Debtors or corporate action to be taken by or required of the Reorganizing Debtors will, as of the Effective Date, as the case may be, be deemed to have occurred and be effective as provided in the Plan, and will be authorized and approved and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by stockholders, creditors, or directors of the Reorganizing Debtors.

9. Reservation of Rights of the Estates

As to each Reorganizing Debtor, all claims or Causes of Action, cross-claims and counterclaims of such Reorganizing Debtor of any kind or nature whatsoever, against third parties arising before the Confirmation Date shall be preserved for the benefit of the Reorganizing Debtors, or as applicable for assignment to TBW pursuant to the TBW Settlement Agreement, except for (i) such claims or Causes of Action, cross-claims and counterclaims of the Reorganizing Debtors which have been released under the Plan or pursuant to a Final Order; and (ii) claims or Causes of Action for preferential or fraudulent transfers including, without limitation, claims arising under Sections 542, 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, all of which claims shall be waived as of the Effective Date.

10. Exclusivity Period

The Reorganizing Debtors will retain the exclusive right to amend or modify the Plan, and to solicit acceptances of any amendments to or modifications of the Plan, through and until the Effective Date.

11. Deemed Consolidation for Procedural, Administrative and Voting Purposes

The Plan does not provide for the substantive consolidation of the Reorganizing Debtors' Estates. Subject to the occurrence of the Effective Date, the Reorganizing Debtors shall be deemed consolidated for the following purposes under the Plan: in some instances, Claims against both Reorganizing Debtors have been grouped together into a single Class of Claims for voting and distribution purposes. Such deemed consolidation is for purposes of Plan administration and procedure and will not affect the legal and organizational structure of each Reorganized Debtors.

E. Distributions and Disputed Claims under the Plan

1. Timing of Distributions

Except as otherwise provided for in the Plan or ordered by the Court, distributions of Cash will be made by the Reorganizing Debtors to the holders of Allowed Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims, Secured Claims, and Unsecured Claims, and to the extent sufficient funds remain to the holders of Intercompany Claims. After payment of all Allowed Claims entitled to be paid in Cash from the proceeds of the

Settlement Funds and the Net Settlement Funds under the Plan, any remaining Cash of the Reorganized Debtors shall be distributed to the holders of Equity Interests in the Reorganizing Debtors. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the initial due date.

2. Disbursing Agent

The Reorganizing Debtors, Covanta and such other Persons as may be selected by the Reorganizing Debtors approved by the Court shall act as Disbursing Agents under the Plan. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Court, and, in the event that a Disbursing Agent is so otherwise ordered, the costs and expenses that are directly related to procuring any such bond or surety shall be borne by the Reorganizing Debtors.

The Disbursing Agent shall be empowered to (i) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan, (ii) hold Distributions prior to the applicable Distribution Date with respect thereto, (iii) make all Distributions contemplated by the Plan and in accordance with the terms thereof, (iv) employ professionals to represent it with respect to its responsibilities, and (v) exercise such other powers as may be vested in the Disbursing Agent by order of the Court, pursuant to the Plan, pursuant to such other agreement as may be entered into in connection with the implementation and consummation of the Plan or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

3. Surrender of Securities or Instruments

As a condition to receiving any Distribution under the Plan, (x) each holder of an Allowed Claim represented by a certificated instrument or note must surrender such instrument or note held by it to the Disbursing Agent or its designee, unless such certificated instrument or note is being reinstated or being left unimpaired under the Plan and (y) each holder of an Allowed Claim that is party to a settlement incorporated in the Plan or otherwise implemented thereby shall have performed its obligations thereunder either immediately prior to or contemporaneous with such Distribution. Any holder of such instrument or note that fails to (i) surrender such instrument or note or (ii) execute and deliver an affidavit of loss and/or indemnity reasonably satisfactory to the Disbursing Agent or furnish a bond in form, substance and amount reasonably satisfactory to the Disbursing Agent before the first anniversary of the Effective Date, shall be deemed to have forfeited all rights and Claims and may not participate in any Distribution under the Plan in respect of such Claim. Any other holder of an Allowed Claim who fails to take such action as reasonably required by the Disbursing Agent or its designee to receive its Distribution under the Plan before the first anniversary of the Effective Date, or such earlier time as otherwise provided for in the Plan, may not participate in any Distribution under the Plan in respect of such Claim. Any Distribution forfeited under the Plan shall become property of the applicable Reorganized Debtor.

4. Delivery of Distributions

Distributions to holders of Allowed Claims shall be made at the Distribution Address unless superseded by writing notifying the applicable Reorganized Debtor of a change of address. If any holder's Distribution is returned as undeliverable, no further Distributions to such holder shall be made unless and until the applicable Reorganized Debtor is notified of such holder's then current address, at which time all missed Distributions shall be made to such holder without interest on or before one hundred and twenty (120) days after the date such undeliverable Distribution was initially made. After such date, all unclaimed property shall, in the applicable Reorganized Debtor's discretion, be used to satisfy the costs of administering and fully consummating the Plan or become property of the applicable Reorganized Debtor, and the holder of any such Claim shall not be entitled to any other or further distribution under the Plan on account of such Claim.

5. De Minimis Distributions and Fractional Distributions

Unless written request addressed to the Reorganized Debtors or Disbursing Agent is received within one hundred and twenty (120) days after the Effective Date, the Disbursing Agent or such other entity designated by

such Reorganized Debtor as a Disbursing Agent on or after the Effective Date will not be required to distribute Cash to the holder of an Allowed Claim if the amount of Cash to be distributed on any Distribution Date under the Plan on account of such Claim is less than $100. Any holder of an Allowed Claim on account of which the amount of Cash to be distributed is less than $100 will have its Claim for such Distribution discharged and will be forever barred from asserting any such Claim against the Reorganized Debtors or their respective property, unless such holders make a written request to receive such Distribution no later than one hundred and twenty (120) days after the Effective Date.

6. No Distribution Pending Allowance

Notwithstanding any other provision of the Plan, no Cash or other property shall be distributed under the Plan on account of any Disputed Claim, unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

7. Resolution of Disputed Claims.

Unless otherwise ordered by the Court after notice and a hearing, the Reorganizing Debtors (and on and after the Effective Date, the Reorganized Debtors shall have the exclusive right to make and file objections to Claims and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than the Claims Objection Deadline, consisting of one hundred and eighty (180) days after the Effective Date; provided, however, that such period may be extended from time to time by the Court without further notice to parties in interest. The foregoing deadline for filing objections to Claims shall not apply to Claims for tort damages and, accordingly, no such deadline shall be imposed by the Plan. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the holder thereof if the Reorganizing Debtors effect service in any of the following manners: (i) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (ii) by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified in the proof of claim or interest or any attachment thereto; or (iii) by first class mail, postage, on any counsel that has appeared on the holder's behalf in the Chapter 11 Cases.

Except with respect to Administrative Expense Claims as to which the Administrative Expense Claim Bar Date does not apply or that is the subject of a settlement approved by the Court, Administrative Expense Claims must be filed with the Court and served on counsel for the Reorganizing Debtors on or before the Administrative Expense Claim Bar Date. The Reorganizing Debtors or on and after the Effective Date, the Reorganized Debtors) may make and file objections to any such Administrative Expense Claim and shall serve a copy of each objection upon the holder of the Claim to which the objection is made as soon as practicable, but in no event later than the Claims Objection Deadline, consisting of one hundred and eighty (180) days after the Effective Date. In the event the Reorganizing Debtors or Reorganized Debtors file any such objection, the Court shall determine the Allowed amount of any such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim that is paid or payable by the Reorganizing Debtors in the ordinary course of business.

8. Estimation of Certain Claims

The Reorganizing Debtors may, at any time, request that the Court estimate any contingent, unliquidated or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Reorganizing Debtors previously objected to such Claim or whether the Court has ruled on any such objection, and the Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim. In the event that the Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on such Claim, the Reorganizing Debtors may elect to pursue a supplemental proceeding to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessary exclusive of one another.

9. Reserve Account for Disputed Claims

Upon the Reorganizing Debtors' determination that Disputed Claims have been asserted against a Reorganizing Debtor in any particular Class (other than Class 4), the Reorganizing Debtors shall establish the Disputed Claims Reserve and hold in the Disputed Claims Reserve, for each Class in which there are any Disputed Claims which if Allowed would be entitled to receive Cash, Cash in an aggregate amount sufficient to pay to each holder of a Disputed Claim the amount of Cash that such holder would have been entitled to receive under the Plan if such Claim had been an Allowed Claim in such Class. Cash withheld and reserved for payments to holders of Disputed Claims in any Class shall be held and deposited by the Reorganizing Debtors in one or more segregated interest-bearing reserve accounts, to be used to satisfy the Disputed Claims if and when such Disputed Claims become Allowed Claims.

10. Allowance of Disputed Claims

With respect to any Disputed Claim that is subsequently deemed Allowed, on or before the applicable Distribution Date for any such Claim after such Claim becomes Allowed, the Reorganizing Debtors shall distribute from the Disputed Claims Reserve Account the amount of Cash that such holder would have been entitled to recover under the Plan if such Claim had been an Allowed Claim on the Effective Date.

11. Allowance of Certain Claims

(a) Professional Claims and Substantial Contribution Claims

(i) Under the Plan, all Retained Professionals and other entities seeking an award by the Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under subsections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code must file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses no later than forty-five (45) days after the Effective Date. Subject to the Court determination that any such Claim is Allowed, the Reorganizing Debtors shall pay in full any such Allowed Administrative Expense Claims on the Distribution Date, or upon such other less favorable terms as may be mutually agreed upon between the holder of such an Allowed Administrative Expense Claim and the Reorganizing Debtors or, on and after the Effective Date, the Reorganized Debtors, and, in each case, approved by the Court after notice and a hearing. Any request for payment of an Administrative Expense Claim of the type which is not filed by the applicable deadline shall be barred.

(ii) All other requests for payment of an Administrative Expense Claim (other than as set forth above) that are subject to the Administrative Expense Claim Bar Date, including any Substantial Contribution Claim, must be filed with the Court and served on counsel for the Reorganizing Debtors and as otherwise required by the Court and Bankruptcy Code on or before the Administrative Expense Bar Date. Unless the Reorganizing Debtors, Reorganized Debtors, or any other party in interest in the Chapter 11 Cases objects to an Administrative Expense Claim by the Claims Objection Deadline, such Administrative Expense Claim shall be deemed Allowed in the amount filed. In the event that the Reorganizing Debtors, Reorganized Debtors, or any other party in interest in the Chapter 11 Cases objects to an Administrative Expense Claim, the Court shall determine the Allowed amount of such Administrative Expense Claim. Notwithstanding the foregoing, no request for payment of an Administrative Expense Claim need be filed with respect to an Administrative Expense Claim that is incurred and payable by the Reorganizing Debtors or Reorganized Debtors in the ordinary course of business.

(b) DIP Financing Facility Claims

On the Effective Date, the Reorganizing Debtors shall repay using the proceeds of the Settlement Funds all of their obligations outstanding to the DIP Lender under the DIP Financing Facility and all commitments thereunder shall automatically and irrevocably terminate with respect to the Reorganizing Debtors.

(c) Covanta Administrative Expense Claim

On the Effective Date, the Reorganizing Debtors shall pay the Covanta Administrative Expense Claim, in Cash, from the proceeds of the Settlement Funds.

F. Treatment of Executory Contracts and Unexpired Leases; Bar Date for Rejection Damage Claims

1. General Treatment

(a) On the Effective Date all executory contracts and unexpired leases to which each of the Reorganizing Debtors is a party shall be deemed rejected, except for any executory contract or unexpired lease that (i) has been previously assumed or rejected pursuant to a Final Order of the Court, (ii) is specifically designated as a contract or lease on the Schedule of Assumed Contracts and Leases, as may be amended, or (iii) is the subject of a separate motion to assume or reject filed under section 365 of the Bankruptcy Code by the Reorganizing Debtors prior to the "Confirmation Hearing. The Reorganizing Debtors expressly reserve the right to add or remove executory contracts and unexpired leases to or from the Schedule of Assumed Contracts and Leases at any time prior to the Effective Date. To the extent and subject to the terms of the TBW Settlement Agreement, any contracts and leases TBW directs to be assumed and assigned, whether to itself or others, shall be included on the Schedule of Assumed Contracts and Leases and may not be removed without TBW's prior written consent. The listing of a document on the Schedule of Assumed Contracts and Leases shall not constitute an admission that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

(b) Each executory contract and unexpired lease listed or to be listed on the Schedule of Assumed Contracts and Leases (the "Contract Schedule") shall include modifications, amendments, supplements, restatements or other agreements, including guarantees thereof, made directly or indirectly by any Reorganizing Debtor in any agreement, instrument or other document that in any manner affects such executory contract or unexpired lease, without regard to whether such agreement, instrument or other document is listed on the Contract Schedule. The mere listing of a document on the Contract Schedule shall not constitute an admission by the Reorganizing Debtors that such document is an executory contract or unexpired lease or that the Reorganizing Debtors have any liability thereunder.

2. Cure of Defaults

Except to the extent that (i) a different treatment has been agreed to by the nondebtor party or parties to any executory contract or unexpired lease to be assumed pursuant to Section 8.1 of the Plan, or (ii) any executory contract or unexpired lease shall have been assumed pursuant to an order of the Court, which order shall have approved the cure amounts with respect thereto, the applicable Reorganizing Debtor shall, pursuant to the provisions of sections 1123(a)(5)(G) and 1123(b)(2) of the Bankruptcy Code and consistent with the requirements of section 365 of the Bankruptcy Code, within thirty (30) days after the Confirmation Date, file with the Court and serve a pleading listing the cure amounts of all executory contracts or unexpired leases to be assumed, subject to the Reorganizing Debtors right to amend any such pleading at any time prior to thirty (30) days after the Confirmation Date. The parties to such executory contracts or unexpired leases to be assumed by the applicable Reorganizing Debtor shall have fifteen (15) days from service of any such pleading to object to the cure amounts listed by the applicable Reorganizing Debtor. Service of such pleading shall be sufficient if served on the other party to the contract or lease at the address indicated on (i) the contract or lease, (ii) any proof of claim filed by such other party in respect of such contract or lease, or (iii) the Reorganizing Debtors' books and records, including the Schedules; provided, however, that if a pleading served by a Reorganizing Debtor to one of the foregoing addresses is promptly returned as undeliverable, the Reorganizing Debtor shall attempt re-service of the pleading on an alternative address, if any, from the above listed sources. If any objections are filed, the Court shall hold a hearing. Any party failing to object to the proposed cure amount fifteen days following service of the proposed cure amount by the Reorganizing Debtors shall be forever barred from asserting, collecting, or seeking to collect any amounts in excess of the proposed cure amount against the Reorganizing Debtors. Notwithstanding the foregoing or anything in Section 8.2 of the Plan, at all times through the date that is five (5) Business Days after the Court enters an order resolving and fixing the amount of a disputed cure amount, the Reorganizing Debtors shall have the right to reject such executory contract or unexpired lease.

3. Approval of Assumption of Certain Executory Contracts

Subject to Sections 8.1 and 8.2 of the Plan, the executory contracts and unexpired leases on the Schedule of Assumed Contracts and Leases shall be assumed by the respective Reorganizing Debtors as indicated on such schedule and shall be assigned to Tampa Bay Water or its designee, as of the Effective Date, except as may otherwise be ordered by the Court.

4. Approval of Rejection of Executory Contracts and Unexpired Leases

Entry of the Confirmation Order shall constitute the approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of any executory contracts and unexpired leases to be rejected as and to the extent provided in Section 8.1 of the Plan.

5. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan

Claims arising out of the rejection of an executory contract or unexpired lease pursuant to the Plan must be filed with the Court no later than the later of (i) twenty (20) days after the applicable Effective Date and (ii) thirty (30) days after the entry of an order rejecting such executory contract or lease. Any Claims not filed within such time period will be forever barred from assertion against the applicable Reorganizing Debtors and/or their Estates.

6. Deemed Consents and Deemed Compliance with Respect to Executory Agreements

(a) Unless a counterparty to an executory contract, unexpired lease, license or permit objects to the applicable Reorganizing Debtor's assumption thereof in writing on or before seven (7) days prior to the Confirmation Hearing, then, unless such executory contract, unexpired lease, license or permit has been rejected by the applicable Reorganizing Debtor or will be rejected by operation of the Plan, any assignee of executory contracts and unexpired leases assumed by the Reorganized Debtors shall enjoy all the rights and benefits under each such executory contract, unexpired lease, license and permit without the necessity of obtaining such counterparty's written consent to assumption or retention of such rights and benefits.

(b) To the extent that any executory contract or unexpired lease contains a contractual provision that would require a Reorganizing Debtor to satisfy any financial criteria or meet any financial condition measured by reference to such Debtor's most recent annual audited financial statements, then upon the assumption of any such executory contract or unexpired lease the Reorganizing Debtors shall be deemed to be and to remain in compliance with any such contractual provision regarding financial criteria or financial condition (other than contractual requirements to satisfy a minimum rating from rating agencies) for the period through one year after the Effective Date, and thereafter such financial criteria or financial condition shall be measured by reference to the most recent annual audited financial statements of the assignee of such executory contract or unexpired lease.

7. Reorganizing Debtors' Reservation of Rights Under Insurance Policies and Bonds

Nothing in the Plan or included in any settlement referenced in the Plan shall diminish or otherwise affect the enforceability by beneficiaries of (i) any insurance policies that may cover Claims against, or through, any Reorganizing Debtor, or (ii) any bonds issued to assure the performance of any of, or through, the Reorganizing Debtors, nor shall anything contained in the Plan constitute or be deemed to constitute a waiver of any Cause of Action that the Reorganizing Debtors or any entity may hold against any insurers or issuers of bonds under any such policies of insurance or bonds. To the extent any insurance policy or bond is deemed to be an executory contract, such insurance policy or bond shall be deemed assumed in accordance with Article VIII of the Plan. Notwithstanding the foregoing, the Reorganizing Debtors do not assume any payment or other obligations to any insurers or issuers of bonds, and any agreements or provisions of policies or bonds imposing payment or other obligations upon the Reorganizing Debtors shall only be assumed pursuant to a separate order of the Court.

8. Survival of Reorganizing Debtors' Corporate Indemnities

Any obligations of any of the Reorganizing Debtors pursuant to the applicable Reorganizing Debtor's corporate charters and bylaws or agreements entered into any time prior to the Effective Date, to indemnify the Specified Personnel, with respect to all present and future actions, suits and proceedings against such Reorganizing Debtor or such Specified Personnel, based upon any act or omission for or on behalf of such Reorganizing Debtor, shall not be discharged or impaired by confirmation of the Plan. Such obligations shall be deemed and treated as executory contracts to be assumed by the applicable Reorganizing Debtor pursuant to the Plan and deemed to be included on such Reorganizing Debtors' Schedule of Assumed Contracts and Leases (to the extent not otherwise assumed), and shall continue as obligations of the applicable Reorganizing Debtor notwithstanding Tampa Bay Water's failure to designate an assignee for any such obligation. To the extent a Reorganizing Debtor is entitled to assert a Claim against Specified Personnel (whether directly or derivatively) and such Specified Personnel is entitled to indemnification, such Claim against Specified Personnel is released, waived and discharged.

G. Effect of Confirmation

1. Revesting of Assets

Upon the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, except for leases and executory contracts that have not yet been assumed or rejected (which leases and contracts shall be deemed vested when and if assumed), all property of each Reorganizing Debtor's Estate shall vest in the applicable Reorganized Debtor free and clear of all Claims, Liens, encumbrances, charges and other interests, except as provided in the Plan and in the TBW Settlement Agreement. Each Reorganized Debtor may operate its businesses and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending cases under any chapter or provision of the Bankruptcy Code, except as provided in the Plan.

2. Discharge under the Plan

Except as otherwise provided in the Plan or in the Confirmation Order, the rights afforded in the Plan and the entitlement to receive payments and distributions to be made thereunder shall discharge all existing Claims of any kind, nature or description whatsoever against or in each of the Reorganizing Debtors or any of their assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code. Except as provided in the Plan, on the Effective Date, all existing Claims against each of the Reorganizing Debtors shall be, and shall be deemed to be, discharged or canceled and each holder (as well as trustees and agents on behalf of all such holders) of a Claim shall be precluded and enjoined from asserting against the Reorganized Debtors, or any of their assets or properties, any Claim based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date, whether or not (i) such holder has filed a Proof of Claim, (ii) a Claim based on such Claim is Allowed, or (iii) the holder of the Claim has accepted the Plan.

3. Releases under the Plan

As of the Effective Date, the Reorganizing Debtors, on behalf of themselves and their Estates, shall be deemed to release unconditionally all claims, obligations, suits, judgments, damages, rights, causes of action, and liabilities whatsoever, against the Reorganizing Debtor Affiliates, their respective present or former officers, directors, employees, partners, members, advisors, attorneys, financial advisors, accountants, investment bankers and other professionals, in each case whether known or unknown, foreseen or unforeseen, existing or thereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken with respect to any omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Reorganizing Debtors, the Chapter 11 Cases, and the Plan; provided that, the release granted pursuant to Section 11.10 of the Plan shall in no way effect or release the Claims arising prior to the respective Petition Dates, if any, of holders of the Debtors' public securities against parties other than the Reorganizing Debtors; and further provided that nothing in the Plan shall effect a release in favor of any Person other than the Reorganizing Debtors with respect to any debt owed to the United States Government or any regulatory agency thereof, any state, city or municipality for any liability of such Person arising under (i) the Internal Revenue Code, or any state, city or municipal tax code,

(ii) the environmental laws of the United States, any state, city or municipality, (iii) any criminal laws of the United States, any state, city or municipality, or (iv) any liability arising under federal securities laws.

4. Exculpation

(a) Notwithstanding anything in the Plan to the contrary, as of the Effective Date, none of (i) the Reorganizing Debtors, the Reorganizing Debtor Affiliates or their respective principals, officers, directors and employees, (ii) the DIP Lender, (iii) the accountants, financial advisors, investment bankers, and attorneys for the Reorganizing Debtors, and (iv) with the exception of any Third Party, the directors, officers, employees, partners, members, agents, representatives, accountants, financial advisors, investment bankers, attorneys, employees or affiliates for any of the persons or entities described in (i), (ii), and (iii) of Section 11.6(a) of the Plan shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the commencement or conduct of the Chapter 11 Cases; formulating, negotiating, consummating or implementing the Plan; the pursuit of confirmation of the Plan; the confirmation, consummation or administration of the Plan or the property to be distributed under the Plan, except for their gross negligence or willful misconduct, and in all respects shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Noting in Section 11.6 of the Plan shall limit the liability or obligation of an issuer of a letter of credit or surety bond to the beneficiary or such letter of credit or surety bond.

(b) Notwithstanding any other provision of the Plan, no holder of a Claim or Interest, no other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, and no successors or assigns of the foregoing, shall have any right of action against any Reorganizing Debtor, the Reorganizing Debtor Affiliates, the DIP Lender, nor any of their respective present or former members, officers, directors, employees, advisors or attorneys, for any omission in the negotiation or implementation of the Plan, the pursuit of confirmation of the Plan, the confirmation, consummation or administration of the Plan or the property to be distributed thereunder, except for gross negligence or willful misconduct.

(c) Nothing in Section 11.6 of the Plan shall (i) be construed to exculpate any entity from liability with respect to an act or omission to the extent that such act or omission is determined by a Final Order to have constituted fraud, gross negligence, willful misconduct, criminal conduct or misuse of confidential information that causes damages, or (ii) to the extent applicable, limit the liability of the professionals representing the Debtors, or the Reorganized Debtors to their respective clients pursuant to DR 6-102 of the New York Code of Professional Responsibility.

5. Injunction under the Plan

Upon the Effective Date, and except as otherwise provided in the Plan or in the Confirmation Order, all persons who have held, hold, or may hold Claims or Third Party Claims against the Reorganizing Debtors, and all other parties in interest in the Chapter 11 Cases, along with their respective present or former employees, agents, officers, directors or principals, shall be permanently enjoined on and after the Effective Date from directly or indirectly (i) commencing or continuing in any manner any action or other proceeding of any kind to collect or recover any property on account of any such Claim or Third Party Claim against any such Reorganizing Debtor, Reorganized Debtors, or Person entitled to exculpation under Section 11.6 of the Plan, (ii) enforcing, attaching, collecting or recovering by any manner or means of any judgment, award, decree, or order to collect or recover any property on account of any such Claim or Third Party Claim against any such Reorganizing Debtor or Reorganized Debtor, (iii) creating, perfecting, or enforcing any encumbrance of any kind against any such Reorganizing Debtor or Reorganized Debtor, on account of such Claim or Third Party Claim, (iv) except for recoupment, asserting any right of setoff or subrogation of any kind against any obligation due any such Reorganizing Debtor or Reorganized Debtor or against the property or interests in property of any such Reorganizing Debtor or Reorganized Debtor on account of any such Claim or Third Party Claim, (v) commencing or continuing any action against the Reorganized Debtors or the Reorganizing Debtor Affiliates in any manner or forum in respect of such Claim or Third Party Claim that does not comply or is inconsistent with the Plan, and (vi) taking any actions to interfere with the implementation or consummation of the Plan; provided that nothing in the Plan shall prohibit any holder of a Claim from prosecuting a properly completed and filed proof of claim in the Chapter 11 Cases. In no event shall the

Reorganized Debtors, the Reorganizing Debtor Affiliates or any Person entitled to exculpation under Section 11.6 of the Plan have any liability or obligation for any Claim or Third Party Claim against any of the Reorganizing Debtors arising prior to the Effective Date, other than in accordance with the provisions of the Plan. In addition, except as otherwise provided in the Plan or the Confirmation Order, on and after the Effective Date, any individual, firm, corporation, limited liability company, partnership, company, trust or other entity, including any successor of such entity, shall be permanently enjoined from commencing or continuing in any manner, any litigation against the Reorganized Debtors or any Person entitled to exculpation under Section 11.6 of the Plan on account of or in respect of any matter subject to the exculpation provision set forth in Section 11.6 of the Plan, including, without limitation, in respect of the Reorganizing Debtors' prepetition liabilities or other liabilities satisfied pursuant to the Plan. By directly or indirectly accepting Distributions pursuant to the Plan, each holder of an Allowed Claim or Third Party Claim receiving Distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Section 11.6 of the Plan.

6. Release Granted by Reorganizing Debtors

As of the Effective Date, the Reorganizing Debtors, on behalf of themselves and their Estates, shall be deemed to release unconditionally all claims, obligations, suits, judgments, damages, rights, causes of action, and liabilities whatsoever, against the Reorganizing Debtor Affiliates and their respective officers, directors, employees, partners, members, affiliates, advisors, attorneys, financial advisors, accountants, investment bankers and other professionals, whether known or unknown, foreseen or unforeseen, existing or thereafter arising, in law, equity or otherwise, based in whole or in part upon actions taken in their respective capacities described above with respect to any omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Reorganizing Debtors, the Chapter 11 Cases, or the Plan.

7. Release of Tampa Bay Water

In consideration of the terms and provisions of the TBW Settlement Agreement, and except for those obligations arising from and as provided for in the TBW Settlement Agreement, as of the Effective Date, the Reorganizing Debtors, and their parents, affiliates, and subsidiaries, and any person claiming through or against any of the foregoing or any property of the foregoing shall be deemed to release unconditionally all claims, obligations, suits, judgments, damages, rights, causes of action, and liabilities whatsoever, against Tampa Bay Water, and its officers, directors, employees, partners, members, affiliates, advisors, attorneys, financial advisors, accountants, investment bankers and other professionals, whether known or unknown, foreseen or unforeseen, existing or thereafter arising, in law, equity or otherwise, based in whole or in part upon actions or events taken or taking place on or prior to the Effective Date and in any way relating to the Reorganizing Debtors, the Chapter 11 Cases, or the Plan.

8. Reservation of Rights of the Estates

As to each Reorganizing Debtor, all claims or Causes of Action, cross-claims and counterclaims of such Reorganizing Debtor of any kind or nature whatsoever, against third parties arising before the Confirmation Date shall be preserved for the benefit of the Reorganizing Debtors, or as applicable for assignment to TBW pursuant to the TBW Settlement Agreement, except for (i) such claims or Causes of Action, cross-claims and counterclaims of the Reorganizing Debtors which have been released under the Plan or pursuant to a Final Order; and (ii) claims or Causes of Action for preferential or fraudulent transfers including, without limitation, claims arising under Sections 542, 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code, all of which claims shall be waived as of the Effective Date.

H. Miscellaneous Matters

1. Setoffs

Each Reorganizing Debtor may, in accordance with the provisions of the Plan, section 553 of the Bankruptcy Code and applicable non-bankruptcy law, set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Allowed Claim (before any Distribution is made on account of such

Allowed Claim), the Claims, rights and causes of action of any nature that such Reorganizing Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim under the Plan shall constitute a waiver or release by the applicable Reorganizing Debtor of any such Claims, rights and causes of action that the applicable Reorganizing Debtor may possess against such holder; and provided, further that any Claims of each Reorganizing Debtor arising before the applicable Petition Date shall only be setoff against Claims against such Reorganizing Debtor arising before the applicable Petition Date.

2. Management of the Reorganized Debtors

The identity of each of the nominees to serve on the Board of Directors of the Reorganized Debtors shall be announced ten (10) days prior to the Confirmation Hearing. In accordance with section 1129(a)(5) of the Bankruptcy Code, as part of such announcement, the Reorganizing Debtors shall disclose the identity and affiliations of individuals proposed to serve, after the Effective Date, as a director or officer of each of the Reorganized Debtors. Such persons shall be deemed elected or appointed, as the case may be, pursuant to the Confirmation Order, and such elections or appointments, as the case may be, shall be effective on or after the Effective Date, without any requirement of further action by stockholders, other owners or directors of the Reorganized Debtors.

3. Payment of Statutory Fees

All fees payable pursuant to section 1930 of title 28 of the United States Code shall be paid through the entry of a final decree closing these cases.

As provided in the Plan, unless relieved of any of these obligations by further order of the Court, the Reorganized Debtors shall be responsible for the timely payment of fees incurred pursuant to 28 U.S.C. § 1930(a)(6), and after the Confirmation Date, such entities shall file with the Court and serve on the United States Trustee a quarterly disbursement report for each quarter, or portion thereof, until a final decree closing the chapter 11 cases has been entered, or the cases dismissed or converted to another chapter, in a format prescribed by and provided by the United States Trustee.

VIII. CERTAIN RISK FACTORS TO BE CONSIDERED

The holder of a Claim against the Reorganizing Debtors should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference herein), before deciding whether to vote to accept or to reject the Plan. These factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

A. General Considerations

The formulation of a reorganization plan is the principal purpose of a chapter 11 case. The Plan sets forth the means for satisfying the holders of Claims against and Equity Interests in the Reorganizing Debtors. Certain Claims may receive partial distributions pursuant to the Plan, and in some instances, no distributions at all. See Section VII(B) "Classification and Treatment of Claims and Equity Interests," above. The reorganization of the Reorganizing Debtors business and operations under the Plan avoids the potentially adverse impact of a liquidation on the holders of Claims and Equity Interests.

B. Certain Bankruptcy Considerations

The Reorganizing Debtors are parties to various contractual arrangements under which the commencement of the Chapter 11 Cases and the other transactions contemplated by the Plan could, subject to the Reorganizing Debtors' rights and powers under the Bankruptcy Code (and in particular, sections 105, 362 and 365 of the Bankruptcy Code) (i) result in a breach, violation, default or conflict, (ii) give other parties thereto rights of termination or cancellation, or (iii) have other adverse consequences for the Reorganizing Debtors. The magnitude

of any such adverse consequences may depend upon, among other factors, the diligence and vigor with which other parties to such contracts may seek to assert any such rights and pursue any such remedies in respect of such matters, and the ability of the Reorganizing Debtors to resolve such matters on acceptable terms through negotiations with such other parties or otherwise. The Reorganizing Debtors do not believe that any material enforceable breach of or default under any such agreement has occurred.

There can be no assurance that the requisite acceptances to confirm the Plan will be obtained. Even if the requisite acceptances are received, there can be no assurance that the Court will confirm the Plan. A non-accepting creditor or equity security holder of the Reorganizing Debtors might challenge the adequacy of this Disclosure Statement or the balloting procedures and results as not being in compliance with the Bankruptcy Code and/or Bankruptcy Rules. Although the Court has determined that this Disclosure Statement and the balloting procedures are appropriate, the Court could still decline to confirm the Plan if it were to find that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of distributions to non-accepting holders of claims and interests within a particular class under the Plan will not be less than the value of distributions such holders would receive if the Reorganizing Debtors were liquidated under Chapter 7 of the Bankruptcy Code. While there can be no assurance that the Court will conclude that these requirements have been met, the Reorganizing Debtors believe that the Plan will not be followed by a need for further financial reorganization and that non-accepting holders within each class under the Plan will receive distributions at least as great as would be received following a liquidation pursuant to Chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and costs associated with any such Chapter 7 case. See Article XI(A) (Feasibility of the Plan and the Best Interests Test).

The confirmation and consummation of the Plan are also subject to certain conditions. If the Plan, or a plan determined not to require resolicitation of any Classes of Claims or Equity Interests by the Court, were not to be confirmed, it is unclear whether the restructuring could be implemented and what distribution holders of Claims and Equity Interests ultimately would receive with respect to their Claims and Equity Interests. If an alternative reorganization could not be agreed to, it is possible that the Reorganizing Debtors would have to liquidate their assets, in which case it is likely that holders of Claims would receive substantially less than the treatment they will receive pursuant to the Plan. If a complete liquidation or protracted reorganization were to occur, there is a risk that there would be little, if any, value available for distribution to the holders of Claims and Equity Interests. See Exhibit C attached to this Disclosure Statement for a hypothetical liquidation valuation analysis of each individual Reorganizing Debtor.

The continuation of the Chapter 11 Cases, particularly if the Plan is not approved or confirmed in the timeframe currently contemplated, could further adversely affect the Reorganizing Debtors' operations. If confirmation and consummation of the Plan do not occur expeditiously, the Chapter 11 Cases could result in, among other things, increased costs for professional fees and similar expenses.

C. Inherent Uncertainty of Financial Projections

The Projections attached as Exhibit B to this Disclosure Statement cover the Reorganized Debtors' operations through December 31, 2004, the approximate outside date by which the Reorganized Debtors anticipate that they cease operating the Facility on behalf of Tampa Bay Water. These Projections are based on numerous assumptions including the timing, confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of the Reorganized Debtors, general business and economic conditions, the resolution of certain litigation and other matters, many of which are beyond the control of the Reorganized Debtors and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date that this Disclosure Statement was approved by the Court may affect the actual financial results of the Reorganized Debtors' operations. These variations may be material and may adversely affect the ability of the Reorganized Debtors to make payments with respect to post-Effective Date indebtedness. Because the actual results achieved throughout the periods covered by the Projections may vary from the projected results, the Projections should not be relied upon as a guaranty, representation or other assurance of the actual results that will occur.

Except with respect to the Projections and except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Reorganizing Debtors do not intend to update the Projections; thus, the Projections will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the Projections.

D. Claims Estimations

The Reorganizing Debtors' estimates of what distributions certain Classes of creditors will receive under the Plan may depend on numerous assumptions concerning the ultimate amount of Allowed Claims in certain Classes.

There can be no assurance that the estimated Claim amounts set forth herein and in the exhibits hereto are correct, and the actual Allowed amounts of Claims probably will differ from the estimates. Moreover, the estimated amounts are subject to numerous risks, uncertainties and assumptions. Should several of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual Allowed amounts of Claims may materially vary from those estimated herein.

Although all of the Reorganizing Debtors' estimates of Allowed Claims are susceptible to risk and uncertainty, one type of Claims is particularly susceptible to risk and uncertainty, and any allowance of Claims in this Class in amounts materially in excess of the Reorganizing Debtors' estimates, and/or any modified or different treatment mandated by the Court on account of such Claims, would likely have a significant negative impact on the distributions received by certain Classes of creditors. This type of Claims is Allowed Class 4 Third Party Claims. To the extent there are any Allowed Third Party Claims, the Plan provides that these Claims will not receive Cash, but will be satisfied pursuant to the Judgment Reduction Protection, as follows: In the event Tampa Bay Water is directly or indirectly entitled to any recovery against a Third Party, and such Third Party in turn is entitled to assert a Third Party Claim against the Reorganizing Debtors by reason of such TBW Third Party Judgment, then (i) the recovery to which Tampa Bay Water would otherwise be entitled against such Third Party by virtue of such TBW Third Party Judgment shall be reduced (through a reduction or credit against the TBW Third Party Judgment obtained against such Third Party or through some other appropriate action achieving the same result) by an amount equal to the aggregate Cash distribution which such Third Party hypothetically would have received under the Plan had its Allowed Third Party Claim been entitled to share pro rata in the Distributions made to holders of Allowed Class 3 Unsecured Claims, (ii) Tampa Bay Water is directed to so reduce the amount of its TBW Third Party Judgment, and (iii) such reduction in Tampa Bay Water's recovery against such Third Party shall discharge and satisfy in full any recovery to which such Third Party is entitled against the Reorganizing Debtors based upon its Third Party Claim.

If and to the extent the Court were to find that (a) the Judgment Reduction Protection does not provide the same level and priority of treatment as provided to holders of Class 3 Unsecured Claims, and (b) holders of Third Party Claims are in fact entitled to the same level and priority of treatment as holders of Unsecured Claims, the Court may require that (y) holders of Third Party Claims be paid Cash on the same basis as holders of Unsecured Claims (i.e., the Judgment Reduction Protection is inappropriate), or (z) holders of Third Party Claims be paid Cash on the same basis as holders of Unsecured Claims to the extent that the Judgment Reduction Protection does not provide the same level and priority of treatment as the treatment to be received by holders of Unsecured Claims. In either event, the estimated distributions to holders of Unsecured Claims will likely be reduced. However, the Reorganizing Debtors believe that the Judgment Reduction Protection is valid and appropriate and will provide the level and priority of treatment on account of the Third Party Claims as required by the Bankruptcy Code and other applicable law.

IX. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain material United States federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal United States federal income tax consequences of the Plan to the Reorganizing Debtors and to Holders of Claims who are entitled to vote or to accept or reject the Plan are described

below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to any Holder of a Claim. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position from any discussed herein.

The discussion of United States federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect).

The following discussion does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the United States federal income tax consequences of the Plan to special classes of taxpayers. Furthermore, the following discussion does not address United States federal taxes other than income taxes.

In addition, a substantial amount of time may elapse between the confirmation date and the receipt of a final distribution under the Plan. Events subsequent to the date of this Disclosure Statement, such as additional tax legislation, court decisions, or administrative changes, could affect the federal income tax consequences of the Plan and the transactions contemplated thereunder.

EACH HOLDER IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE UNITED STATES FEDERAL, STATE AND LOCAL AND ANY FOREIGN TAX CONSEQUENCES OF THE TRANSACTIONS DESCRIBED HEREIN AND IN THE PLAN.

A. Certain Consequences to Reorganizing Debtors relating to Confirmation of the Second Plans.

Upon the implementation of the Second Reorganization Plan on March 10, 2004, pursuant to which all of the equity interests in Covanta were issued to Danielson, the Reorganized Debtors became members of the consolidated group of which Danielson is the common parent. Pursuant to a tax sharing agreement entered into on or about March 10, 2004, between Covanta and Danielson (the "Tax Sharing Agreement") in connection with the confirmation of the Second Plans, Danielson has agreed to indemnify and hold harmless Covanta for the excess in any taxable year of the actual tax liability of Covanta and its subsidiaries, including the Reorganizing Debtors, over their liability as computed under the Tax Sharing Agreement. The Tax Sharing Agreement assumes that $571 million of net operating loss carryforwards ("NOLs"), reduced over time by the expiration of certain NOLs and by income generated by certain Danielson entities, are available to offset the future taxable income of Reorganizing Covanta and its subsidiaries. However, in the event the NOLs are not available, and Danielson does not have the ability to pay all or a portion of the consolidated group's tax liability, the Reorganizing Debtors may suffer material adverse consequences since the Reorganizing Debtors may be held jointly and severally liable for such tax liability.

Detailed disclosure of the consequences of the Confirmation of the Second Plans, including a description of the Tax Sharing Agreement, and the consequences of an "ownership change" as defined in Section 382 of the Code, of Danielson can be found in the section XI "Certain United States Federal Income Tax Consequences of the Reorganization Plan" in the Second Disclosure Statement relating to the Second Reorganization Plan.

B. United States Federal Income Tax Consequences to the Holders of Claims of the Reorganizing Debtors

The following is a summary of the principal United States federal income tax consequences of the Plan that may be relevant to a beneficial holder of an Allowed Claim that is a citizen or resident of the United States or a domestic corporation or otherwise subject to United States federal income tax on a net income basis in respect of the Claim (a "Holder"). The discussion does not deal with special classes of Holders, such as dealers in securities or currencies, banks, financial institutions, insurance companies, tax-exempt organizations, persons holding Claims as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial

transaction or persons that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the United States federal estate and gift tax or alternative minimum tax consequences of the Plan.

Pursuant to the Plan, all Allowed Claims will be exchanged for Cash, except for Class 4 Third Party Claims, which will be exchanged for the Judgment Reduction Protection. Each of these exchanges will be a fully taxable transaction.

The tax consequences of that exchange to any specific Holder will differ and will depend on factors specific to each such Holder, including but not limited to: (i) whether the Holder's Allowed Claim constitutes a claim for principal or interest, (ii) the origin of the Allowed Claim, (iii) the type of consideration received in exchange for the Allowed Claim, (iv) whether the Holder reports income on the accrual or cash basis method, and (v) whether the Holder has taken a bad debt deduction or otherwise recognized a loss with respect to the Allowed Claim. However, as a general matter, Holders of Allowed Claims will recognize gain or loss in an amount equal to the difference between the amount realized on the exchange and their adjusted tax basis in the Allowed Claims tendered upon the consummation of the Plan. Any such gain or loss will constitute ordinary income or loss unless such Allowed Claim is a capital asset. If the Allowed Claim is a capital asset, and it has been held for more than one year, such Holder will realize long-term capital gain or loss (except with respect to amounts attributable to market discount and amounts received attributable to accrued but unpaid interest, which will constitute ordinary income).

A Holder's adjusted tax basis in an Allowed Claim generally will equal the amount paid for such Allowed Claim, increased by the amount of any market discount previously taken into account by the Holder and reduced by the amount of any amortizable bond premium previously amortized by the Holder with respect to the Allowed Claim. The amount realized in the exchange will be the amount of Cash received (other than amounts received attributable to accrued interest, which will be taxed as such), or, in the case of Third Party Claims, the fair market value of the Judgment Reduction Protection.

In general, if a Holder acquired the Allowed Claim with market discount, any gain realized by a Holder will be treated as ordinary income to the extent of the portion of the market discount that has accrued while such Allowed Claims were held by the Holder, unless the Holder has elected to include market discount in income currently as it accrues.

Holders of Allowed Claims should consult their tax advisors regarding the proper treatment for United States federal income tax purposes of the distributions to be received under the Plan on account of such Allowed Claims.

C. Backup Withholding and Information Reporting

In general, information reporting requirements may apply to payments on account of Allowed Claims under the Plan within the United States if you are not a corporation. To avoid the imposition of backup withholding on such payments, a Holder should complete an IRS Form W-9 (which can be obtained at the website of the IRS at www.irs.gov) and either (i) provide its correct taxpayer identification number ("TIN"), which is a Holder's social security number for an individual Holder, and certain other information, or (ii) establish a basis for an exemption from backup withholding. Certain Holders (including, among others, corporations, individual retirement accounts and certain foreign persons) are exempt from these backup withholding and information reporting requirements, but may be required to establish their entitlement to an exemption. If the Disbursing Agent is not provided with the correct TIN or an adequate basis for exemption, a Holder may be subject to a backup withholding tax on payments received in respect of the Allowed Claims. If backup withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is provided to the IRS.

X. FEASIBILITY OF THE PLAN AND THE BEST INTERESTS TEST

A. Feasibility of the Plan

To confirm the Plan, the Court must find that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Reorganizing Debtors, unless and to the extent

liquidation is contemplated by the Plan. This requirement is imposed by section 1129(a)(11) of the Bankruptcy Code and is referred to as the "feasibility" requirement. The Reorganizing Debtors believe that they will be able to timely perform all obligations described in the Plan, and, therefore, that the Plan is feasible.

To demonstrate the feasibility of the Plan, the Reorganizing Debtors have prepared financial Projections through December 31, 2004, as set forth in Exhibit B attached to this Disclosure Statement. The Projections indicate that the Reorganizing Debtors should have sufficient cash flow to fund their operations. Accordingly, the Reorganizing Debtors believe that the Plan satisfies the feasibility requirement of section 1129(a)(11) of the Bankruptcy Code. As noted in the Projections, however, the Reorganizing Debtors caution that no representations can be made as to the accuracy of the Projections or as to the Reorganizing Debtors' ability to achieve the projected results. Many of the assumptions upon which the Projections are based are subject to uncertainties outside the control of the Reorganizing Debtors. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the Projections were prepared may be different from those assumed or may be unanticipated, and may adversely affect the Reorganizing Debtors' financial results. Therefore, the actual results may vary from the projected results and the variations may be material and adverse. See Article VIII, for a discussion of certain risk factors that may affect financial feasibility of the Plan.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE PRACTICES RECOGNIZED TO BE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING PROJECTIONS. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED BY THE REORGANIZING DEBTORS' INDEPENDENT ACCOUNTANTS. ALTHOUGH PRESENTED WITH NUMERICAL SPECIFICITY, THE PROJECTIONS ARE BASED UPON A VARIETY OF ASSUMPTIONS, SOME OF WHICH IN THE PAST HAVE NOT BEEN ACHIEVED AND WHICH MAY NOT BE REALIZED IN THE FUTURE, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE REORGANIZING DEBTORS. CONSEQUENTLY, THE PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE REORGANIZING DEBTORS, OR ANY OTHER PERSON, THAT THE PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE PRESENTED IN THE PROJECTIONS.

B. Acceptance of the Plan

As a condition to confirmation, the Bankruptcy Code requires that each Class of Impaired Claims and Equity Interests vote to accept the Plan, except under certain circumstances.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, a Class of Claims will have voted to accept a plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance. Under section 1126(d) of the Bankruptcy Code, a Class of Equity Interests has accepted a plan if holders of such Equity Interests holding at least two-thirds in amount actually voting have voted to accept a plan.

C. Best Interests Test

Even if a plan is accepted by each class of holders of claims and interests, the Bankruptcy Code requires a Court to determine that the plan is in the "best interests" of all holders of claims and interests that are impaired by the plan and that have not accepted the plan. The "best interests" test, as set forth in section 1129(a)(7) of the Bankruptcy Code, requires a Court to find either that (i) all members of an impaired class of claims or interests have accepted the plan or (ii) the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to members of each impaired class of holders of claims and interests if the debtor were liquidated under chapter 7, a Court must first determine the aggregate dollar amount that would be generated from the debtor's assets if its chapter 11 case were converted to a chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the debtor's assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by the costs of liquidation under chapter 7 of the Bankruptcy Code, including the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, additional administrative claims and other wind-down expenses. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity interests. The liquidation also would prompt the rejection of a large number of executory contracts and thereby create a significantly higher number of unsecured claims.

The foregoing types of claims and such other claims which may rise in the liquidation cases or result from the pending Chapter 11 Cases would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition claims.

Once the court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under a debtor's plan, then such plan is not in the best interests of creditors and equity security holders.

D. Application of the Best Interests Test to the Liquidation Valuation Analysis of the Reorganized Debtors

A Liquidation Valuation Analysis prepared with respect to the Reorganizing Debtors is attached as Exhibit C to this Disclosure Statement. The Reorganizing Debtors believe that any liquidation analysis is speculative. For example, the liquidation analysis necessarily contains an estimate of the amount of Claims that will ultimately become Allowed Claims. In preparing the Liquidation Valuation Analysis, the Reorganizing Debtors have projected an amount of Allowed Claims based upon a review of their scheduled claims. No order or finding has been entered by the Court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the Liquidation Valuation Analysis. The estimate of the amount of Allowed Claims set forth in the Liquidation Valuation Analysis should not be relied on for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims and Interests under the Plan. In addition, as noted above, the valuation analysis of the Reorganized Debtors also contains numerous estimates and assumptions.

Notwithstanding the difficulties in quantifying recoveries to creditors with precision, the Reorganizing Debtors believe that, (i) after taking into account the Liquidation Valuation Analysis and (ii) after consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including: (a) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee; (b) the substantial increases in claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Cases; (c) the lack of an agreement by Covanta to voluntarily reduce the amount of its Administrative Expense Claim against the Reorganizing Debtors' Estates (as provided pursuant to the definition of the "Covanta Administrative Expense Claim" under the Plan); (d) the lack of any agreement by the holders of Intercompany Claims to voluntarily subordinate their Claims to other Unsecured Claims to the extent necessary to ensure full payment of such other Unsecured Claims; and (e) the significantly lower proceeds likely to be realized from a liquidation of the Reorganizing Debtors' assets under a chapter 7 liquidation (given that the Reorganizing Debtors and their Estates will not receive and enjoy the benefits of the TBW Settlement Agreement under a chapter 7 liquidation), the Plan meets the "best interests" test of section 1129(a)(7) of the Bankruptcy Code. The Reorganizing Debtors believe that the members of each impaired class will receive at least as much under the Plan as they would in a liquidation in a hypothetical chapter 7 case. Creditors will receive a better recovery through the distributions contemplated by the

Plan because the continued operation of the Reorganizing Debtors as going concerns, rather than a forced liquidation. Lastly, in the event of liquidation, the aggregate amount of unsecured claims will no doubt increase significantly, and such claims will be subordinated to priority claims that will be created. Also, a chapter 7 liquidation would give rise to additional administrative claims. The resulting increase in both general unsecured and priority claims will no doubt decrease percentage recoveries to unsecured creditors of all Reorganizing Debtors. All of these factors lead to the conclusion that recoveries under the Plan would be at least as much as, and in many cases significantly greater than, the recoveries available in a chapter 7 liquidation.

E. Confirmation Without Acceptance of All Impaired Classes: The 'Cramdown' Alternative

Section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if it has not been accepted by all impaired classes, as long as at least one impaired class of Claims has accepted it. The Court may confirm the Plan at the request of the Reorganizing Debtors notwithstanding the Plan's rejection (or deemed rejection) by Impaired Classes as long as the Plan "does not discriminate unfairly" and is "fair and equitable" as to each Impaired Class that has not accepted the Plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

A plan is fair and equitable as to a class of secured claims that rejects such plan if the plan provides (1)(a) that the holders of claims included in the rejecting class retain the liens securing those claims whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and (b) that each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, of at least the value of the holder's interest in the estate's interest in such property; (2) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of the liens, with the liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under clause (1) or (2) of this paragraph; or (3) for the realization by such holders of the indubitable equivalent of such claims.

A plan is fair and equitable as to a class of unsecured claims which rejects a plan if the plan provides (1) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (2) that the holder of any claim or interest that is junior to the claims of such rejecting class will not receive or retain on account of such junior claim or interest any property at all (unless such interests are received or retained on account of "New Value" provided by such holder).

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (1) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or (2) that the holder of any interest that is junior to the interest of such rejecting class will not receive or retain under the plan on account of such junior interest any property at all.

If and to the extent that any Class of Impaired Claims votes to reject the Plan, the Reorganizing Debtors shall seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to such Class(es).

F. Conditions to Confirmation and/or Consummation of the Plan

1. Conditions to Confirmation of the Plan

The following are conditions precedent to confirmation of the Plan. These conditions may be satisfied or waived by the Reorganizing Debtors in accordance with Article X of the Plan:

(a) The entry of a Final Order finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code;

(b) The proposed Confirmation Order shall be in form and substance, reasonably acceptable to the Reorganizing Debtors;

(c) All entry of a Final Order (which may be the Confirmation Order) approving the TBW Settlement Agreement;

(d) the entry of Final Order(s) (which may be the Confirmation Order) disallowing with prejudice and in full any and all Claims of Third Parties to the Settlement Proceeds or any portion thereof; and

(e) all provisions, terms and conditions of the Plan are approved in the Confirmation Order.

2. Conditions Precedent to the Effective Date

Each of the following is a condition precedent to the occurrence of the Effective Date under the Plan, each of which may be satisfied or waived in accordance with Section 10.3 of the Plan:

(a) The Confirmation Order (i) shall have been entered by the Court and become a Final Order, (ii) be in form and substance satisfactory to the Reorganizing Debtors, and (iii) provide that the Reorganizing Debtors are authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, leases, indentures and other agreements or documents created in connection with the Plan;

(b) receipt of the funds required to be paid by Tampa Bay Water under the TBW Settlement Agreement; and

(c) the Reorganizing Debtors shall be authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, and the agreements or documents created in connection with the Plan.

G. Waiver of Conditions to Confirmation and/or Consummation of the Plan

Except as otherwise provided for in the TBW Settlement Agreement, and except for the condition precedent specified in Section 10.2(a)(i) of the Plan, which may be waived only with the written consent of Tampa Bay Water, the Reorganizing Debtors may waive any of the conditions set forth in Article X of the Plan without leave of or notice to the Court and without any formal action other than proceeding with confirmation of the Plan or emerging from bankruptcy.

H. Retention of Jurisdiction

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Court will retain exclusive jurisdiction of all matters arising under, arising out of, and related to, the Chapter 11 Cases and the Plan, for, among other things, the following non-exclusive purposes:

(i) to determine the allowance or classification of Claims and to hear and determine any objections thereto;

(ii) to determine the amount of any Third Party Claims and/or determine the amount that the holder of such Third Party Claim would have been entitled to receive under the Plan had it received a pro rata distribution with holders of Class 3 Claims;

(iii) to hear and determine any motions for the assumption, assumption and assignment or rejection of executory contracts or unexpired leases, and the allowance of any Claims resulting therefrom;

(iv) to determine any and all motions, adversary proceedings, applications, contested matters and other litigated matters in connection or associated with the Chapter 11 Cases that may or should be pending in the Court on, or initiated after, the Effective Date;

(v) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(vi) to issue such orders in aid of the execution, implementation and consummation of the Plan to the extent authorized by section 1142 of the Bankruptcy Code or otherwise;

(vii) to construe and take any action to enforce the Plan or the TBW Settlement Agreement;

(viii) to reconcile any inconsistency in any order of the Court, including, without limitation, the Confirmation Order;

(ix) to modify the Plan pursuant to section 1127 of the Bankruptcy Code, or to remedy any apparent non-material defect or omissions in the Plan, or to reconcile any non-material inconsistency in the Plan so as to carry out their intent and purposes;

(x) to hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331, and 503(b) of the Bankruptcy Code;

(xi) to determine any other requests for payment of Priority Tax Claims, Priority Non-Tax Claims or Administrative Expense Claims;

(xii) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan;

(xiii) to consider and act on the compromise and settlement or payment of any Claim against the Reorganizing Debtors;

(xiv) to recover all assets of the Reorganizing Debtors and property of their Estates, wherever located;

(xv) to determine all questions and disputes regarding title to the assets of the Reorganizing Debtors or their Estates;

(xvi) to issue injunctions, enter and implement other orders or to take such other actions as may be necessary or appropriate to restrain interference by any entity with the consummation, implementation or enforcement of the Plan or the Confirmation Order;

(xvii) to remedy any breach or default occurring under the Plan;

(xviii) to resolve and finally determine all disputes that may relate to, impact on or arise in connection with, the Plan;

(xix) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, 1129 and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code filed, or to be filed, with respect to tax returns for any and all taxable periods ending after the Petition Date through, and including, the Final Distribution Date);

(xx) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(xxi) to hear any other matter consistent with the provisions of the Bankruptcy Code; and

(xxii) to enter a final decree closing the Chapter 11 Cases.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Reorganizing Debtors believe that the Plan presently affords holders of Claims the potential for the greatest realization on the Reorganizing Debtors' assets and, therefore, are in the best interests of such holders. As the Reorganizing Debtors have an obligation to seek to maximize recoveries for creditors generally, the Reorganizing Debtors will, consistent with their business judgment, and to the extent permitted by the TWB Settlement Agreement, continue to consider alternative transactions that would permit recoveries to creditors greater than those expected under the Plan.

If the Plan is not confirmed, however, the theoretical alternatives include: (a) continuation of the pending Chapter 11 Cases; (b) an alternative plan or plans of reorganization; or (c) liquidation of the Reorganizing Debtors under chapter 7 or chapter 11 of the Bankruptcy Code.

A. Continuation of the Bankruptcy Case

If the Reorganizing Debtors remain in chapter 11, they could continue to operate their businesses and manage their properties as debtors in possession, but they would remain subject to the restrictions imposed by the Bankruptcy Code. It is not clear whether the Reorganizing Debtors could survive as a going concern in protracted Chapter 11 Cases. The Reorganizing Debtors could have difficulty sustaining the high costs and the erosion of market confidence that may be caused if the Reorganizing Debtors remain chapter 11 debtors in possession. In addition, the DIP Financing Facility is currently due to expire by its terms on December 31, 2004.

B. Alternative Plans of Reorganization

If the Plan is not confirmed, the Reorganizing Debtors, or, after the expiration of the Reorganizing Debtors' exclusive period in which to propose and solicit a reorganization plan, any other party in interest in the Chapter 11 Cases, could propose a different plan or plans. Such plans might involve either a reorganization and continuation of the Reorganizing Debtors' businesses, or an orderly liquidation of their assets, or a combination of both.

C. Liquidation Under Chapter 7 or Chapter 11

1. Liquidation of the Reorganizing Debtors under Chapter 7

If no plan is confirmed, the Reorganizing Debtors' Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code. In a chapter 7 case, a trustee or trustees would be appointed to liquidate the assets of the Reorganizing Debtors. It is impossible to predict precisely how the proceeds of the liquidation, if any, would be distributed to the respective holders of Claims against the Reorganizing Debtors.

However, the Reorganizing Debtors believe that creditors would lose the substantially higher going concern value if the Reorganizing Debtors were forced to liquidate. In addition, the Reorganizing Debtors believe that in liquidation under chapter 7, before creditors received any distribution, additional administrative expenses involved in the appointment of a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of the Estates. The assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Reorganizing Debtors' assets. Additionally, if the Reorganizing Debtors' Chapter 11 Cases are converted to chapter 7, they would no longer have the agreement of Covanta to voluntarily reduce the amount of Covanta's Administrative Expense Claim against the Reorganizing Debtors' Estates. Further, the Reorganizing Debtors would also no longer have the agreement of the holders of Intercompany Claims to voluntarily subordinate their Claims to other Unsecured Claims to the extent necessary to ensure full payment of such other Unsecured Claims. Finally, the Reorganizing Debtors would not receive or enjoy the benefits of the TBW Settlement Agreement.

The Reorganizing Debtors' Liquidation Valuation Analysis is premised upon a hypothetical liquidation in a chapter 7 case and is attached as Exhibit C to this Disclosure Statement. In the analysis, the Reorganizing Debtors have taken into account the nature, status and underlying value of their assets, the ultimate realizable value of their assets, and the extent to which such assets are subject to liens and security interests.

The likely form of any liquidation would be the sale of individual assets. Based on this analysis, it is likely that a chapter 7 liquidation of the Reorganizing Debtors' assets would produce no value for distribution to creditors. Therefore, in the opinion of the Reorganizing Debtors the recoveries projected to be available in a chapter 7 liquidation are not likely to afford holders of Claims and holders of Equity Interests as great a realization potential as does the Plan.

2. Liquidation of the Reorganizing Debtors under Chapter 11

The Reorganizing Debtors could be liquidated pursuant to a chapter 11 plan. In a liquidation under chapter 11, the Reorganizing Debtors' assets could be sold in an orderly fashion that may be conducted over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation might result in larger recoveries than a chapter 7 liquidation, but the potential delay in distributions could result in lower present values received and higher administrative costs, as well as incur substantial tax obligations. Because a trustee is not required in a chapter 11 case, expenses for professional fees could be lower than in a chapter 7 case, in which a trustee must be appointed. Any distribution to the holders of Claims and interests under a chapter 11 liquidation plan could potentially be delayed.

Additionally, if the Reorganizing Debtors were liquidated under chapter 11, they may no longer have the agreement of Covanta to voluntarily reduce the amount of Covanta's Administrative Expense Claim against the Reorganizing Debtors' Estates, or of the holders of Intercompany Claims to voluntarily subordinate their Claims to other Unsecured Claims, as noted above. The Reorganizing Debtors may also not receive or enjoy the benefits of the TBW Settlement Agreement. For these reasons, the Debtors believe that the Liquidation Analysis applies to a situation where the Reorganizing Debtors are liquidated under Chapter 11 of the Bankruptcy Code.

XII. VOTING REQUIREMENTS

On May [__], 2004, the Court entered the Disclosure Statement Order, among other things, approving this Disclosure Statement, setting voting procedures and scheduling the Confirmation Hearing. A copy of the Confirmation Hearing Notice is enclosed with this Disclosure Statement. The Confirmation Hearing Notice sets forth in detail, among other things, the voting deadlines and objection deadlines with respect to the Plan. The Confirmation Hearing Notice and the instructions attached to the Ballots should be read in conjunction with this section of this Disclosure Statement.

If you have any questions about (i) the procedure for voting your Claim or with respect to the packet of materials that you have received, (ii) the amount of your Claim, or (iii) if you wish to obtain, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), an additional copy of any of the Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact:

Bankruptcy Services, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017

The Court may confirm the Plan only if it determines that the Plan complies with the technical requirements of chapter 11 of the Bankruptcy Code and that the disclosures by the Reorganizing Debtors concerning the Plan have been adequate and have included information concerning all payments made or promised by the Reorganizing Debtors in connection with the Plan and the Chapter 11 Cases. In addition, the Court must determine that the Plan has been proposed in good faith and not by any means forbidden by law, and under Bankruptcy Rule 3020(b)(2), it may do so without receiving evidence if no objection is timely filed.

In particular, the Bankruptcy Code requires the Court to find, among other things, that (a) the Plan has been accepted by the requisite votes of all Classes of impaired Claims unless approval will be sought under section 1129(b) of the Bankruptcy Code in spite of the nonacceptance by one or more such Classes, (b) the Plan is "feasible," which means that there is a reasonable probability that the Reorganizing Debtors will be able to perform their obligations under the Plan and continue to operate their businesses without further financial reorganization or liquidation, and (c) the Plan is in the "best interests" of all holders of Claims against and Equity Interests, which means that such holders will receive at least as much under the Plan as they would receive in a liquidation under chapter 7 of the Bankruptcy Code. The Court must find that all conditions mentioned above are met before it can confirm the Plan. Thus, even if all the Classes of Impaired Claims against the Reorganizing Debtors accept the Plan by the requisite votes, the Court must still make an independent finding that the Plan satisfies these requirements of the Bankruptcy Code, that the Plan is feasible, and that the Plan is in the best interests of the holders of Claims and Equity Interests against and in the applicable Reorganizing Debtors.

ALL PERSONS ENTITLED TO VOTE ON THE PLAN MUST TIMELY SUBMIT THEIR BALLOT(S) TO THE BALLOTING AGENT ON OR PRIOR TO JULY 1, 2004, AT 4:00 P.M. (PREVAILING EASTERN TIME) TOGETHER WITH ANY OTHER DOCUMENTS REQUIRED BY SUCH BALLOT. THE REORGANIZING DEBTORS MAY, IN THEIR SOLE DISCRETION, REJECT SUCH BALLOT AS INVALID AND, THEREFORE, DECLINE TO COUNT IT AS AN ACCEPTANCE OR REJECTION OF THE PLAN. IN NO CASE SHOULD A BALLOT OR ANY OF THE CERTIFICATES BE DELIVERED TO THE REORGANIZING DEBTORS OR ANY OF THEIR ADVISORS.

A. Parties in Interest Entitled to Vote on the Plan

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (a) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (b) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

In general, a holder of a claim or interest may vote to accept or to reject a plan if (1) no party in interest has objected to allowance of such claim or interest, and (2) the claim or interest is impaired by the plan. If the holder of an impaired claim or impaired interest will not receive any distribution under the plan in respect of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan. If the claim or interest is not impaired, the Bankruptcy Code deems that the holder of such claim or interest has accepted the plan and the plan proponent need not solicit such holder's vote.

Except for holders of Claims in Class 1 (Priority Non-Tax Claims) and Equity Interests in Class 5 (which Classes are "unimpaired" and, therefore, are conclusively deemed to accept the Plan), the holder of a Claim that is "impaired" under the Plan is entitled to vote to accept or reject the Plan if (1) the Plan provides a distribution in respect of such Claim and (2) (a) the Claim has been scheduled by the respective Reorganizing Debtor (and such Claim is not scheduled as disputed, contingent, or unliquidated), (b) such holder has timely filed a Proof of Claim as to which no objection has been filed, or (c) such holder has timely filed a motion pursuant to Bankruptcy Rule 3018(a) seeking temporary allowance of such Claim for voting purposes only and the Reorganizing Debtor has not opposed the motion, or objected to allowance of the Claim, in which case the holder's vote will be counted only upon order of the Court.

A vote may be disregarded if the Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. The Disclosure Statement Order also sets forth assumptions and procedures for tabulating Ballots, including Ballots that are not completed fully or correctly.

B. Classes Impaired Under the Plan

1. Voting Impaired Classes of Claims

The following Classes are Impaired under, and entitled to vote to accept or reject, the Plan: Class 2, Subclass 3A, Subclass 3B and Class 4.

2. Unimpaired Classes of Claims and Interests

All other Classes are Unimpaired under the Plan and deemed under section 1126(f) of the Bankruptcy Code to have accepted the Plan. Their votes to accept or reject the Plan will not be solicited. Acceptances of the Plan are being solicited only from those who hold Claims in an Impaired Class whose members will receive a distribution under the Plan.

XIII. CONCLUSION

A. Hearing on and Objections to Confirmation

1. Confirmation Hearing

The hearing on confirmation of the Plan has been scheduled for July 14, 2004, at 2:00 p.m. (Prevailing Eastern Time). Such hearing may be adjourned from time to time by announcing such adjournment in open court, all without prior notice to parties in interest, provided, however, that the Reorganizing Debtors will file with the Court a notice of such adjournment. The Plan may be modified by the Reorganizing Debtors pursuant to section 1127 of the Bankruptcy Code prior to, during, or as a result of such confirmation hearing, without further notice to parties in interest in accordance with the terms of the Plan.

2. Date Set for Filing Objections to Confirmation of the Plan

The time by which all objections to confirmation of the Plan must be filed with the Court and received by the parties listed in the Confirmation Hearing Notice has been set for July 1, 2004, at 4:00 p.m. (Prevailing Eastern Time). A copy of the Confirmation Hearing Notice is enclosed with this Disclosure Statement.

B. Recommendation

The Plan provides for an equitable and early distribution to creditors of the Reorganizing Debtors and preserves the value of the business as a going concern. The Reorganizing Debtors believe that any alternative to confirmation of the Plan, such as a liquidation of the Reorganizing Debtors or attempts by another party in interest to file a plan, could result in significant delays, litigation, and costs. Moreover, the Reorganizing Debtors believe that their creditors will receive greater and earlier recoveries under the Plan than those that would be achieved in liquidation or under an alternative plan. FOR THESE REASONS, THE REORGANIZING DEBTORS URGE YOU TO RETURN YOUR BALLOT ACCEPTING THE PLAN.

Dated: May 20, 2004

COVANTA TAMPA BAY, INC.

By: */s/ Anthony J. Orlando*
President and Chief Executive Officer of
Covanta Tampa Bay, Inc.

COVANTA TAMPA CONSTRUCTION, INC.

By: */s/ Anthony J. Orlando*
President and Chief Executive Officer of
Covanta Tampa Construction, Inc.

EXHIBITS