

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-06732

COVANTA HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

95-6021257

(I.R.S. Employer  
Identification Number)

445 South Street, Morristown, NJ

(Address of Principal Executive Office)

07960

(Zip Code)

(862) 345-5000

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated  
filer

Accelerated  
filer

Non-accelerated  
filer

Smaller reporting  
company

Emerging growth  
company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Applicable Only to Corporate Issuers:

Indicate the number of shares of the registrant's Common Stock outstanding as of the latest practicable date.

Class  
Common Stock, \$0.10 par value

Outstanding at April 20, 2018  
130,808,687

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**FORM 10-Q QUARTERLY REPORT**  
**For the Quarter Ended March 31, 2018**

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that address activities, events or developments that we or our management intends, expects, projects, believes or anticipates will or may occur in the future. They are based on management’s assumptions and assessments in light of past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. They are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Our forward-looking statements are also subject to risks and uncertainties, which can affect our performance in both the near and long-term. These forward-looking statements should be considered in light of the information included in this report and our other filings with the Securities and Exchange Commission, including, without limitation, the Risk Factors, as well as the description of trends and other factors in Management’s Discussion and Analysis of Financial Condition and Results of Operations, set forth in our 2017 Annual Report on Form 10-K.

## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

COVANTA HOLDING CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2018	2017
(Unaudited)		
(In millions, except per share amounts)		
<b>OPERATING REVENUE:</b>		
Waste and service revenue	\$ 312	\$ 286
Energy revenue	100	86
Recycled metals revenue	24	16
Other operating revenue	22	16
Total operating revenue	<u>458</u>	<u>404</u>
<b>OPERATING EXPENSE:</b>		
Plant operating expense	345	332
Other operating expense, net	8	15
General and administrative expense	31	28
Depreciation and amortization expense	54	52
Total operating expense	<u>438</u>	<u>427</u>
Operating income (loss)	20	(23)
<b>OTHER INCOME (EXPENSE):</b>		
Interest expense	(38)	(36)
Gain (loss) on sale of assets	210	(4)
Total other income (expense)	<u>172</u>	<u>(40)</u>
Income (loss) before income tax benefit	192	(63)
Income tax benefit	9	11
<b>Net income (loss)</b>	<u>\$ 201</u>	<u>\$ (52)</u>
<b>Weighted Average Common Shares Outstanding:</b>		
Basic	<u>130</u>	<u>129</u>
Diluted	<u>132</u>	<u>129</u>
<b>Earnings (Loss) Per Share:</b>		
Basic	<u>\$ 1.55</u>	<u>\$ (0.41)</u>
Diluted	<u>\$ 1.53</u>	<u>\$ (0.41)</u>
<b>Cash Dividend Declared Per Share</b>	<u>\$ 0.25</u>	<u>\$ 0.25</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>(Unaudited, in millions)</b>	
Net income (loss)	\$ 201	\$ (52)
Foreign currency translation, net of tax expense of \$1 and \$0, respectively	12	3
Net unrealized gain on derivative instruments, net of tax expense of \$1 and \$0, respectively	32	—
Other comprehensive income	44	3
Comprehensive income (loss)	\$ 245	\$ (49)

The accompanying notes are an integral part of the condensed consolidated financial statements.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2018	December 31, 2017
	(Unaudited)	
	(In millions, except per share amounts)	
<b>ASSETS</b>		
<b>Current:</b>		
Cash and cash equivalents	\$ 51	\$ 46
Restricted funds held in trust	42	43
Receivables (less allowances of \$11 million and \$14 million, respectively)	318	341
Prepaid expenses and other current assets	61	73
Assets held for sale	3	653
<b>Total Current Assets</b>	<b>475</b>	<b>1,156</b>
Property, plant and equipment, net	2,609	2,606
Restricted funds held in trust	23	28
Waste, service and energy contracts, net	248	251
Other intangible assets, net	35	36
Goodwill	313	313
Other assets	219	51
<b>Total Assets</b>	<b>\$ 3,922</b>	<b>\$ 4,441</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current:</b>		
Current portion of long-term debt	\$ 10	\$ 10
Current portion of project debt	24	23
Accounts payable	75	151
Accrued expenses and other current liabilities	261	313
Liabilities held for sale	—	540
<b>Total Current Liabilities</b>	<b>370</b>	<b>1,037</b>
Long-term debt	2,279	2,339
Project debt	141	151
Deferred income taxes	412	412
Other liabilities	75	75
<b>Total Liabilities</b>	<b>3,277</b>	<b>4,014</b>
<b>Commitments and Contingencies (Note 14)</b>		
<b>Equity:</b>		
Preferred stock (\$0.10 par value; authorized 10 shares; none issued and outstanding)	—	—
Common stock (\$0.10 par value; authorized 250 shares; issued 136 shares, outstanding 131 shares)	14	14
Additional paid-in capital	828	822
Accumulated other comprehensive loss	(11)	(55)
Accumulated deficit	(185)	(353)
Treasury stock, at par	(1)	(1)
Total stockholders' equity	645	427
<b>Total Liabilities and Equity</b>	<b>\$ 3,922</b>	<b>\$ 4,441</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW**

	Three Months Ended March 31,	
	2018	2017
(Unaudited, in millions)		
<b>OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 201	\$ (52)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	54	52
Amortization of deferred debt financing costs	2	2
(Gain) loss on sale of assets	(210)	4
Stock-based compensation expense	9	5
Deferred income taxes	(3)	(14)
Other, net	(12)	2
Change in working capital, net of effects of acquisitions and dispositions	(44)	5
Changes in noncurrent assets and liabilities, net	6	5
Net cash provided by operating activities	3	9
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(81)	(62)
Acquisition of businesses, net of cash acquired	(4)	(16)
Proceeds from the sale of assets, net of restricted cash	111	—
Property insurance proceeds	7	2
Payment of indemnification claim from sale of asset	(7)	—
Other, net	—	(1)
Net cash provided by (used in) investing activities	26	(77)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from borrowings on long-term debt	—	400
Proceeds from borrowings on revolving credit facility	170	331
Proceeds from borrowings on project debt	—	33
Payments on long-term debt	(1)	(1)
Payment on revolving credit facility	(228)	(288)
Payments on equipment financing capital leases	(1)	(1)
Payments on project debt	(10)	(9)
Payment of deferred financing costs	—	(8)
Cash dividends paid to stockholders	(33)	(33)
Financing of insurance premiums, net	(7)	—
Other, net	—	(3)
Net cash (used in) provided by financing activities	(110)	421
Effect of exchange rate changes on cash and cash equivalents	3	1
Net (decrease) increase in cash, cash equivalents and restricted cash	(78)	354
Cash, cash equivalents and restricted cash at beginning of period	194	194
Cash, cash equivalents and restricted cash at end of period	\$ 116	\$ 548
<b>Reconciliation of cash, cash equivalents and restricted cash:</b>		
Cash and cash equivalents	\$ 51	\$ 444
Restricted funds held in trust- short term	42	52
Restricted funds held in trust- long term	23	52
Total cash, cash equivalents and restricted cash	\$ 116	\$ 548

The accompanying notes are an integral part of the condensed consolidated financial statements.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 1. ORGANIZATION AND BASIS OF PRESENTATION**

The terms “we,” “our,” “ours,” “us”, “Covanta” and “Company” refer to Covanta Holding Corporation and its subsidiaries; the term “Covanta Energy” refers to our subsidiary Covanta Energy, LLC and its subsidiaries.

**Organization**

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

Our EfW facilities earn revenue from both the disposal of waste and the generation of electricity and/or steam as well as from the sale of metal recovered during the EfW process. We process approximately 20 million tons of solid waste annually. We operate and/or have ownership positions in 42 energy-from-waste facilities, which are primarily located in North America and Ireland. In total, these assets produce approximately 10 million megawatt hours (“MWh”) of baseload electricity annually. We also operate a waste management infrastructure that is complementary to our core EfW business.

In addition, we offer a variety of sustainable waste management solutions in response to customer demand, including industrial, consumer products and healthcare waste handling, treatment and assured destruction, industrial wastewater treatment and disposal, product depackaging and recycling, on-site cleaning services, and transportation services. Together with our processing of non-hazardous “profiled waste” for purposes of assured destruction or sustainability goals in our EfW facilities, we offer these services under our Covanta Environmental Solutions brand.

We have one reportable segment which comprises our entire operating business. For additional information regarding our reportable segment, see *Note 5. Financial Information by Business Segments*.

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and notes thereto required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in our condensed consolidated financial statements. All intercompany accounts and transactions have been eliminated. Operating results for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2018. The condensed consolidated balance sheet at December 31, 2017, was derived from audited annual consolidated financial statements, but does not contain all of the notes thereto from the annual consolidated financial statements. This Form 10-Q should be read in conjunction with the Audited Consolidated Financial Statements and accompanying Notes in our Annual Report on Form 10-K for the year ended December 31, 2017 (“Form 10-K”).

**Accounting Pronouncements Recently Adopted**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) which supersedes nearly all existing revenue recognition guidance. Subsequent to the issuance of Topic 606, the FASB clarified the guidance through several Accounting Standard Updates; hereinafter the collection of revenue guidance is referred to as “ASC 606”. The core principle of ASC 606 is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method. Results for reporting periods beginning January 1, 2018 are presented under ASC 606, while prior period amounts were not adjusted and continue to be reported in accordance with the historic accounting guidance under Topic 605, Revenue Recognition.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

We recorded a net decrease of \$1 million to beginning accumulated deficit as of January 1, 2018 due to the cumulative impact of adopting ASC 606. The impact to beginning accumulated deficit resulted from recognizing revenue evenly over the contract year for certain of our service fee contracts that are based on a contract year that is different from our calendar year. Contract acquisition costs are not material. The adoption of ASC 606 did not have a material impact on our condensed consolidated financial statements as of and for the three months ended March 31, 2018. For the three months ended March 31, 2018 revenue decreased, \$1 million and, as a result, comparisons of revenue and operating income between periods are not materially affected by the adoption of ASC 606. Refer to *Note 6. Revenue* for additional disclosures required by ASC 606.

In March 2017, the FASB issued ASU 2017-07, Presentation of Net Periodic Pension and Postretirement Benefit Cost, to improve the presentation of net periodic pension cost and net periodic postretirement benefit cost. The amendments require that the service cost component of the net periodic benefit cost be presented in the same operating income line items as other compensation costs arising from services rendered by employees during the period. The non-service costs (e.g., interest cost, expected return on plan assets, amortization of actuarial gains/losses, settlements) should be presented in the income statement outside of operating income. The amendments also allow only the service cost component to be eligible for capitalization when applicable. We adopted this guidance on January 1, 2018. The amendments have been applied retrospectively for the income statement presentation requirements and prospectively for the limit on costs eligible for capitalization. The line item classification changes required by the new guidance did not have a material impact on our condensed consolidated statement of operations.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230) — Restricted Cash," which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. With this standard, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. We adopted this guidance on January 1, 2018, and the guidance has been retrospectively applied to all periods presented. The total of cash, cash equivalents and restricted cash is described in a supplemental table to the condensed consolidated statements of cash flows. The changes to the beginning of period balance presented in our condensed consolidated statement of cash flows are as follows:

	December 31, 2017	
	As adjusted	As previously reported
Cash and cash equivalents	46	46
Restricted funds included in held for sale	77	—
Restricted funds held in trust- short term	43	—
Restricted funds held in trust- long term	28	—
Beginning of period balance presented in the statement of cash flows	194	46

The following table illustrates the effect of adoption of ASU 2016-18 on our condensed consolidated statements of cash flows:

	Three Months Ended March 31, 2017			
	As adjusted		As previously reported	
Cash provided by operating activities	\$	9	\$	10
Cash used in investing activities		(77)		(77)
Cash provided by financing activities		421		426

In October 2016, the FASB issued ASU 2016-16, Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory, which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new standard must be adopted using a modified retrospective transition method, with the cumulative effect recognized as of the date of initial adoption. Effective January 1, 2018, we adopted this standard. The adoption of this new guidance did not have a material impact on our condensed consolidated financial statements.

### Reclassifications

As discussed above under *Accounting Pronouncements Recently Adopted*, certain amounts have been reclassified in our prior period condensed consolidated statements of cash flows to conform to current year presentation.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

**NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS**

The following table summarizes recent ASU's issued by the FASB that could have a material impact on our consolidated financial statements.

Standard	Description	Effective Date	Effect on the financial statements or other significant matters
ASU 2018-02 Income Statement— Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income	The amendments in this Update allow a reclassification from accumulated other comprehensive income ("AOCI") to retained earnings for adjustments to the tax effect of items in AOCI, that were originally recognized in other comprehensive income, related to the new statutory rate prescribed in the Tax Cuts and Jobs Act enacted on December 22, 2017, which reduces the U.S. federal corporate tax rate from 35% to 21%.	First quarter of 2019, early adoption is permitted, including adoption in any interim period.	We are currently evaluating the impact this guidance will have on our consolidated financial statements.
ASU 2017-04 Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	The standard updated guidance to eliminate the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge (referred to as Step 2). As a result, an impairment charge will equal the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the amount of goodwill allocated to the reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendment should be applied on a prospective basis.	First quarter of 2020, early adoption is permitted.	The impact of this guidance for the Company will depend on the outcomes of future goodwill impairment tests.
ASU 2016-13 Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments	The standard amends guidance on the impairment of financial instruments. The ASU estimates credit losses based on expected losses and provides for a simplified accounting model for purchased financial assets with credit deterioration. The standard requires a modified retrospective basis adoption through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption.	First quarter of 2020, early adoption is permitted.	We are currently evaluating the impact this guidance will have on our consolidated financial statements.
ASU 2016-02 Leases (Topic 842) as amended by ASU 2018-01	<p>These standards amended guidance for lease arrangements to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The revised guidance seeks to achieve this objective by requiring reporting entities to recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements. The standard requires a modified retrospective basis adoption.</p> <p>The amendment permits an entity to elect an optional transition practical expedient to not evaluate land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840.</p>	First quarter of 2019, early adoption is permitted.	We are currently evaluating the guidance and its impact on our consolidated financial statements but expect that it will result in a significant increase to our long-term assets and liabilities. We are also analyzing the impact of the new standard on our current accounting policies and internal controls.

**NOTE 3. ACQUISITIONS AND DISPOSITIONS**

The acquisition discussed below is not material to our condensed consolidated financial statements, therefore, disclosures of pro forma financial information have not been presented. The results of operations reflect the period of ownership of the acquired business, business development projects and dispositions.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

Environmental Services Acquisitions

During the three months ended March 31, 2018, we acquired one environmental services business located in Toronto, Canada for approximately \$4 million. This acquisition further expands our Covanta Environmental Solutions capabilities and client service offerings, and allows us to direct additional non-hazardous profiled waste volumes into our EfW facilities, and therefore is synergistic with our existing business.

Green Investment Group Limited ("GIG") Joint Venture

In December 2017, we entered into a strategic partnership with Green Investment Group Limited ("GIG"), a subsidiary of Macquarie Group Limited, to develop EfW projects in the U.K. and Ireland. Our first investment with GIG, Covanta Europe Assets Limited, is structured as a 50/50 joint venture ("JV") between Covanta and GIG. As an initial step, we contributed 100% of our Dublin EfW project ("Dublin EfW") into the JV, and GIG acquired a 50% ownership in the JV for €136 million (\$167 million). We retained a 50% equity interest in the JV and retained our role as operations and maintenance ("O&M") service provider to Dublin EfW. During the fourth quarter of 2017, we determined that the assets and liabilities associated with Dublin EfW met the criteria for classification as assets held for sale but did not meet the criteria for classification as discontinued operations. As of December 31, 2017, the assets and liabilities associated with Dublin EfW were presented in our condensed consolidated balance sheets as current "Assets held for sale" and current "Liabilities held for sale."

In February 2018, GIG's investment in the JV closed and we received gross proceeds of \$167 million (\$98 million, net of existing restricted cash), which we used to repay borrowings under our Revolving Credit Facility. The sale resulted in our loss of a controlling interest in Dublin EfW, which required the entity to be deconsolidated from our financial statements as of the sale date. For the three months ended March 31, 2018, we recorded a gain on the loss of a controlling interest of the business of \$204 million which is included in "Gain (loss) on sale of assets" on our condensed consolidated statement of operations. The gain resulted from the excess of proceeds received plus the fair value of our non-controlling interest in Dublin EfW over our carrying value.

Our 50% equity interest in the JV is accounted for under the equity method of accounting. As of March 31, 2018, our equity investment in the JV of \$169 million is included in "Other assets" on our condensed consolidated balance sheet. The fair value of our investment in the JV was determined by the fair value of the consideration received for the 50% acquired by GIG. There were no basis differences between the fair value of the acquired investment in the JV and the carrying amounts of the underlying net assets in the JV as they were fair valued contemporaneously as of the sale date. For further information, see *Note 11. Equity Method Investments*.

China Investment

On February 9, 2018 we sold our cost method investment in Chongqing Sanfeng Covanta Environmental Industrial Group, Co., Ltd ("Sanfeng Environment") and received proceeds of \$13 million. For the three months ended March 31, 2018, we recorded a gain on the sale of \$6 million, which is included in "Gain (loss) on sale of assets" on our condensed consolidated statement of operations.

**NOTE 4. EARNINGS PER SHARE ("EPS") AND EQUITY**

**Earnings Per Share**

We calculate basic earnings per share ("EPS") using net earnings for the period and the weighted average number of outstanding shares of our common stock, par value \$0.10 per share, during the period. Diluted earnings per share computations, as calculated under the treasury stock method, include the weighted average number of shares of additional outstanding common stock issuable for stock options, restricted stock awards and restricted stock units whether or not currently exercisable. Diluted earnings per share does not include securities if their effect was anti-dilutive. Basic and diluted weighted average shares outstanding were as follows (in millions):

	Three Months Ended March 31,	
	2018	2017
Basic weighted average common shares outstanding	130	129
Diluted weighted average common shares outstanding	132	129

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

(1) Excludes the following securities because their inclusion would have been anti-dilutive:

	Three Months Ended March 31,	
	2018	2017
Stock options	—	1
Restricted stock	—	1
Restricted stock units	—	1

**Equity**

***Dividends per Share***

Dividends declared were as follows (in millions):

	Three Months Ended March 31,	
	2018	2017
Declared	\$ 33	\$ 33
Per Share	\$ 0.25	\$ 0.25

***Accumulated Other Comprehensive Income (Loss) ("AOCI")***

The changes in accumulated other comprehensive loss are as follows (in millions):

	Foreign Currency Translation	Pension and Other Postretirement Plan Unrecognized Net Gain	Net Unrealized (Loss) Gain On Derivatives	Total
Balance at December 31, 2016	\$ (41)	\$ 2	\$ (23)	\$ (62)
Other comprehensive income before reclassifications	3	—	—	3
Balance at March 31, 2017	\$ (38)	\$ 2	\$ (23)	\$ (59)
Balance at December 31, 2017	\$ (24)	\$ 2	\$ (33)	\$ (55)
Other comprehensive income before reclassifications	10	—	5	15
Amounts reclassified from accumulated other comprehensive income	2	—	27	29
Net current period comprehensive income	12	—	32	44
Balance at March 31, 2018	\$ (12)	\$ 2	\$ (1)	\$ (11)

**Amount Reclassified from Accumulated Other Comprehensive Income**

Accumulated Other Comprehensive Income Component	Three months ended March 31, 2018	Affected Line Item in the Condensed Consolidated Statement of Operations
Foreign currency translation	\$ 2	Gain (loss) on sale of assets <sup>(1)</sup>
Interest rate swap	27	Gain (loss) on sale of assets <sup>(1)</sup>
	29	Total before tax
	—	Tax benefit
Total reclassifications	\$ 29	Net of tax

<sup>(1)</sup>For additional information see, *Note 3. Acquisitions and Dispositions - Green Investment Group Limited ("GIG") Joint Venture and China Investment.*

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

**NOTE 5. FINANCIAL INFORMATION BY BUSINESS SEGMENTS**

We have one reportable segment which comprises our entire operating business. Prior to the first quarter 2018, our reportable segment, North America, was comprised exclusively of waste and energy services located in North America. During the first quarter of 2018, we sold 50% of our Dublin EfW facility to Covanta Europe Assets Limited, our JV with GIG, which resulted in our loss of control, see *Note 3. Acquisitions and Dispositions* for further information. Subsequent to the sale, results from our equity method investment in the JV and our O&M contract to operate the Dublin EfW facility are now being reviewed by our Chief Operating Decision Maker on a consolidated basis with our North America results. Therefore, we now include the results of our international operations, which consist primarily of our interests in Dublin, in our one reportable segment. This new structure is consistent with how we establish our overall business strategy and assesses performance of our business. The results of our reportable segment are consistent with our consolidated results as presented on our condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017 .

**NOTE 6. REVENUE*****Revenue Recognition***

Our EfW projects generate revenue from three primary sources: 1) fees charged for operating facilities or for receiving waste for disposal; 2) the sale of electricity and/or steam; and 3) the sale of ferrous and non-ferrous metals that are recovered from the waste stream as part of the EfW process. We may also generate other operating revenue from the construction, expansion or upgrade of a facility, when a public-sector client owns the facility. Our customers for waste services or facility operations are principally public-sector entities, though we also market disposal capacity at certain facilities to commercial customers.

We also operate and/or have ownership positions in environmental services businesses, transfer stations and landfills (primarily for ash disposal) that are ancillary and complementary to our EfW projects and generate additional revenue from disposal or service fees.

Revenue is allocated to the performance obligations in a contract on a relative standalone selling price basis. To the extent that we sell the good or service related to the performance obligation separately in the same market, the standalone selling price is the observable price that we sell the good or service separately in similar circumstances and to similar customers. The fees charged for our services are generally defined in our service agreements and vary based on contract-specific terms.

**Waste and Service Revenue*****Service Fee***

Service fee revenue is generated from the operations and maintenance services that we provide to owned and operated EfW facilities. We provide multiple waste disposal services aimed at operating and maintaining the facilities. Service fee revenue is generally based on an expected annual operating fee in relation to annual guaranteed waste processing and excess tonnage fees. The fees charged represent one performance obligation to operate and maintain each facility. Excess tonnage above a minimum specified in the contract represents variable consideration. We act as the agent in contracts for the sale of energy and metals in service fee facilities that we operate and accordingly record revenues net for those contracts.

***Tip Fee***

Tip fees are generated from the sale of waste disposal services at EfW facilities that we own. We earn a per ton “tipping fee”, generally under long term contractual obligations with our host community and contractual obligations with municipal and commercial waste customers. The tipping fee is generally subject to an annual escalation. The performance obligation in these agreements is to provide waste disposal services for tons of acceptable waste. Revenue is recognized when the waste is delivered to the facility.

***Energy Sales***

Typical energy sales consist of: (a) electricity generation, (b) capacity and (c) steam. Our facilities primarily sell electricity either to utilities at contracted rates or at prevailing market rates in regional markets and in some cases, sell steam directly to industrial users. We sell a portion of electricity and other energy product outputs pursuant to contracts. As these contracts expire, we intend to sell an increasing portion of the energy output in competitive energy markets or pursuant to short-term contracts.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

**Recycled Metals Revenue**

Recycled metals revenue represents the sale of recovered ferrous and non-ferrous metals to processors and end-users. The majority of our metals contracts are based on both an unspecified variable unit (i.e. tonnage) and variable forward market price index, while some contracts contain a fixed unit or fixed rate to form the basis of our overall transaction price. We recognize recycled metal revenue as it is delivered to the customer.

**Other Operating Revenue (Construction)**

We generate additional revenue from the construction, expansion or upgrade of a facility, when a municipal client owns the facility and we provide the construction services. We generally use the cost incurred measure of progress for our construction contracts because it best depicts the transfer of control to the customer. Under the cost incurred measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation.

**Disaggregation of revenue**

A disaggregation of revenue from contracts with customers is presented on our condensed consolidated statements of operations for the three months ended March 31, 2018 and 2017. See *Note 5. Financial Information by Business Segments* for a discussion of our reportable segment.

**Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations**

The following summarizes our performance obligations, a description of how transaction price is allocated to future performance obligations and the practical expedients applied:

Revenue Type	Timing	Performance Obligations	Measure of Progress	Type	Practical Expedients
Service Fee	Over time	Operations/waste disposal	Time elapsed	Fixed & Variable	Constrained <sup>(1)</sup> & Series <sup>(2)</sup>
Tip Fee	Over time	Waste disposal	Units delivered	Fixed & Variable	Right to invoice
Energy	Over time	Energy Capacity Steam	Units delivered Time elapsed Units delivered	Fixed & Variable	Right to invoice & Series <sup>(2)</sup>
Metals	Point in time	Sale of ferrous & non-ferrous metals	Units delivered	Variable	Less than 1 year
Other (Construction)	Over time	Construction services	Costs incurred	Fixed & Variable	N/A

(1) The amount of variable consideration that is included in the transaction price may be constrained, and is included only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. We estimate our variable service fee using the expected value method.

(2) Service Fee and Energy contracts have been determined to have an annual and monthly series, respectively.

ASC 606 requires disclosure of the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of March 31, 2018. The guidance provides certain conditions (identified as "practical expedients") that limit this disclosure requirement. We have contracts that meet the following practical expedients provided by ASC 606:

1. The performance obligation is part of a contract that has an original expected duration of one year or less.
2. Revenue is recognized from the satisfaction of the performance obligations in the amount billable to our customer that corresponds directly with the value to the customer of our performance completed to date (i.e. "right-to-invoice" practical expedient).
3. The variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct service or a series of distinct services that are substantially the same and that have the same pattern of transfer to our customer (i.e. "series practical expedient").

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

The following table shows our remaining performance obligations which primarily consists of the fixed consideration contained in our contracts as of March 31, 2018 :

	<b>Total</b>
Total Remaining performance obligation	\$ 5,486
Percentage expected to be recognized:	
Remainder of 2018	9%
2019	10%

**Contract Balances**

The following table reflects the balance in our contract assets, which we classify as “Accounts receivable unbilled” and present net in Accounts receivable, and our contract liabilities, which we classify as “Deferred revenue” and present in “Accrued expenses and other current liabilities” in our condensed consolidated balance sheet (in millions):

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
Unbilled receivables	\$ 8	\$ 13
Deferred revenue	17	14

For the three months ended March 31, 2018, revenue recognized that was included in Deferred revenue on our condensed consolidated balance sheet at the beginning of the period totaled \$5 million .

Accounts receivable are recorded when the right to consideration becomes unconditional and we typically receive payments from customers monthly. The timing of our receipt of cash from construction projects is generally based upon our reaching completion milestones as set forth in the applicable contracts, and the timing and size of these milestone payments can result in material working capital variability between periods. We had no asset impairment charges related to contract assets in the period.

**NOTE 7. STOCK-BASED AWARD PLANS**

During the three months ended March 31, 2018 we awarded certain employees grants of 1,148,675 restricted stock units ("RSUs"). The RSUs will be expensed over the requisite service period. The terms of the RSUs include vesting provisions based solely on continued service. If the service criteria are satisfied, the RSUs will generally vest during March of 2019 , 2020 , and 2021 .

During the three , months ended March 31, 2018 , we awarded certain employees 379,244 performance based RSUs of which 50% will vest based upon our cumulative Free Cash Flow per share target over a three year performance period and the other 50% will vest based on a total shareholder return ("TSR") against metrics consistent with market practices and our peers with vesting determined by our relative TSR percentile rank versus the companies in our peer group.

During the three months ended March 31, 2018 we awarded 8,419 RSUs, for quarterly director fees for certain of our directors who elected to receive RSUs in lieu of cash payments. We determined the service vesting condition of these RSU's to be non-substantive and, in accordance with accounting principles for stock compensation, recorded the entire fair value of the awards as compensation expense on the grant date.

During the three months ended March 31, 2018 , we withheld 249,471 shares of our common stock in connection with tax withholdings for vested stock awards.

Compensation expense related to our stock-based awards was as follows (in millions):

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Share based compensation expense	\$ 9	\$ 5

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

Unrecognized stock-based compensation expense and weighted-average years to be recognized are as follows (in millions, except for weighted average years):

	As of March 31, 2018	
	Unrecognized stock-based compensation	Weighted-average years to be recognized
Restricted stock awards	\$ 6	1.4
Restricted stock units	\$ 20	2.0

**NOTE 8. SUPPLEMENTARY INFORMATION**

**Pass through costs**

Pass through costs are costs for which we receive a direct contractually committed reimbursement from municipal clients which sponsor an energy-from-waste project. These costs generally include utility charges, insurance premiums, ash residue transportation and disposal, and certain chemical costs. These costs are recorded net of municipal client reimbursements as a reduction to "Plant operating expense," in our condensed consolidated statement of operations.

Pass through costs were as follows (in millions):

	Three Months Ended March 31,	
	2018	2017
Pass through costs	\$ 14	\$ 10

**Other operating expenses, net**

***Insurance Recoveries***

*Fairfax County Energy-from-Waste Facility*

In February 2017, our Fairfax County energy-from-waste facility experienced a fire in the front-end receiving portion of the facility. During the first quarter of 2017, we completed our evaluation of the impact of this event and recorded an immaterial asset impairment, which we have since recovered from insurance proceeds. The facility resumed operations in December 2017. We expect receipt of remaining insurance recoveries for both property loss and business interruption in the remainder of 2018.

The cost of repair or replacement of assets and business interruption losses is insured under the terms of applicable insurance policies, subject to deductibles. We recorded insurance gains, as a reduction to "Other operating expense, net," in our condensed consolidated statement of operations as follows (in millions):

	Three Months Ended March 31,	
	2018	2017
Insurance gains for property and clean-up costs, net of impairment charges	\$ 7	\$ 1
Insurance gains for business interruption costs, net of costs incurred	\$ 7	\$ 1

**NOTE 9. INCOME TAXES**

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted and instituted fundamental changes to the taxation of multinational corporations. As a result, we recorded a provisional tax charge at December 31, 2017 of \$21 million related to the mandatory transition tax and a provisional tax benefit of \$204 million related to the re-measurement of deferred tax assets and liabilities as of December 31, 2017. We recorded a provisional amount because the calculation of the total post-1986 earnings and profits ("E&P") for our foreign subsidiaries has not yet been completed, and the amount of foreign E&P held in cash and other specified assets to which the transition tax applies, has also not been finalized. In accordance with current SEC guidance, we will report the final impact amounts in the reporting period in which the accounting is completed, which will not exceed one year from the date of enactment of the Act.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

As of March 31, 2018, we have not completed the accounting for any of the tax effects of the tax reform described above and there have been no material changes to our estimated amounts. Accordingly, there has been no change to the provisional amounts previously recorded and no impact to the effective tax rate for the period.

Given the complexity of the global intangible low-taxed income ("GILTI") provisions, we are still evaluating the effects of the GILTI provisions and have not yet determined our accounting policy.

We record our interim tax provision based upon our estimated annual effective tax rate ("EAETR") and account for tax effects of discrete events in the period in which they occur. We review the EAETR on a quarterly basis as projections are revised and laws are enacted. The effective tax rate ("ETR") was (5)% and 17% for the three months ended March 31, 2018 and 2017, respectively. The decrease in the ETR is primarily due to the combined effects of (i) the federal tax rate reduction as the result of the enactment of the Act; (ii) no income tax associated with the gain on the sale of 50% interest in the joint venture with GIG; (iii) the change in the mix of earnings and (iv) the discrete tax benefit attributable to a state audit settlement.

**NOTE 10. FINANCIAL INSTRUMENTS**

**Fair Value Measurements**

Authoritative guidance associated with fair value measurements provides a framework for measuring fair value and establishes a fair value hierarchy that prioritizes the inputs used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs), then significant other observable inputs (Level 2 inputs) and the lowest priority to significant unobservable inputs (Level 3 inputs). The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- For marketable securities, the carrying value of these amounts is a reasonable estimate of their fair value.
- Fair values for long-term debt and project debt are determined using quoted market prices (Level 1).
- The fair value of our interest rate swaps are determined by applying the Euribor forward curve observable in the market to the contractual terms of our floating to fixed rate swap agreements. The fair value of the interest rate swaps is adjusted to reflect counterparty risk of non-performance, and is based on the counterparty's credit spread in the credit derivatives market.
- The fair values of our energy hedges were determined using the spread between our fixed price and the forward curve information available within the market.

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we would realize in a current market exchange and are based on pertinent information available to us as of March 31, 2018. Such amounts have not been comprehensively revalued for purposes of these financial statements and current estimates of fair value may differ significantly from the amounts presented herein.

The following table presents information about the fair value measurement of our assets and liabilities as of March 31, 2018 and December 31, 2017:

<b>Financial Instruments Recorded at Fair Value on a Recurring Basis:</b>	<b>Fair Value Measurement Level</b>	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
		<b>(In millions)</b>			
<b>Assets:</b>					
Investments — mutual and bond funds <sup>(1)</sup>	1	2		2	
Total assets:		\$ 2		\$ 2	
<b>Liabilities:</b>					
Derivative liability — energy hedges <sup>(2)</sup>	2	\$ —		\$ 5	
Derivative liability — interest rate swaps included in liabilities held for sale	2	—		7	
Total liabilities:		\$ —		\$ 12	

(1) Included in other noncurrent assets in the condensed consolidated balance sheets.

(2) The short-term balance is included in "accrued expenses and other current liabilities" and the long-term balance is included in "other liabilities" in the condensed consolidated balance sheets.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

The following financial instruments are recorded at their carrying amount (in millions):

Financial Instruments Recorded at Carrying Amount:	As of March 31, 2018		As of December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Liabilities:</b>				
Long-term debt	\$ 2,289	\$ 2,284	\$ 2,349	\$ 2,371
Project debt	\$ 165	\$ 168	\$ 174	\$ 179
Project debt included in liabilities held for sale	\$ —	\$ —	\$ 510	\$ 510

We are required to disclose the fair value of financial instruments for which it is practicable to estimate that value. The fair value of short-term financial instruments such as cash and cash equivalents, restricted cash, accounts receivables, prepaid expenses and other assets, accounts payable and accrued expenses approximates their carrying value on the condensed consolidated balance sheets due to their short-term nature.

In addition to the recurring fair value measurements, certain assets are measured at fair value on a non-recurring basis when an indication of impairment is identified and the asset's fair value is determined to be less than its carrying value.

#### **NOTE 11. EQUITY METHOD INVESTMENTS**

We hold a 50% equity interest in Covanta Europe Assets Limited, our JV with GIG, see *Note 3. Acquisitions and Dispositions*. The equity in net income from unconsolidated investments from the JV since the closing date was not material for the three months ended March 31, 2018.

We serve as the O&M service provider for the JV, a related party, under market competitive terms. For the period from February 12, 2018 through March 31, 2018 we recognized \$3 million in revenues related to this agreement and have a receivable of \$3 million as of March 31, 2018.

#### **NOTE 12. DERIVATIVE INSTRUMENTS**

##### **Energy Price Risk**

Following the expiration of certain long-term energy sales contracts, we may have exposure to market risk, and therefore revenue fluctuations, in energy markets. We have entered into contractual arrangements that will mitigate our exposure to short-term volatility through a variety of hedging techniques and will continue to do so in the future. Our efforts in this regard will involve only mitigation of price volatility for the energy we produce and will not involve taking positions (either long or short) on energy prices in excess of our physical generation. The amount of energy generation for which we have hedged on a forward basis under agreements with various financial institutions as of March 31, 2018 is indicated in the following table (in millions):

Calendar Year	Hedged MWh
2018	2.2
2019	1.3
<b>Total</b>	<b>3.5</b>

As of March 31, 2018, the net fair value of the energy derivatives was immaterial. The effective portion of the change in fair value was recorded as a component of AOCI. As of March 31, 2018, the amount of hedge ineffectiveness was not material.

During the three months ended March 31, 2018, cash provided by and used in energy derivative settlements of \$6 million and \$13 million, respectively, was included in net cash provided by operating activities on our condensed consolidated statement of cash flows.

During the three months ended March 31, 2017, cash provided by and used in energy derivative settlements of \$11 million and zero, respectively, was included in the change in net cash provided by operating activities on our condensed consolidated statement of cash flows.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

**Interest Rate Swaps**

In order to hedge the risk of adverse variable interest rate fluctuations associated with the senior secured term loan previously held by Dublin EfW, we entered into floating to fixed rate swap agreements with various financial institutions to hedge the variable interest rate fluctuations associated with the floating rate portion of the loan, expiring in 2032. The interest rate swap was designated as a cash flow hedge which was recorded at fair value with changes in fair value recorded as a component of AOCI. The unrealized loss was included within "Gain (loss) on sale of assets" upon deconsolidation.

As of December 31, 2017, the fair value of the interest rate swap derivative of \$7 million, pre-tax, was recorded within "Liabilities held for sale" in our consolidated balance sheet and was subsequently sold as part of the transaction with GIG. See *Note 3. Acquisitions and Dispositions*.

**NOTE 13. CONSOLIDATED DEBT**

Consolidated debt is as follows (in millions)

	March 31, 2018	December 31, 2017
<b>LONG-TERM DEBT:</b>		
Revolving credit facility (4.13% - 4.38%)	\$ 387	\$ 445
Term loan, net (3.62%)	190	191
Credit Facilities subtotal	577	636
Senior Notes, net of deferred financing costs	1,185	1,185
Tax-Exempt Bonds, net of deferred financing costs	459	459
Equipment financing capital leases	68	69
<b>Total long-term debt</b>	<b>\$ 2,289</b>	<b>\$ 2,349</b>
Less: current portion	(10)	(10)
<b>Noncurrent long-term debt</b>	<b>\$ 2,279</b>	<b>\$ 2,339</b>
<b>PROJECT DEBT:</b>		
<b>Total project debt, net of deferred financing costs and unamortized debt premium</b>	<b>\$ 165</b>	<b>\$ 174</b>
Less: Current portion	(24)	(23)
<b>Noncurrent project debt</b>	<b>\$ 141</b>	<b>\$ 151</b>
<b>TOTAL CONSOLIDATED DEBT</b>	<b>\$ 2,454</b>	<b>\$ 2,523</b>
Less: Current debt	(34)	(33)
<b>TOTAL NONCURRENT CONSOLIDATED DEBT</b>	<b>\$ 2,420</b>	<b>\$ 2,490</b>

Our subsidiary, Covanta Energy, has a senior secured credit facility consisting of a revolving credit facility (the "Revolving Credit Facility") and a term loan (the "Term Loan") (collectively referred to as the "Credit Facilities"). The nature and terms of our Credit Facilities, other long-term and project debt are described in detail in *Note 10. Consolidated Debt* in our Annual Report on Form 10-K for the year ended December 31, 2017.

**Revolving Credit Facility**

As of March 31, 2018, we had unutilized capacity under the Revolving Credit Facility as follows (in millions):

	Total Facility Commitment	Expiring <sup>(1)</sup>	Direct Borrowings	Outstanding Letters of Credit as of	Unutilized Capacity
Revolving Credit Facility	\$ 1,000	2020	\$ 387	\$ 212	\$ 401

<sup>(1)</sup> The Revolving Credit Facility consists of two tranches; Tranche A (\$950 million), which expires in 2020, and Tranche B (\$50 million), which expires in March 2019.

**Credit Agreement Covenants**

The loan documentation governing the Credit Facilities contains various affirmative and negative covenants, as well as financial maintenance covenants (financial ratios), that limit our ability to engage in certain types of transactions. We are in compliance with all of the affirmative and negative covenants under the Credit Facilities as of March 31, 2018.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

We and/or our subsidiaries are party to a number of claims, lawsuits and pending actions, most of which are routine and all of which are incidental to our business. We assess the likelihood of potential losses on an ongoing basis to determine whether losses are considered probable and reasonably estimable prior to recording an estimate of the outcome. If we can only estimate the range of a possible loss, an amount representing the low end of the range of possible outcomes is recorded. The final consequences of these proceedings are not presently determinable with certainty. As of March 31, 2018 and December 31, 2017, accruals for our loss contingencies recorded in "Accrued expenses and other current liabilities" in our condensed consolidated balance sheets were \$11 million and \$18 million, respectively.

**Environmental Matters**

Our operations are subject to environmental regulatory laws and environmental remediation laws. Although our operations are occasionally subject to proceedings and orders pertaining to emissions into the environment and other environmental violations, which may result in fines, penalties, damages or other sanctions, we believe that we are in substantial compliance with existing environmental laws and regulations.

We may be identified, along with other entities, as being among parties potentially responsible for contribution to costs associated with the correction and remediation of environmental conditions at disposal sites subject to federal and/or analogous state laws. In certain instances, we may be exposed to joint and several liabilities for remedial action or damages. Our liability in connection with such environmental claims will depend on many factors, including our volumetric share of waste, the total cost of remediation, and the financial viability of other companies that also sent waste to a given site and, in the case of divested operations, the contractual arrangement with the purchaser of such operations.

The potential costs related to the matters described below and the possible impact on future operations are uncertain due in part to the complexity of governmental laws and regulations and their interpretations, the varying costs and effectiveness of cleanup technologies, the uncertain level of insurance or other types of recovery and the questionable level of our responsibility. Although the ultimate outcome and expense of any litigation, including environmental remediation, is uncertain, we believe that the following proceedings will not have a material adverse effect on our condensed consolidated results of operations, financial position or cash flows.

*Lower Passaic River Matter.* In August 2004, the United States Environmental Protection Agency (the "EPA") notified our subsidiary, Covanta Essex Company ("Essex"), that it was a potentially responsible party ("PRP") for Superfund response actions in the Lower Passaic River Study Area, referred to as "LPRSA," a 17 mile stretch of river in northern New Jersey. Essex's LPRSA costs to date are not material to its financial position and results of operations; however, to date the EPA has not sought any LPRSA remedial costs or natural resource damages against PRPs. In March 2016, the EPA released the Record of Decision ("ROD") for its Focused Feasibility Study of the lower 8 miles of the LPRSA; the EPA's selected remedy includes capping/dredging of sediment, institutional controls and long-term monitoring. The Essex facility started operating in 1990 and Essex does not believe there have been any releases to the LPRSA, but in any event believes any releases would have been de minimis considering the history of the LPRSA; however, it is not possible at this time to predict that outcome or to estimate the range of possible loss relating to Essex's liability in the matter, including for LPRSA remedial costs and/or natural resource damages.

*Tulsa Matter.* In January 2016, we were informed by the office of the United States Attorney for the Northern District of Oklahoma ("U.S. Attorney") that our subsidiary, Covanta Tulsa Renewable Energy LLC, is the target of a criminal investigation being conducted by the EPA. We understand that the EPA planned to allege improprieties in the recording and reporting of emissions data during an October 2013 incident involving one of the three municipal waste combustion units at our Tulsa, Oklahoma facility. We believe that our operations in Tulsa were and are in compliance with existing laws and regulations in all material respects. While we can provide no assurance as to the outcome of this matter, we do not believe that the investigation or any issues arising therefrom will have a material adverse effect on our condensed consolidated results of operations, financial position or cash flows.

**Other Matters**

***China Indemnification Claims***

Subsequent to completing the exchange of our project ownership interests in China for a 15% ownership interest in Sanfeng Environment, Sanfeng Environment made certain claims for indemnification under the agreement related to the condition of the facility in Taixing. In February 2018 we made a settlement payment of \$7 million related to this claim.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

***Durham-York Contractor Arbitration***

We are seeking to resolve outstanding disputes with our primary contractor for the Durham-York construction project regarding (i) claims by the contractor for change orders and other expense reimbursement and (ii) claims by us for charges and liquidated damages for project completion delays. Our contract with this contractor contemplates binding arbitration to resolve these disputes, which we expect to conclude in 2018. While we do not expect resolution of these disputes to have a material adverse impact on our financial position, it could be material to our results of operations and/or cash flows in any given accounting period.

**Other Commitments**

Other commitments as of March 31, 2018 were as follows (in millions):

	Commitments Expiring by Period		
	Total	Less Than One Year	More Than One Year
Letters of credit issued under the Revolving Credit Facility	\$ 212	\$ 20	\$ 192
Letters of credit - other	72	72	—
Surety bonds	205	—	205
Total other commitments — net	\$ 489	\$ 92	\$ 397

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

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

The surety bonds listed in the table above relate primarily to construction and performance obligations and support for other obligations, including closure requirements of various energy projects when such projects cease operating. Were these bonds to be drawn upon, we would have a contractual obligation to indemnify the surety company.

We have certain contingent obligations related to our Senior Notes and Tax-Exempt Bonds. Holders may require us to repurchase their Senior Notes and Tax-Exempt Bonds if a fundamental change occurs. For specific criteria related to the redemption features of the Senior Notes and Tax-Exempt Bonds, see *Item 8. Financial Statements And Supplementary Data — Note 10. Consolidated Debt* of our Annual Report on Form 10-K.

We have issued or are party to guarantees and related contractual support obligations undertaken pursuant to agreements to construct and operate waste and energy facilities. For some projects, such performance guarantees include obligations to repay certain financial obligations if the project revenue is insufficient to do so, or to obtain or guarantee financing for a project. With respect to our businesses, we have issued guarantees to municipal clients and other parties that our subsidiaries will perform in accordance with contractual terms, including, where required, the payment of damages or other obligations. Additionally, damages payable under such guarantees for our energy-from-waste facilities could expose us to recourse liability on project debt. If we must perform under one or more of such guarantees, our liability for damages upon contract termination would be reduced by funds held in trust and proceeds from sales of the facilities securing the project debt and is presently not estimable. Depending upon the circumstances giving rise to such damages, the contractual terms of the applicable contracts, and the contract counterparty's choice of remedy at the time a claim against a guarantee is made, the amounts owed pursuant to one or more of such guarantees could be greater than our then-available sources of funds. To date, we have not incurred material liabilities under such guarantees.

**COVANTA HOLDING CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - (Continued)**

*New York City Waste Transport and Disposal Contract*

We received the notice to proceed from the New York City Department of Sanitation ("DSNY") to develop the infrastructure supporting the East 91st Street Marine Transfer Station ("MTS"). We expect to commence operations in March 2019. The MTS is the second in a pair of marine transfer stations under a 20-year waste transport and disposal agreement between Covanta and DSNY. We expect to incur approximately \$35 million of additional capital expenditures, primarily for transportation equipment.

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")**

The following MD&A is intended to help the reader understand the results of operations and financial condition of Covanta Holding Corporation and its subsidiaries; ("Covanta" or the "Company") for the three months ended March 31, 2018 . The term "Covanta Energy" refers to our subsidiary Covanta Energy, LLC and its subsidiaries. The financial information as of March 31, 2018 should be read in conjunction with the financial statements for the year ended December 31, 2017 contained in our 2017 Annual Report on Form 10-K.

**Factors Affecting Business Conditions and Financial Results**

The following are various published pricing indices relating to the U.S. economic drivers that are relevant to those aspects of our business where we have market exposure; however, there is not an exact correlation between our results and changes in these metrics.

	<u>March 31, 2018</u>		<u>March 31, 2017</u>	
Consumer Price Index <sup>(1)</sup>		2.4 %		2.4%
PJM Pricing (Electricity) <sup>(2)</sup>	\$	53.85	\$	29.72
NE ISO Pricing (Electricity) <sup>(3)</sup>	\$	54.71	\$	35.36
Henry Hub Pricing (Natural Gas) <sup>(4)</sup>	\$	3.08	\$	3.01
#1 HMS Pricing (Ferrous Metals) <sup>(5)</sup>	\$	321	\$	272
Scrap Metals - Old Sheet & Old Cast <sup>(6)</sup>	\$	0.61	\$	0.60

(1) Represents the year-over-year percent change in the Headline CPI number. The Consumer Price Index (CPI-U) data is provided by the U.S. Department of Labor Bureau of Labor Statistics.

(2) Average price per MWh for Q1 2018 and Q1 2017 . Pricing for the PJM PSEG Zone is provided by the PJM ISO.

(3) Average price per MWh for Q1 2018 and Q1 2017 . Pricing for the Mass Hub Zone is provided by the NE ISO.

(4) Average price per MMBtu for Q1 2018 and Q1 2017 . The Henry Hub Pricing data is provided by the Natural Gas Weekly Update, U.S. Energy Information Administration.

(5) Average price per gross ton for Q1 2018 and Q1 2017 . The #1 Heavy Melt Steel ("HMS") composite index (\$/gross ton) price as published by American Metal Market.

(6) Average price per pound for Q1 2018 and Q1 2017 . Calculated using the high price of Old Cast Aluminum Scrap (\$/lb) as published by American Metal Market.

**Seasonal** - Our quarterly operating income (loss) within the same fiscal year typically differs substantially due to seasonal factors, primarily as a result of the timing of scheduled plant maintenance. We conduct scheduled maintenance periodically each year, which requires that individual boiler and/or turbine units temporarily cease operations. During these scheduled maintenance periods, we incur material repair and maintenance expense and receive less revenue until the boiler and/or turbine units resume operations. This scheduled maintenance usually occurs during periods of off-peak electric demand and/or lower waste volumes, which are our first, second and fourth fiscal quarters. The scheduled maintenance period in the first half of the year (primarily first quarter and early second quarter) is typically the most extensive, while the third quarter scheduled maintenance period is the least extensive. Given these factors, we normally experience our lowest operating income from our projects during the first half of each year.

Our operating income (loss) may also be affected by seasonal weather extremes during summers and winters. Increased demand for electricity and natural gas during unusually hot or cold periods may affect certain operating expenses and may trigger material price increases for a portion of the electricity and steam we sell.

**Metals Markets** - Recycled metal prices for both ferrous and non-ferrous materials are impacted directly and indirectly by tariff and trade actions both by the US as well as foreign countries. Recent efforts by the US government to place tariffs on imported steel and aluminum have increased domestic demand for our products. The ultimate impact of these tariffs is unclear as retaliation to these tariffs by foreign counties could reduce or eliminate any benefits to us.

## Quarter Updates

### Capital Allocation

Our key capital allocation activities through the three months ended March 31, 2018 , included the following:

- \$33 million declared in dividends to stockholders; and
- \$29 million for growth investments, including \$4 million to acquire an environmental services business, and \$8 million for various organic growth investments, which include metals recovery projects and investments related to our profiled waste and environmental services businesses.

### New Business Development

During the three months ended March 31, 2018 , we acquired an environmental services business located in Toronto, Canada for approximately \$4 million . This acquisition further expands our Covanta Environmental Solutions capabilities, including client service offerings and geographic reach.

### Other Significant Events

We received the notice to proceed from the DSNY to develop the infrastructure supporting the East 91st MTS. We expect to commence operations in March 2019. The MTS is the second in a pair of marine transfer stations under a 20-year waste transport and disposal agreement between Covanta and DSNY.

## CONSOLIDATED RESULTS OF OPERATIONS

The following general discussions should be read in conjunction with the condensed consolidated financial statements, the notes to the condensed consolidated financial statements and other financial information appearing and referred to elsewhere in this report. We have one reportable segment which comprises our entire operating business.

The comparability of the information provided below with respect to our revenue, expense and certain other items for the periods presented was affected by several factors. As outlined in *Item 1. Financial Statements — Note 1. Organization and Basis of Presentation* and *Note 3. Acquisitions and Dispositions* in this quarterly report on Form 10-Q and in *Item 8. Financial Statements And Supplementary Data — Note 1. Organization and Summary of Significant Accounting Policies* and *Note 3. New Business and Asset Management* of our annual report on Form 10-K , our business development initiatives, contract transitions, and acquisitions resulted in various transactions that are reflected in comparative revenue and expense. These factors must be taken into account in developing meaningful comparisons between the periods compared below.

The following terms used within the Results of Operations discussion are defined as follows:

- “Organic growth”: reflects the performance of the business on a comparable period-over-period basis, excluding the impacts of transactions and contract transitions.
- “Transactions”: includes the impacts of acquisitions, divestitures, and the addition or loss of operating contracts.
- Contract “transitions”: includes the impact of the expiration of: (a) long-term major waste and service contracts, most typically representing the transition to a new contract structure, and (b) long-term energy contracts.

Certain amounts in our Consolidated Results of Operations may not total due to rounding.

**CONSOLIDATED RESULTS OF OPERATIONS — OPERATING INCOME**
**Three Months Ended March 31, 2018 and 2017**

<i>Consolidated:</i>	Three Months Ended March 31,		Variance
	2018	2017	Increase (Decrease) 2018 vs 2017
	(In millions)		
<b>OPERATING REVENUE:</b>			
Waste and service revenue	\$ 312	\$ 286	\$ 26
Energy revenue	100	86	14
Recycled metals revenue	24	16	8
Other operating revenue	22	16	6
Total operating revenue	458	404	54
<b>OPERATING EXPENSE:</b>			
Plant operating expense	345	332	13
Other operating expense, net	8	15	(7)
General and administrative expense	31	28	3
Depreciation and amortization expense	54	52	2
Total operating expense	438	427	11
Operating income (loss)	\$ 20	\$ (23)	\$ 43

**Operating Revenue**
**Waste and Service Revenue**

<i>Consolidated (in millions):</i>	Three Months Ended March 31,		Variance
	2018	2017	Increase (Decrease) Three Months
EfW tip fees	\$ 153	\$ 131	\$ 22
EfW service fees	99	98	1
Environmental services	32	29	3
Municipal services	45	44	1
Other revenue	8	8	—
Intercompany	(26)	(23)	(3)
Total waste and service revenue	\$ 312	\$ 286	\$ 26

Certain amounts may not total due to rounding.

**EfW facilities - Tons <sup>(1)</sup>  
(in millions):**

	Three Months Ended March 31,		Variance
	2018	2017	Increase (Decrease) Three Months
Tip fee - contracted	2.1	1.9	0.2
Tip fee - uncontracted	0.7	0.6	0.1
Service fee	2.1	2.1	—
Total tons	4.8	4.6	0.2

(1) Includes solid tons only.

Certain amounts may not total due to rounding.

For the three month comparative period, waste and service revenue increased by \$26 million year-over-year, primarily driven by \$11 million of organic growth and the start-up of the Dublin EfW facility in the fourth quarter of 2017. Within organic growth, EfW tip fee revenue increased by \$8 million due to increased volume, primarily from a full quarter of operations at the Fairfax County EfW facility in 2018, and \$3 million due to higher average revenue per ton.

Energy Revenue

*Consolidated <sup>(1)</sup> (in millions):*

	Three Months Ended March 31,				Variance
	2018		2017		Increase (Decrease)
					Three Months
Energy Sales	\$	87	\$	76	\$ 11
Capacity		13		9	4
Total energy revenue	\$	100	\$	86	\$ 14

(1) Covanta share only. Represents the sale of electricity and steam based upon output delivered and capacity provided. Certain amounts may not total due to rounding.

*Total EfW (in millions):*

	Three Months Ended March 31,						Variance	
	2018			2017			2018 vs 2017	
	Revenue <sup>(1)</sup>	Volume <sup>(1)(2)</sup>	% of Total Volume	Revenue <sup>(1)</sup>	Volume <sup>(1)(2)</sup>	% of Total Volume	Revenue	Volume
At Market	\$ 15	0.3	21%	\$ 5	0.2	15%		
Contracted	47	0.5	32%	51	0.6	42%		
Hedged	38	0.8	47%	29	0.6	43%		
Total EfW	\$ 100	1.6	100%	\$ 86	1.4	100%	\$ 14	0.2

(1) Covanta share only. Represents the sale of electricity and steam based upon output delivered and capacity provided.

(2) Steam converted to MWh at an assumed average rate of 11 klbs of steam / MWh.

Certain amounts may not total due to rounding.

For the three month comparative period, energy revenue increased by \$14 million , primarily driven by a full quarter of operations at the Fairfax County EfW facility in 2018 and the start-up of the Dublin EfW facility in the fourth quarter of 2017.

Recycled Metals Revenue

	Three Months Ended March 31,					
	Metal Revenue (in millions)		Tons Recovered (in thousands)		Tons Sold (in thousands) <sup>(1)</sup>	
	2018	2017	2018	2017	2018	2017
Ferrous Metal	\$ 15	\$ 10	102	95	77	60
Non-Ferrous Metal	9	6	11	9	7	9
Total	\$ 24	\$ 16				

(1) Represents the portion of total volume from Covanta's share of revenue under applicable client revenue sharing arrangements.

For the three month comparative period, recycled metals revenue increased \$8 million primarily due to higher pricing for non-ferrous material of \$5 million resulting from centralized processing.

Other Operating Revenue

Other operating revenue increased by \$6 million for the three month comparative period primarily due to higher construction revenue.

**Operating Expense**Plant Operating Expense*Consolidated (in millions):*

	Three Months Ended March 31,		Variance
	2018	2017	Increase (Decrease)
			Three Months
Plant maintenance <sup>(1)</sup>	\$ 90	\$ 98	\$ (8)
All other	255	234	21
Plant operating expense	\$ 345	\$ 332	\$ 13

(1) Plant maintenance costs include our internal maintenance team and non-facility employee costs for facility scheduled and unscheduled maintenance and repair expense.

Plant operating expenses increased by \$13 million for the three month comparable period, primarily driven by new costs related to growth in our Covanta Environmental Solutions business and new metals processing operations, as well as overall cost inflation, partially offset by lower plant maintenance expense of \$9 million.

Other Operating Expense

Other operating expenses decreased by \$7 million for the three month comparative period primarily due to higher insurance recoveries, which are recorded as a contra expense, partially offset by higher construction expenses.

General and Administrative Expense

General and administrative expenses increased for the three month comparative period by \$3 million driven by third party costs incurred in the execution of our partnership with GIG.

**CONSOLIDATED RESULTS OF OPERATIONS — NON-OPERATING INCOME ITEMS**
**Three Months Ended March 31, 2018 and 2017**
**Other Expense:**

	Three Months Ended March 31,		Variance (Increase) Decrease
	2018	2017	Three Months
	(In millions)		
Interest expense	\$ (38)	\$ (36)	\$ (2)
Gain (loss) on sale of assets	210	(4)	214
Total other income (expense)	\$ 172	\$ (40)	\$ 212

During the three months ended March 31, 2018, we recorded a \$204 million gain on the sale of 50% of our Dublin EfW to our joint venture with GIG and \$6 million gain on the sale of our remaining interests in China. During the three months ended March 31, 2017, we recorded a \$4 million charge for indemnification claims related to the sale of our interests in China.

**Income Tax Benefit:**

	Three Months Ended March 31,		Variance Increase (Decrease)
	2018	2017	Three Months
	(In millions, except percentages)		
Income tax benefit	\$ 9	\$ 11	\$ (2)
Effective income tax rate	(5)%	17%	N/A

The difference between the effective tax rate for March 31, 2018 and 2017 is primarily attributable to the combined effects of (i) the federal tax rate reduction as the result of the enactment of the Act; (ii) no income tax associated with the gain on the sale of 50% interest in the joint venture with GIG; (iii) the change in the mix of earnings and (iv) the discrete tax benefit attributable to a state audit settlement. For additional information see *Item 1. Financial Statements — Note 9. Income Taxes*.

**Net income (loss) and Earnings (Loss) Per Share: :**

	Three Months Ended March 31,		Variance Increase (Decrease)
	2018	2017	Three Months
	(In millions, except per share amounts)		
Net income (loss)	\$ 201	\$ (52)	\$ 253
Weighted average common shares outstanding:			
Basic	130	129	1
Diluted	132	129	3
Earnings (Loss) Per Share:			
Basic	\$ 1.55	\$ (0.41)	\$ 1.96
Diluted	\$ 1.53	\$ (0.41)	\$ 1.94
Cash dividend declared per share	\$ 0.25	\$ 0.25	\$ —

**Supplementary Financial Information — Adjusted EBITDA (Non-GAAP Discussion)**

To supplement our results prepared in accordance with GAAP, we use the measure of Adjusted EBITDA, which is a non-GAAP financial measure as defined by the SEC. This non-GAAP financial measure is described below, and is not intended as a substitute for and should not be considered in isolation from measures of financial performance prepared in accordance with GAAP. In addition, our use of non-GAAP financial measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. The presentation of Adjusted EBITDA is intended to enhance the usefulness of our financial information by providing a measure which management internally uses to assess and evaluate the overall performance of our business and those of possible acquisition and divestiture candidates, and highlight trends in the overall business.

We use Adjusted EBITDA to provide additional ways of viewing aspects of operations that, when viewed with the GAAP results provide a more complete understanding of our core business. As we define it, Adjusted EBITDA represents earnings before interest, taxes, depreciation and amortization, as adjusted for additional items subtracted from or added to net income including the effects of impairment losses, gains or losses on sales, dispositions or retirements of assets, adjustments to reflect the Adjusted EBITDA from our unconsolidated investments, adjustments to exclude significant unusual or non-recurring items that are not directly related to our operating performance plus adjustments to capital type expenses for our service fee facilities in line with our credit agreements. We adjust for these items in our Adjusted EBITDA as our management believes that these items would distort their ability to efficiently view and assess our core operating trends. Going forward, as larger parts of our business will be conducted through unconsolidated entities that we do not control, we will begin to adjust for our proportionate share of the entities depreciation and amortization, interest expense and taxes in order to improve comparability to the Adjusted EBITDA of our wholly owned entities.

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

In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EBITDA for the three months ended March 31, 2018 and 2017, respectively, reconciled for each such period to net income (loss) and cash flow provided by operating activities, which are believed to be the most directly comparable measures under GAAP. The following is a reconciliation of Net income (loss) to Adjusted EBITDA (in millions):

	Three Months Ended March 31,	
	2018	2017
	(Unaudited, in millions)	
<b>Net income (loss)</b>	<b>\$ 201</b>	<b>\$ (52)</b>
Depreciation and amortization expense	54	52
Interest expense	38	36
Income tax benefit	(9)	(11)
(Gain) loss on sale of assets <sup>(a)</sup>	(210)	4
Property insurance recoveries, net	(7)	—
Capital type expenditures at client owned facilities <sup>(b)</sup>	12	14
Debt service billings in excess of revenue recognized	1	1
Business development and transaction costs	2	—
Severance and reorganization costs	2	—
Stock-based compensation expense	9	5
Adjustments to reflect Adjusted EBITDA from unconsolidated investments	4	—
Other <sup>(c)</sup>	3	2
<b>Adjusted EBITDA</b>	<b>\$ 100</b>	<b>\$ 51</b>

- (a) During the three months ended March 31, 2018, we recorded a \$204 million gain on the sale of 50% of our Dublin EfW to our joint venture with GIG and \$6 million gain on the sale of our remaining interests in China.
- (b) Adjustment for impact of adoption of FASB ASC 853 - *Service Concession Arrangements*. These types of expenditures at our service fee operated facilities were historically capitalized prior to adoption of this accounting standard effective January 1, 2015.
- (c) Includes certain other items that are added back under the definition of Adjusted EBITDA in Covanta Energy, LLC's credit agreement.

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The following is a reconciliation of cash flow provided by operating activities to Adjusted EBITDA (in millions):

	Three Months Ended March 31,	
	2018	2017
<b>Net cash provided by operating activities</b>	<b>\$ 3</b>	<b>\$ 9</b>
Capital type expenditures at service fee operated facilities <sup>(a)</sup>	12	14
Cash paid for interest, net of capitalized interest	33	26
Cash paid for taxes, net	—	(1)
Adjustments to reflect Adjusted EBITDA from unconsolidated investments	4	—
Adjustment for working capital and other	48	3
<b>Adjusted EBITDA</b>	<b>\$ 100</b>	<b>\$ 51</b>

(a) See *Adjusted EBITDA - Note (b)* .

For additional discussion related to management's use of non-GAAP measures, see *Liquidity and Capital Resources — Supplementary Financial Information — Free Cash Flow (Non-GAAP Discussion)* below.

**Supplementary Financial Information — Adjusted Earnings Per Share (“Adjusted EPS”) (Non-GAAP Discussion)**

We use a number of different financial measures, both GAAP and non-GAAP, in assessing the overall performance of our business. To supplement our results prepared in accordance with GAAP, we use the measure of Adjusted EPS, which is a non-GAAP financial measure as defined by the Securities and Exchange Commission (“SEC”). The non-GAAP financial measure of Adjusted EPS is not intended as a substitute or as an alternative to diluted earnings (loss) per share as an indicator of our performance or any other measure of performance derived in accordance with GAAP. In addition, our non-GAAP financial measures may be different from non-GAAP financial measures used by other companies, limiting their usefulness for comparison purposes. We use the non-GAAP financial measure of Adjusted EPS to enhance the usefulness of our financial information by providing a measure which management internally uses to assess and evaluate the overall performance and highlight trends in the ongoing business.

Adjusted EPS excludes certain income and expense items that are not representative of our ongoing business and operations, which are included in the calculation of diluted earnings per share in accordance with GAAP. The following items are not all-inclusive, but are examples of reconciling items in prior comparative and future periods. They would include, impairment charges, the effect of derivative instruments not designated as hedging instruments, significant gains or losses from the disposition or restructuring of businesses, gains and losses on assets held for sale or sold, transaction-related costs, income and loss on the extinguishment of debt and other significant items that would not be representative of our ongoing business.

In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EPS for the three months ended March 31, 2018 and 2017, reconciled for each such period to diluted earnings (loss) per share, which is believed to be the most directly comparable measure under GAAP (in millions, except per share amounts):

	Three Months Ended March 31,	
	2018	2017
Diluted Earnings (Loss) Per Share:	\$ 1.53	\$ (0.41)
Reconciling items <sup>(a)</sup>	(1.62)	0.04
Adjusted EPS	<u>\$ (0.09)</u>	<u>\$ (0.37)</u>

(a) Additional information is provided in the Reconciling Items table below.

	Three Months Ended March 31,	
	2018	2017
<b>Reconciling Items</b>		
(Gain) loss on sale of assets <sup>(a)</sup>	(210)	4
Property insurance recoveries, net	(7)	—
Severance and reorganization costs	2	—
Effect of foreign exchange gain on indebtedness	1	—
Other	(1)	—
Total reconciling items, pre-tax	(215)	4
Pro forma income tax impact <sup>(b)</sup>	2	—
Grantor trust activity	—	1
Total reconciling items, net of tax	<u>\$ (213)</u>	<u>\$ 5</u>
Diluted per share impact	<u>\$ (1.62)</u>	<u>\$ 0.04</u>
Weighted average diluted shares outstanding	<u>132</u>	<u>129</u>

(a) For additional information, see Adjusted EBITDA above.

(b) We calculate the federal and state tax impact of each item using the statutory federal tax rate and applicable blended state rate.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are our cash and cash equivalents, cash flow generated from our ongoing operations, and unutilized capacity under our Revolving Credit Facility, which we believe will allow us to meet our liquidity needs. Our business is capital intensive and our ability to successfully implement our strategy is, in part, dependent on the continued availability of capital on desirable terms. For additional information regarding our credit facilities and other debt, see *Item 1. Financial Statements - Note 13. Consolidated Debt*.

In 2018, we expect to generate net cash from operating activities which may not alone meet all of our cash requirements for both capital expenditures to maintain our existing assets and ongoing dividends to shareholders, in which case we would utilize our Revolving Credit Facility on an interim basis. In February 2018, we applied the net proceeds from the sale of 50% of our Dublin EfW facility to repay borrowings under our Revolving Credit Facility. For a full discussion of the factors impacting our 2018 business outlook, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Outlook of our Annual Report on Form 10-K for the year ended December 31, 2017*.

We expect to utilize a combination of cash flows from operations, borrowings under our Revolving Credit Facility, and other financing sources, as necessary, to fund growth investments in our business.

We generally intend to refinance our debt instruments prior to maturity with like-kind financing in the bank and/or debt capital markets in order to maintain a capital structure comprised primarily of long-term debt, which we believe appropriately matches the long-term nature of our assets and contracts.

The loan documentation governing the Credit Facilities contains various affirmative and negative covenants, as well as financial maintenance covenants (financial ratios), that limit our ability to engage in certain types of transactions. We do not anticipate our existing debt covenants to restrict our ability to meet future liquidity needs. For additional information regarding the covenants under our Credit Facilities, see *Item 8. Financial Statements and Supplementary Data — Note 10. Consolidated Debt of our Annual Report on Form 10-K for the year ended December 31, 2017*.

Our primary future cash requirements will be to fund capital expenditures to maintain our existing businesses, service our debt, invest in the growth of our business, and return capital to our shareholders. We believe that our liquidity position and ongoing cash flow from operations will be sufficient to finance these requirements.

### Other Factors Affecting Liquidity

As of March 31, 2018, we held cash balances of \$51 million, of which \$42 million was held by international subsidiaries and not generally available for near-term liquidity in our domestic operations. In addition, as of March 31, 2018, we had restricted cash of \$65 million, of which \$13 million was designated for future payment of project debt principal. Restricted funds held in trust are primarily amounts received and held by third-party trustees relating to certain projects we own. We generally do not control these accounts and these funds may be used only for specified purposes.

As of March 31, 2018, we had unutilized capacity under our Revolving Credit Facility of \$401 million and are in compliance with all of the covenants under our Credit Facilities. For additional information regarding the Credit Facilities, see *Item 1. Financial Statements — Note 13. Consolidated Debt*.

During the three months ended March 31, 2018, dividends declared to stockholders were \$33 million, or \$0.25 per share. Such amounts were paid on April 6, 2018. We may repurchase outstanding shares from time to time, the amount and timing of future repurchases may vary depending on market conditions and the level of operating, financing and other investing activities. As of March 31, 2018, the amount remaining under our currently authorized share repurchase program was \$66 million.

Our projected contractual obligations are consistent with amounts disclosed in our Form 10-K for the year ended December 31, 2017. For additional information on other commitments, see *Item 1. Financial Statements — Note 14. Commitments and Contingencies - Other Matters*.

**Sources and Uses of Cash Flow for the Three Months Ended March 31, 2018 and 2017 :**

Net cash provided by operating activities for the three months ended March 31, 2018 was \$3 million , a decrease of \$6 million from the same prior year period. The decrease was primarily attributable to changes in working capital (\$49 million) offset by improved operating performance as discussed above in *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Net cash provided by investing activities for the three months ended March 31, 2018 was \$26 million , a net decrease of \$103 million of cash used in investing activities from the prior year period. The net decrease in cash used was principally attributable to proceeds received from the sale of 50% of Dublin EfW and the sale of our remaining interest in our China investments. For additional information regarding our dispositions, see *Item 1. Financial Statements - Note 3. Acquisitions and Dispositions* .

Net cash used in financing activities for the three months ended March 31, 2018 was \$110 million , as compared to net cash provided by financing activities of \$421 million in the prior period. The increase in cash used was primarily attributable to a decreased net borrowings of \$593 million as compared to the prior year offset by a decrease in net repayments of \$59 million from the prior year.

**Supplementary Financial Information — Free Cash Flow (Non-GAAP Discussion)**

To supplement our results prepared in accordance with GAAP, we use the measures of Free Cash Flow and Free Cash Flow Before Working Capital, which are non-GAAP measures as defined by the SEC. These non-GAAP financial measures are not intended as a substitute and should not be considered in isolation from measures of liquidity prepared in accordance with GAAP. In addition, our use of Free Cash Flow and Free Cash Flow Before Working Capital may be different from similarly identified non-GAAP measures used by other companies, limiting its usefulness for comparison purposes. The presentation of Free Cash Flow and Free Cash Flow Before Working Capital is intended to enhance the usefulness of our financial information by providing measures which management internally uses to assess and evaluate the overall performance of its business and those of possible acquisition candidates, and highlight trends in the overall business.

We use the non-GAAP financial measures of Free Cash Flow and Free Cash Flow Before Working Capital as criteria of liquidity and performance-based components of employee compensation. Free Cash Flow is defined as cash flow provided by operating activities, plus changes in operating restricted funds, less maintenance capital expenditures, which are capital expenditures primarily to maintain our existing facilities. Free Cash Flow Before Working Capital is defined as Free Cash Flow excluding changes in working capital. We use Free Cash Flow and Free Cash Flow Before Working Capital as measures of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available for acquisitions, invest in construction of new projects, make principal payments on debt, or return capital to our shareholders through dividends and/or stock repurchases.

For additional discussion related to management's use of non-GAAP measures, see *Consolidated Results of Operations — Supplementary Financial Information — Adjusted EBITDA and Adjusted EPS (Non-GAAP Discussion)* above.

In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow and Free Cash Flow Before Working Capital for the three months ended March 31, 2018 and 2017 , reconciled for each such period to cash flow provided by operating activities, which we believe to be the most directly comparable measure under GAAP.

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The following is a reconciliation of Free Cash Flow (in millions):

	Three Months Ended March 31,	
	2018	2017
	(Unaudited, in millions)	
<b>Net cash provided by operating activities</b>	<b>\$ 3</b>	<b>\$ 9</b>
Add: Changes in restricted funds - operating <sup>(a)</sup>	(10)	1
Less: Maintenance capital expenditures <sup>(b)</sup>	(45)	(27)
<b>Free Cash Flow</b>	<b>\$ (52)</b>	<b>\$ (17)</b>
Less: Changes in working capital	44	(5)
<b>Free Cash Flow Before Working Capital</b>	<b>\$ (8)</b>	<b>\$ (22)</b>

(a) Adjustment for the impact of the adoption of ASU 2016-18 effective January 1, 2018. As a result of adoption, the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, changes in restricted funds are eliminated in arriving at net cash, cash equivalents and restricted funds provided by operating activities.

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

	Three Months Ended March 31,	
	2018	2017
Maintenance capital expenditures	\$ (45)	\$ (27)
Maintenance capital expenditures paid but incurred in prior periods	(7)	—
Capital expenditures associated with construction of Dublin EfW facility	(17)	(20)
Capital expenditures associated with organic growth initiatives	(8)	(11)
Capital expenditures associated with the New York City MTS contract	—	—
Capital expenditures associated with Essex County EfW emissions control system	—	(3)
Total capital expenditures associated with growth investments	(25)	(34)
Capital expenditures associated with property insurance events	(4)	(1)
Total purchases of property, plant and equipment	\$ (81)	\$ (62)

**Recent Accounting Pronouncements**

See *Item 1. Financial Statements — Note 2. Recent Accounting Pronouncements* for information related to new accounting pronouncements.

**Discussion of Critical Accounting Policies and Estimates**

In preparing our condensed consolidated financial statements in accordance with GAAP, we are required to use judgment in making estimates and assumptions that affect the amounts reported in our financial statements and related notes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Many of our critical accounting policies are subject to significant judgments and uncertainties which could result in materially different results under different conditions and assumptions. Future events rarely develop exactly as forecasted, and the best estimates routinely require adjustment. Except as discussed in *Note 1. Organization and Basis of Accounting - Accounting Pronouncements Recently Adopted*, management believes there have been no material changes during the three months ended March 31, 2018 to the items discussed in *Discussion of Critical Accounting Policies* in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* of our Annual Report on Form 10-K for the year ended December 31, 2017.

**Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

In the normal course of business, our subsidiaries are party to financial instruments that are subject to market risks arising from changes in commodity prices, interest rates, foreign currency exchange rates, and derivative instruments. Our use of derivative instruments is very limited and we do not enter into derivative instruments for trading purposes.

There were no material changes during the three months ended March 31, 2018 to the items discussed in *Item 7A. Quantitative and Qualitative Disclosures About Market Risk* of our Annual Report on Form 10-K for the year ended December 31, 2017 .

**Item 4. CONTROLS AND PROCEDURES**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Covanta’s disclosure controls and procedures, as required by Rule 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934 (the “Exchange Act”) as of March 31, 2018 . Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms.

Our Chief Executive Officer and Chief Financial Officer have concluded that, based on their reviews, our disclosure controls and procedures are effective to provide such reasonable assurance.

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must consider the benefits of controls relative to their costs. Inherent limitations within a control system include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. While the design of any system of controls is to provide reasonable assurance of the effectiveness of disclosure controls, such design is also based in part upon certain assumptions about the likelihood of future events, and such assumptions, while reasonable, may not take into account all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be prevented or detected.

**Changes in Internal Control over Financial Reporting**

There have not been any changes in our system of internal control over financial reporting during the quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

**PART II — OTHER INFORMATION****Item 1. LEGAL PROCEEDINGS**

For information regarding legal proceedings, see *Item 1. Financial Statements — Note 14. Commitments and Contingencies*, which information is incorporated herein by reference.

**Item 1A. RISK FACTORS**

There have been no material changes during the three months ended March 31, 2018 to the risk factors discussed in *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2017.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

During the quarter ended March 31, 2018, the Company withheld 249,471 shares of restricted stock, as permitted by the applicable equity award agreements, to satisfy employee tax withholding requirements related to the vesting of restricted stock awards.

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5. OTHER INFORMATION**

- (a) None.
- (b) Not applicable.

**Item 6. EXHIBITS**

Exhibit Number	Description
<a href="#">10.1*</a>	<a href="#">Covanta Holding Corporation Form of Performance Share Award Agreement for Senior Officers</a>
<a href="#">10.2*</a>	<a href="#">Covanta Holding Corporation Form of Restricted Stock Unit Agreement for Senior Officers</a>
<a href="#">10.3*</a>	<a href="#">Covanta Holding Corporation Form of TSR Award Agreement for Senior Officers</a>
<a href="#">31.1</a>	<a href="#">Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002 by the Chief Executive Officer.</a>
<a href="#">31.2</a>	<a href="#">Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002 by the Chief Financial Officer.</a>
<a href="#">32</a>	<a href="#">Certification of periodic financial report pursuant to Section 906 of Sarbanes-Oxley Act of 2002 by the Chief Executive Officer and Chief Financial Officer.</a>
Exhibit 101.INS:	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH:	XBRL Taxonomy Extension Schema
Exhibit 101.CAL:	XBRL Taxonomy Extension Calculation Linkbase
Exhibit 101.DEF:	XBRL Taxonomy Extension Definition Linkbase
Exhibit 101.LAB:	XBRL Taxonomy Extension Labels Linkbase
Exhibit 101.PRE:	XBRL Taxonomy Extension Presentation Linkbase

\* Management contract or compensatory plan or arrangement.



**COVANTA HOLDING CORPORATION  
PERFORMANCE SHARE AWARD AGREEMENT**

**THIS PERFORMANCE SHARE AWARD AGREEMENT** (this “Agreement”) is made and entered into as of this \_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Grant Date”) by and between Covanta Holding Corporation, a Delaware corporation (the “Company”), and \_\_\_\_\_ (“Employee”), pursuant to the Covanta Holding Corporation 2014 Equity Award Plan (the “Plan”). This Agreement and the award contained herein are subject to the terms and conditions set forth in the Plan, which are incorporated by reference herein, and the following terms and conditions:

**WITNESSETH:**

**WHEREAS** , Employee is an employee of the Company or its Affiliates or Subsidiaries;

**WHEREAS** , the Company has adopted the Plan in order to promote the interests of the Company and its stockholders by using equity interests in the Company to attract, retain and motivate its management and other eligible persons and to encourage and reward their contributions to the Company’s and/or its Affiliates’ and Subsidiaries’ performance and profitability;

**WHEREAS**, the Compensation Committee (the “Compensation Committee”) of the Company’s Board of Directors (the “Board”) authorized an objectively-determinable performance-based award (the “Award”) to Employee based on the Company’s Cumulative Free Cash Flow per Share (defined and measured in accordance with Section 2.1(b) below) over a three year performance period, pursuant to Section 7 of the Plan;

**WHEREAS** , the Compensation Committee has determined that it is in the best interests of the Company to grant Performance Shares (as hereinafter defined) under the Plan to Employee pursuant to the terms and conditions set forth in this Agreement; and

**WHEREAS** , Employee is entrusted with knowledge of the confidential and proprietary information and particular business methods of the Company, Covanta Energy LLC and their respective Subsidiaries and Affiliates (“Covanta Group”) and the clients of the Covanta Group, and Employee is trained and instructed in the Covanta Group’s particular operations, all of which are exceptionally valuable to the Covanta Group and vital to the success of the Covanta Group’s business.

**NOW, THEREFORE** , in consideration of the various covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. **Award** . In accordance with, and subject to, the terms and conditions of the Plan, the Company hereby grants to Employee \_\_\_\_\_ restricted stock units (“Target Share Amount”) payable in shares of the Company’s common stock, par value \$0.10 per share (“Common Stock”) for the three year performance period commencing as of \_\_\_\_\_, 20\_\_ and ending \_\_\_\_\_, 20\_\_ (the “Performance Period”). Issuance and payment of the award in the form of shares of Common Stock (the “Performance Shares”) is conditioned and dependent upon

Employee’s continued employment during the Performance Period and the achievement of performance goals reflected in the Company’s Cumulative Free Cash Flow per Share (as hereinafter defined) for the Performance Period as more fully described in Section 2 hereof. If the Company issues or otherwise delivers Performance Shares to Employee, the Company shall also pay to Employee the amount of cash determined under Section 3 (the “Dividend Equivalent Cash Award”).

2. **Award Performance Conditions** . It is understood and agreed that this Award is subject to the following terms and conditions:

2.1 **Determination of Performance Shares** .

(a) The number of the Performance Shares, if any, earned for the Performance Period shall be determined in accordance with the following formula:

**Performance Shares = Payout Factor x Target Share Amount**

The “Payout Factor” is determined by Company’s Cumulative Free Cash Flow per Share (as defined below) during the Performance Period. For purposes of this Agreement, “Cumulative Free Cash Flow per Share” is defined as the Company’s cumulative Free Cash Flow (defined as Cash flow provided by operating activities from continuing operations less Maintenance capital expenditures as disclosed by the Company in the Company’s Reports filed with or furnished to the Securities and Exchange Commission) during the Performance Period divided by the weighted average number of shares of Common Stock outstanding during the Performance Period.

(b) The Performance Shares will vest in a range of 0% to 200% of the Target Share Amount according to the following schedule, with (i) 100% target Payout Factor set at Cumulative Free Cash Flow per Share during the Performance Period of \$[], (ii) no Performance Shares issued for Cumulative Free Cash Flow per Share during the Performance Period less than \$[], (iii) 50% of target Payout Factor for Cumulative Free Cash Flow per Share during the Performance Period at \$[] and (iv) a maximum of 200% of target Payout Factor for Cumulative Free Cash Flow per Share during the Performance Period equal to or greater than \$[]:

<b>Performance Level</b>	<b>Cumulative Free Cash Flow per Share</b>	<b>Payout Factor (% of Target Number of Performance Shares)</b>
	\$[]	[]%
<b>Minimum</b>	\$[]	[]%
	\$[]	[]%
	\$[]	[]%
<b>Target</b>	\$[]	[]%
<b>Maximum</b>	\$[]	[]%

(c) If the Company’s Cumulative Free Cash Flow per Share for the Performance Period is equal to or between any of the threshold amounts set forth in column entitled

Cumulative Free Cash Flow per Share in the table set forth in Section 2.1(b) above, then the calculation of the Payout Factor shall be linearly interpolated between the respective Cumulative Free Cash Flow per Share amounts and Payout Factors set forth in the table set forth in Section 2.1(b) above. Interpolation calculations of Cumulative Free Cash Flow per Share and Payout Factor shall be carried out to the third decimal place.

**2.2 Employment Condition** . Except as set forth in Section 2.3 below, vesting of the Award is expressly conditioned upon Employee being continuously employed by the Company or any of its Subsidiaries or Affiliates during the entire Performance Period, including without limitation, the last day of the Performance Period.

**2.3 Effect of Termination of Employment.** Except as otherwise provided below, if Employee's employment with the Company or any of its Subsidiaries or Affiliates, is terminated for any reason prior to the end of the Performance Period, the Award shall be immediately forfeited.

(a) Termination due to Death or Disability . If Employee's termination of employment is due to death or Disability (as defined in the Plan), the Award shall vest and will be issuable at the time and in the form as provided in Section 4.1 hereof based upon the Company's Cumulative Free Cash Flow per Share for the entire Performance Period.

(b) Termination due to Retirement or Termination by the Company for Other than Cause . If Employee's termination of employment is due to Employee's retirement at the age of 65 or older or with a sum of age and years of service with the Company on the date of retirement equal to at least 75 (unless such retirement results from a termination of Employee's employment by the Company for Cause (as such term is defined in the Plan)), or if Employee's employment is terminated by the Company (or a Subsidiary or Affiliate of the Company, as the case may be) for reasons other than Cause (as determined by the Compensation Committee), a prorated portion of the Award shall vest pursuant to Section 2.3(c) below, and will be payable at the time and in the form as provided in Section 4.1 hereof. For purposes of this Section 2.3(b), Employee shall be considered employed during any period in which Employee is receiving severance pay, and the date of the termination of employee's employment shall be the last day of any such severance pay period.

(c) Prorated Vesting upon Retirement or Termination by the Company for Other than Cause . The prorated portion of the Award that vests due to termination of Employee's employment due to retirement or termination by the Company for reasons other than Cause shall be determined by multiplying (i) the Performance Shares that would have been vested based on the Company's Cumulative Free Cash Flow per Share for the entire Performance Period, by (ii) a fraction, the numerator of which is the number of days that Employee was continually employed since the beginning of the Performance Period and the denominator of which is 1,095.

(d) Change in Control Event . Notwithstanding anything in the Plan to the contrary, in the event of a Change in Control (as hereinafter defined) during the Performance Period, the Payout Factor shall be determined by dividing (i) the Company's Cumulative Free Cash Flow per Share generated during the period beginning on \_\_\_\_\_, 20\_\_ and ending on the date

immediately preceding the Change in Control (the “ Prorated Period ”) by (ii) the product of \$[] multiplied by a fraction, the numerator of which is the number of days in the Prorated Period and the denominator is 1,095. Such earned Performance Shares shall be converted to the same number of restricted stock units that shall vest based on continued service through \_\_\_\_\_, 20\_\_ ; *provided, however*, that (x) if the successor entity does not assume, convert, or replace such restricted stock units, then vesting will accelerate upon the Change in Control, and (y) if the successor entity assumes, converts, or replaces such restricted stock units, then vesting of such assumed, converted, or replaced awards will accelerate if Employee is terminated without Cause within 24 months following the Change in Control. For purposes of this Agreement, the Award hereunder will not be considered to be assumed, continued, converted or replaced by the resulting entity in connection with the Change in Control unless (i) the Award is adjusted to prevent dilution of Employee’s rights hereunder as a result of the Change in Control, and (ii) immediately after the Change in Control, all Performance Shares are convertible into shares of common stock in the resulting entity which are publicly traded and listed on a national securities exchange. The Company also shall pay to Employee a Dividend Equivalent Cash Award based on such number of Performance Shares earned by Employee pursuant to this Section 2.3(d).

(e) Change in Control Definition. For purposes of this Agreement, a “ Change in Control ” shall mean the occurrence of any of the following events, each of which shall be determined independently of the others: (i) any “ Person ” (as hereinafter defined), other than a holder of at least 10% of the outstanding voting power of the Company as of the date of this Agreement, becomes a “beneficial owner” (as such term is used in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the “ Exchange Act ”)) of a majority of the stock of the Company entitled to vote in the election of directors of the Company; (ii) individuals who are Continuing Directors of the Company (as hereinafter defined) cease to constitute a majority of the members of the Board; (iii) stockholders of the Company adopt and consummate a plan of complete or substantial liquidation or an agreement providing for the distribution of all or substantially all of the assets of the Company; (iv) the Company is a party to a merger, consolidation, other form of business combination or a sale of all or substantially all of its assets, with an unaffiliated third party, unless the business of the Company following consummation of such merger, consolidation or other business combination is continued following any such transaction by a resulting entity (which may be, but need not be, the Company) and the stockholders of the Company immediately prior to such transaction hold, directly or indirectly, at least a majority of the voting power of the resulting entity; provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) shall not constitute a Change in Control; (v) there is a Change in Control of the Company of a nature that is reported in response to item 5.01 of Current Report on Form 8-K or any similar item, schedule or form under the Exchange Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirements; provided, however, that for purposes of this Agreement a Change in Control shall not be deemed to occur if the Person or Persons deemed to have acquired control is a holder of at least 10% of the outstanding voting power of the Company as of the date of this Agreement; or (vi) the Company consummates a transaction which constitutes a “Rule 13e-3 transaction” (as such term is defined in Rule 13e-3 of the Exchange Act) prior to the termination or expiration of this Agreement.

(f) Covanta Energy LLC. In the event that Employee is an employee of Covanta Energy LLC or any of its Subsidiaries or Affiliates, then the references to the Company in Section 2.3(e)(i), (iii), (iv), (v) and (vi) above shall also include, in the alternative, Covanta Energy LLC.

(g) Continuing Director Definition. For purposes of Section 2.3(e), “ Continuing Directors ” shall mean the members of the Board on the date of execution of this Agreement, provided that any person becoming a member of the Board subsequent to such date whose election or nomination for election was supported by at least a majority of the directors who then comprised the Continuing Directors shall be considered to be a Continuing Director; and the term “ Person ” is used as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

3. **Dividend Equivalent Cash Awards** . The amount of the Dividend Equivalent Cash Award shall be determined by multiplying the number of Performance Shares earned by Employee as determined under Section 2 above by the total amount of dividends paid per share of the Company’s Common Stock for which the ex-dividend date occurred after the beginning of the Performance Period and before the Payment Date or Change in Control Payment Date (as those terms are defined in Section 4.2), as applicable.

#### 4. **Confirmation and Payment** .

4.1 Determination of Performance Shares . Following the end of the Performance Period, the Compensation Committee shall determine and confirm: (a) the Cumulative Free Cash Flow per Share attained by the Company; (b) the Payout Factor for Performance Shares; (c) the number of Performance Shares earned which shall be issuable to Employee; and (d) the amount of the Dividend Equivalent Cash Award payable to Employee. Prior to such meeting, the Company shall provide to the Compensation Committee, in reasonable detail, the calculation of the Company’s Cumulative Free Cash Flow per Share, the Payout Factor, the number of Performance Shares issuable to Employee and the amount of the Dividend Equivalent Cash Award payable to Employee, which information shall be available to Employee upon request after the Payment Date (as hereinafter defined). The number of Performance Shares earned shall be rounded to the nearest whole share.

4.2 Issuance of Performance Shares and Payment of Dividend Equivalent Cash Awards . As soon as practicable in the calendar year following the close of the Performance Period (but not later than March 15, \_\_\_\_ ) (the “ Payment Date ”) and subject to applicable tax withholding as provided in Section 5 hereof, the Dividend Equivalent Cash Award shall be paid to Employee, or in the event of Employee’s death, to Employee’s beneficiary. Promptly after the Payment Date, certificates representing the Performance Shares determined in accordance with Section 4.1 shall be delivered to Employee or to Employee’s beneficiary, as applicable. Notwithstanding the foregoing, in the event that Employee is prohibited from trading in the Company’s securities on the Payment Date pursuant to applicable securities laws and/or the Company’s policy on securities trading and disclosure of confidential information, the Payment Date shall be, in the determination of the Compensation Committee, the first date Employee is no longer prohibited from such trading. Notwithstanding the terms of this Section 4.2, if a Change in Control occurs before the end of the Performance Period, then, subject to applicable tax withholding, the Dividend Equivalent Cash

Award shall be paid to Employee and the Performance Shares shall be issued to Employee in accordance with the timing set forth in Section 2.3(d) (the “Change in Control Payment Date”).

5. **Tax Withholding** . As a condition precedent to the receipt of any Performance Shares as provided for in Section 4.2, Employee agrees to pay to the Company, at such times as the Company shall determine, such amounts as the Company shall deem necessary to satisfy any withholding taxes due on income that Employee recognizes pursuant to the issuance to Employee of the Performance Shares. The obligations of the Company under this Agreement and the Plan shall be conditional on such payment or arrangements, and the Company, its Affiliates and Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to Employee. In addition, Employee may elect, unless otherwise determined by the Compensation Committee, to satisfy the withholding requirement by having the Company withhold first Dividend Equivalent Cash Awards and, if such amount is insufficient to pay the full amount of the withholding tax, Performance Shares with a Fair Market Value (as hereinafter defined), as of the date of such withholding, sufficient to satisfy the withholding obligation. For purposes of this Section 5, the “Fair Market Value” of a Performance Share shall be equal to the closing market price of the Common Stock on the last trading day immediately preceding the Payment Date or the Change in Control Payment Date, as applicable .

## 6. **Changes in Capital Structure** .

6.1 **Merger, Consolidation, Reorganization, Etc** . If, during the term of this Agreement, there shall be any merger, consolidation, reorganization, recapitalization, stock dividend, stock split, rights offering or extraordinary distribution with respect to the Common Stock, or other change in corporate structure affecting the Common Stock, the Compensation Committee shall make or cause to be made an appropriate and equitable substitution, adjustment or treatment with respect to the Performance Shares, including a substitution or adjustment in the aggregate number or kind of shares subject to this Agreement. Any securities, awards or rights issued pursuant to this Section 6.1 shall be subject to the same restrictions, if any, as the underlying Performance Shares to which they relate.

6.2 **Parent Successor**. If the outstanding Common Stock is hereafter converted into or exchanged for all of the outstanding common stock of a corporation (the “Parent Successor”) as part of a transaction (the “Transaction”) in which the Company becomes a wholly-owned subsidiary of Parent Successor, then (a) the obligations under this Agreement shall be assumed by Parent Successor and references in this Agreement to the Company shall thereafter generally be deemed to refer to Parent Successor, (b) common stock of Parent Successor shall be issued in lieu of Common Stocks under this Agreement, (c) the performance measured pursuant to Section 2.1 of this Agreement shall be the continuous performance of the Company prior to the Transaction and Parent Successor after the Transaction, (d) employment by the Company for purposes of this Agreement shall include employment by either the Company or Parent Successor, and (e) the Dividend Equivalent Cash Awards under Section 4 of this Agreement shall be based on dividends paid on the common stock of the Company prior to the Transaction and Parent Successor after the Transaction.

7. **Return and/or Forfeiture of Performance-Based Payments or Awards** . Notwithstanding any other provision in this Agreement, in the event that pursuant to the terms or requirements of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or of any applicable laws, rules or regulations promulgated by the Securities and Exchange Commission from time to time, and in the event any stock award or other payment is based upon the satisfaction of financial performance metrics which are subsequently reversed due to a restatement or reclassification of financial results of the Company, then any payments made or awards granted shall be returned and forfeited to the extent required and as provided by applicable laws, rules, regulations or listing requirements. This Section 7 shall survive any expiration or termination of this Agreement for any reason.

8. **Registration** . This grant is subject to the condition that if at any time the Board or Compensation Committee shall determine, in its discretion, that the listing of the Performance Shares which may be issued hereunder on any securities exchange, or the registration or qualification of such shares under any federal or state law, or the consent or approval of any regulatory body, shall be necessary or desirable as a condition of, or in connection with, the grant, receipt or delivery of the Performance Shares hereunder, such grant, receipt or delivery will not be effected unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board or Compensation Committee. The Company agrees to make every reasonable effort to effect or obtain any such listing, registration, qualification, consent or approval.

9. **No Right to Employment** . In no event shall the granting of the Performance Shares or the other provisions hereof or the acceptance of the Performance Shares by Employee interfere with or limit in any way the right of the Company, an Affiliate or Subsidiary to terminate Employee's employment at any time, nor confer upon Employee any right to continue in the employ of the Company, an Affiliate or Subsidiary for any period of time or to continue his or her present or any other rate of compensation.

10. **Noncompetition; Nonsolicitation; Confidential Information, etc** . Employee hereby acknowledges that, during and solely as a result of Employee's employment by the Covanta Group, Employee has received and will continue to receive special training and education with respect to the operations of such entity(ies) and access to confidential information and business and professional contacts, all of which is exceptionally valuable to the Covanta Group and vital to the success of the Covanta Group's business and other related matters. In consideration of such special and unique opportunities afforded to Employee as a result of Employee's employment and the grant of Performance Shares, Employee hereby agrees to be bound by and acknowledges the reasonableness of the following covenants, which are specifically relied upon by the Company in entering into this Agreement and as a condition to the grant of the Performance Shares. Employee acknowledges and agrees that each of the individual provisions of this Section 10 constitutes a separate and distinct obligation of Employee to the Covanta Group, individually enforceable against Employee.

10.1 **Covenant Not to Compete** . During the period Employee is employed by the Covanta Group and for a period following Employee's termination of employment for any

reason, equal to \_\_\_ [INSERT PERIOD] \_\_\_, Employee shall not, without the consent of the Board, in any form or any manner, directly or indirectly, on Employee's own behalf or in combination with others, become engaged in (as an individual, partner, stockholder, director, officer, principal, agent, independent contractor, employee, trustee, lender of money or in any other relation or capacity whatsoever, except as a holder of securities of a corporation whose securities are publicly traded and which is subject to the reporting requirements of the Exchange Act, and then only to the extent of owning not more than two percent (2%) of the issued and outstanding securities of such corporation or other entity) or provide services to any business which renders services or sells products, or proposes to render services or sell products, that compete with the Business of the Covanta Group within the United States and any foreign country in which the Covanta Group conducts any aspect of the Business during the term of this Agreement. For purposes of this Agreement, the term "Business" shall mean the development, ownership and/or operation of businesses engaged in waste-to-energy and other renewable energy facilities, waste management and/or waste procurement. Notwithstanding the foregoing, after termination of Employee's employment for any reason, Employee shall be permitted to work for any business that owns and operates independent power generation projects or that provides services to competitors or customers of the Covanta Group, so long as such business, as determined in the good faith judgment of the Board, does not compete with the Covanta Group.

**10.2 Covenant Not to Solicit Employees** . During the period Employee is employed by the Covanta Group and for a period following Employee's termination of employment for any reason, equal to [INSERT PERIOD], Employee agrees and covenants that he shall not, for any reason, directly or indirectly, employ, solicit or endeavor to entice away from the Covanta Group (whether for Employee's own benefit or on behalf of another person or entity), or facilitate the solicitation, employment or enticement of, any employee of the Covanta Group to work for Employee, any affiliate of Employee or any competitor of the Covanta Group, nor shall Employee otherwise attempt to interfere (to the Covanta Group's detriment) in the relationship between the Covanta Group and any such employees.

**10.3 Covenant Not to Solicit Customers** . During the period Employee is employed by the Covanta Group and for a period following Employee's termination of employment for any reason, equal to [INSERT PERIOD], Employee agrees and covenants that he shall not, directly or indirectly, in any form or manner, contact, solicit, or facilitate the contacting or solicitation of, any Customer of the Covanta Group for the purpose of competing with the Business. For purposes of this Agreement, the term "Customer" shall mean and refer to each person, entity, municipality or other governmental entity that has a contract with or is actively being solicited by the Covanta Group to deliver waste, receive services or purchase energy during the period of Employee's employment hereunder.

**10.4 Covenant of Confidentiality** . At any time during the term of Employee's employment with the Covanta Group (pursuant to this Agreement or otherwise), and for a period of five (5) years after the termination of Employee's employment with the Covanta Group, as applicable, for any reason, Employee shall not, except in furtherance of the Business of the Covanta Group or otherwise with the prior authorization of the Company, in any form or manner, directly or indirectly, divulge, disclose or communicate to any person, entity, firm, corporation or any other

third party (other than in the course of Employee's employment), or utilize for Employee's personal benefit or for the benefit of any competitor of the Covanta Group any Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, but shall not be limited to, any technical or non-technical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, designs, processes, procedures, improvements, models or manuals of any member of the Covanta Group or which are licensed by any member of the Covanta Group, any financial data or lists of actual or potential customers or suppliers (including contacts thereat) of the Covanta Group, and any information regarding the contracts, marketing and sales plans, which is not generally known to the public through legitimate origins of the Covanta Group. The parties hereto each acknowledge and agree that such Confidential Information is extremely valuable to the Covanta Group and shall be deemed to be a "trade secret." In the event that any part of the Confidential Information becomes generally known to the public through legitimate origins (other than by the breach of this Agreement by Employee or by misappropriation), or is required to be disclosed by legal, administrative or judicial process (provided that Employee has provided to the Company reasonable prior notice of such request and the Company has had a reasonable opportunity, at its expense, to dispute, defend or limit such request for the Confidential Information), that part of the Confidential Information shall no longer be deemed Confidential Information for purposes of this Agreement, but Employee shall continue to be bound by the terms of this Agreement as to all other Confidential Information.

**10.5 Return of Property** . Upon termination of Employee's employment for any reason, Employee shall promptly deliver to the Company all correspondence, drawings, blueprints, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents or any other documents, including all copies in any form or media, concerning the Covanta Group's Customers, marketing strategies, products or processes which contain any Confidential Information.

**10.6 Assignment of Inventions** . Any and all writings, inventions, improvements, processes, procedures and/or techniques now or hereafter acquired, made, conceived, discovered or developed by Employee, either solely or jointly with any other person or persons, whether or not during working hours and whether or not at the request or upon the suggestion of the Company or its Subsidiaries or Affiliates, which relate to or are useful in connection with any business now or hereafter carried on or contemplated by the Covanta Group, including developments or expansions of its present fields of operations, shall be the sole and exclusive property of the Company or its Subsidiaries or Affiliates, as applicable. Employee shall make full disclosure to the Company or its Subsidiaries or Affiliates of all such writings, inventions, improvements, processes, procedures, techniques, or any other material of a proprietary nature, including, without limitation, any ideas, inventions, discoveries, improvements, developments, designs, methods, systems, computer programs, trade secrets or other intellectual property whether or not patentable or copyrightable and specifically including, but not limited to, copyright and mask works, formulae, compositions, products, processes, apparatus, and new uses of existing materials or machines (collectively, "Inventions"), made, conceived or first reduced to practice by Employee solely or jointly with others while employed by the Company or its Subsidiaries or Affiliates and which relate to or result from the actual or anticipated business, work, research or investigation of the Covanta Group or which are suggested by or result from any task assigned to

or performed by Employee for the Covanta Group; and Employee shall do everything necessary or desirable to vest the absolute title thereto in the Company or its Subsidiaries or Affiliates, as applicable. Employee shall write and prepare all descriptions, specifications and procedures regarding the Inventions as may be required by the Company or its Subsidiaries or Affiliates to protect the Company's or its Subsidiaries' or Affiliates' rights in and to the Inventions, and otherwise aid and assist the Company or its Subsidiaries or Affiliates so that the Company or its Subsidiaries or Affiliates can prepare and present applications for copyright or letters patent therefor and can secure such copyright or letters patent wherever possible, as well as reissues, renewals, and extensions thereof, and can obtain the record title to such copyright or patents so that the Company or its Subsidiaries or Affiliates shall be the sole and absolute owner thereof in all countries in which it may desire to have copyright or patent protection. Employee will, at the Company's or its Subsidiaries or Affiliates request, execute any and all assignment, patent or copyright forms and the like, deemed reasonably necessary by the Company or its Subsidiaries or Affiliates. The Company's or its Subsidiaries' or Affiliates' rights hereunder shall not be limited to this country but shall extend to any country in the world and shall attach to each Invention notwithstanding that it is perfected, improved, reduced to specific form or used after termination of Employee's employment. Employee agrees to lend such assistance as he or she may be able, at the Company's or its Subsidiaries' or Affiliates' request in connection with any proceedings relating to such letters of patent, trade secrets, copyright or application thereof, as may be determined by the Company or its Subsidiaries or Affiliates to be reasonably necessary. The Company, in its sole discretion, may agree to pay Employee a reasonable fee to defray any costs or time incurred by Employee in providing such assistance. Employee shall not be entitled to any additional or special compensation or reimbursement regarding any and all such writings, inventions, improvements, processes, procedures and techniques.

**10.7 Equitable Remedies** . In the event that Employee breaches any of the terms or conditions set forth in this Section 10 (collectively, the “ Restrictive Covenants ”), Employee stipulates that such breach will result in immediate and irreparable harm to the business and goodwill of the Covanta Group and that damages, if any, and remedies at law for such breach would be inadequate. The Company and/or its Subsidiaries or Affiliates shall therefore be entitled to seek for and receive from any court of competent jurisdiction a temporary restraining order, preliminary and permanent injunctive relief and/or an order for specific performance to protect its rights and interests and to restrain any violation of this Agreement and such further relief as the court may deem just and proper, each without the necessity of posting bond. Following judgment or other final determination by such court, the non-prevailing party in such proceeding shall pay the costs and expenses (including court costs and reasonable attorneys' fees) of the prevailing party. The Company and/or its Subsidiaries or Affiliates may elect to seek such remedies at its sole discretion on a case by case basis. Failure to seek any or all remedies in one case shall not restrict the Company and/or its Subsidiaries or Affiliates from seeking any remedies in another situation. Such action by the Company and/or its Subsidiaries or Affiliates shall not constitute a waiver of any of its rights.

**10.8 Continuing Obligation** . During Employee's employment and upon termination of Employee's employment for any reason the obligations, duties and liabilities of Employee pursuant to Sections 10.1, 10.2, 10.3, 10.4 and 10.5 of this Agreement are continuing,

and, for the periods set forth in such provisions hereof, absolute and unconditional, and shall survive and remain in full force and effect as provided in each such Section. Notwithstanding anything else contained in this Agreement to the contrary, the parties hereto agree that in the event, and at the moment, Employee breaches any of the terms, duties or obligations contained in Sections 10.1, 10.2, 10.3, and 10.4 of this Agreement, all of the Performance Shares which have not vested, will immediately be cancelled and forfeited.

## 11. **Construction** .

11.1 **No Rights of Stockholder** . The Award (including any associated Performance Shares) represents the Company's unfunded and unsecured promise to issue shares of Common Stock, at a future date subject to the terms of this Agreement. Employee has no rights with respect to the Award other than rights of a general creditor of the Company. Employee shall not have any of the rights of a stockholder with respect to unvested Performance Shares.

11.2 **Successors** . This Agreement and all the terms and provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, heirs and successors, except as expressly herein otherwise provided.

11.3 **Entire Agreement; Modification** . This Agreement contains the entire understanding between the parties with respect to the matters referred to herein. Subject to Section 12(c) of the Plan, this Agreement may be amended by the Board or Compensation Committee at any time.

11.4 **Capitalized Terms; Headings; Pronouns; Governing Law** . Capitalized terms used and not otherwise defined herein are deemed to have the same meanings as in the Plan. The descriptive headings of the respective sections and subsections of this Agreement are inserted for convenience of reference only and shall not be deemed to modify or construe the provisions which follow them. Any use of any masculine pronoun shall include the feminine and vice-versa and any use of a singular, the plural and vice-versa, as the context and facts may require. The construction and interpretation of this Agreement shall be governed in all respects by the laws of the State of Delaware.

11.5 **Notices** . Each notice relating to this Agreement shall be in writing and shall be sufficiently given if delivered by registered or certified mail, or by a nationally recognized overnight delivery service, with postage or charges prepaid, to the address hereinafter provided in this Section 11.5 . Any such notice or communication given by first-class mail shall be deemed to have been given two business days after the date so mailed, and such notice or communication given by overnight delivery service shall be deemed to have been given one business day after the date so sent, provided such notice or communication arrives at its destination. Each notice to the Company shall be addressed to it at its offices at 445 South Street, Morristown, New Jersey 07960 (attention: Chief Financial Officer), with a copy to the Secretary of the Company or to such other designee of the Company. Each notice to Employee shall be addressed to Employee at Employee's address shown below.

11.6 **Severability** . Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement or the application thereof to any party or circumstance shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the minimal extent of such provision or the remaining provisions of this Agreement or the application of such provision to other parties or circumstances.

11.7 **Counterpart Execution** . This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute the entire document.

**COVANTA HOLDING CORPORATION**

By: \_\_\_  
Title:

Accepted this \_\_\_ day of  
\_\_\_, 20\_\_.

—

**EMPLOYEE'S ADDRESS:**

27827917.1

**COVANTA HOLDING CORPORATION  
RESTRICTED STOCK UNIT AGREEMENT**

THIS AGREEMENT is made and entered into as of this \_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Grant Date") by and between Covanta Holding Corporation, a Delaware corporation (the "Company"), and \_\_\_\_\_ (the "Employee"), pursuant to the Covanta Holding Corporation 2014 Equity Award Plan (the "Plan"). This Agreement and the award contained herein is subject to the terms and conditions set forth in the Plan, which are incorporated by reference herein, and the following terms and conditions:

WITNESSETH:

WHEREAS, Employee is an employee of the Company or its Affiliates or Subsidiaries;

WHEREAS, the Company has adopted the Plan in order to promote the interests of the Company and its stockholders by using equity interests in the Company to attract, retain and motivate its management and other eligible persons and to encourage and reward their contributions to the Company's and/or its Affiliates' and Subsidiaries' performance and profitability;

WHEREAS, the Compensation Committee of the Board (the "Compensation Committee") has determined that it is in the best interests of the Company to grant Restricted Stock Units (as defined herein) under the Plan to Employee pursuant to the terms and conditions set forth in this Agreement; and

WHEREAS, the Employee is entrusted with knowledge of the confidential and proprietary information and particular business methods of the Company, Covanta Energy LLC and their respective Subsidiaries and Affiliates ("Covanta Group") and the clients of the Covanta Group, and the Employee is trained and instructed in the Covanta Group's particular operations, all of which is exceptionally valuable to the Covanta Group and vital to the success of the Covanta Group's business.

NOW, THEREFORE, in consideration of the various covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Award of Restricted Stock Units. In consideration for the continued service of the Employee to any member of the Covanta Group, and as part of the Plan, the Company hereby awards to the Employee, subject to the further terms and conditions set forth in this Agreement, \_\_\_\_\_ restricted stock units (the "Restricted Stock Units"), as of the Grant Date.

2. No Rights of Stockholder. Restricted Stock Units represent the Company's unfunded and unsecured promise to issue shares of common stock of the Company, par value \$0.10 per share ("Common Stock"), at a future date subject to the terms of this Agreement. Employee has no rights with respect to the Restricted Stock Units other than rights of a general creditor of the Corporation. Except as set forth in Section 3 hereof, Employee shall not have any of the rights of a stockholder with respect to unvested Restricted Stock Units.

3. Dividend Equivalent Cash Award. Upon vesting of the Restricted Stock Units pursuant to Section 5 hereof, the Company shall also pay to Employee the amount of cash determined pursuant to this Section 3 (the “Dividend Equivalent Cash Award”). The amount of the Dividend Equivalent Cash Award shall be determined by multiplying the number of vested Restricted Stock Units as determined under Section 5 by the total amount of dividends paid per share of the Company’s Common Stock for which the ex-dividend date occurred between the Grant Date and the Conversion Date (as defined herein). Any Dividend Equivalent Cash Award with respect to vested Restricted Stock Units due to Employee pursuant to this Section 3 shall be made within thirty (30) days following the Conversion Date (as defined herein).

4. Restrictions on Transfer. Except as otherwise provided in this Agreement, Employee may not sell, transfer, assign, pledge, encumber or otherwise dispose of any of the Restricted Stock Units or the rights granted hereunder (any such disposition or encumbrance being referred to herein as a “Transfer”). Any Transfer or purported Transfer by Employee of any of the Restricted Stock Units shall be null and void and the Company shall not recognize or give effect to such Transfer on its books and records or recognize the person to whom such purported Transfer has been made as the legal or beneficial holder of such Restricted Stock Units. The Restricted Stock Units shall not be subject to sale, execution, pledge, attachment, encumbrance or other process and no person shall be entitled to exercise any rights of Employee as the holder of such Restricted Stock Units by virtue of any attempted execution, attachment or other process until the Restricted Stock Units vest as provided in Section 5 hereof.

5. Vesting of Restricted Stock Units.

(a) Restricted Stock Unit Vesting. The \_\_\_\_\_ Restricted Stock Units awarded hereunder shall vest as of the dates (each, a “Vesting Date”) and in the amounts set forth below provided that Employee is employed on such date by any member of the Covanta Group:

- (b) A. \_\_\_\_\_ shares shall vest on \_\_\_\_\_;
- (c) B. \_\_\_\_\_ shares shall vest on \_\_\_\_\_; and
- (d) C. \_\_\_\_\_ shares shall vest on \_\_\_\_\_.

(e) Termination of Employment. Notwithstanding anything to the contrary in Sections 5(a), in the event that prior to the vesting of the Restricted Stock Units pursuant to Section 5(a), Employee’s employment with all of the Covanta Group is voluntarily terminated by Employee or is terminated by the Company or its Affiliates or Subsidiaries other than due to retirement (upon terms set forth below), death or Disability (as defined in the Plan), Employee shall forfeit, on the date on which Employee’s employment is terminated, all unvested Restricted Stock Units. In the event that prior to the vesting of the Restricted Stock Units pursuant to Section 5(a), Employee’s employment with all of the Covanta Group is terminated (i) due to retirement at the age of 65 or older or with a sum of age and years of service with the Company on the date of retirement equal to at least 75, or (ii) due to death or Disability (as defined in the Plan), then the Restricted Stock Units shall continue to vest in accordance with Section 5(a).

(f) Change of Control. Notwithstanding anything to the contrary in Section 5(a) hereof, in the event of a Change in Control, the Restricted Stock Units shall immediately vest. For purposes of this Agreement, a “Change in Control” shall mean the occurrence of any of the following events, each of which shall be determined independently of the others: (i) any “Person” (as hereinafter defined), other than a holder of at least 10% of the outstanding voting power of the Company as of the date of this Agreement, becomes a “beneficial owner” (as such term is used in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) of a majority of the stock of the Company entitled to vote in the election of directors of the Company; (ii) individuals who are Continuing Directors of the Company (as hereinafter defined) cease to constitute a majority of the members of the Board; (iii) stockholders of the Company adopt and consummate a plan of complete or substantial liquidation or an agreement providing for the distribution of all or substantially all of the assets of the Company; (iv) the Company is a party to a merger, consolidation, other form of business combination or a sale of all or substantially all of its assets, with an unaffiliated third party, unless the business of the Company following consummation of such merger, consolidation or other business combination is continued following any such transaction by a resulting entity (which may be, but need not be, the Company) and the stockholders of the Company immediately prior to such transaction hold, directly or indirectly, at least a majority of the voting power of the resulting entity; *provided, however*, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) shall not constitute a Change in Control; (v) there is a Change in Control of the Company of a nature that is reported in response to item 5.01 of Current Report on Form 8-K or any similar item, schedule or form under the Exchange Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirements; *provided, however*, that for purposes of this Agreement a Change in Control shall not be deemed to occur if the Person or Persons deemed to have acquired control is a holder of at least 10% of the outstanding voting power of the Company as of the date of this Agreement; or (vi) the Company consummates a transaction which constitutes a “Rule 13e-3 transaction” (as such term is defined in Rule 13e-3 of the Exchange Act) prior to the termination or expiration of this Agreement.

(g) Change of Control or Rule 13e-3 Transaction. In the event of a Change in Control or Rule 13e-3 transaction, then effective coincident with the consummation of such Change in Control or Rule 13e-3 transaction, all unvested Restricted Stock Units then held by Employee shall be deemed to vest at such time in order to permit Employee to participate in such transaction.

(h) Covanta Energy LLC Reference. In the event that Employee is an employee of Covanta Energy LLC or any of its subsidiaries or affiliates, then the references to the Company in Section 5(f)(i), (iii), (iv), (v) and (vi) above shall also include, in the alternative, Covanta Energy LLC.

(i) Section Definitions. For purposes of this Section 5, “Continuing Directors” shall mean the members of the Board on the date of execution of this Agreement, provided that any person becoming a member of the Board subsequent to such date whose election or nomination for election was supported by at least a majority of the directors who then

comprised the Continuing Directors shall be considered to be a Continuing Director; and the term “Person” is used as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

6. Conversion of Restricted Stock Units into Common Stock upon Vesting. On the Conversion Date (as defined below), Restricted Stock Units shall be converted into an equivalent number of shares of Common Stock that will be issued to Employee, or in the event of Employee’s death, Employee’s beneficiary. Promptly after the Conversion Date, certificates representing such shares of Common Stock shall be delivered to Employee. The “Conversion Date” shall be the date of vesting as set forth in Section 5; *provided, however*, that if on the date of such vesting Employee is prohibited from trading in the Company’s securities pursuant to applicable securities laws and/or the Company’s policy on securities trading and disclosure of confidential information, the Conversion Date shall be, in the determination of the Compensation Committee, the first date Employee is no longer prohibited from such trading.

7. Adjustment Provisions. If, during the term of this Agreement, there shall be any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, rights offering or extraordinary distribution with respect to the Common Stock, or other change in corporate structure affecting the Common Stock, the Compensation Committee shall make or cause to be made an appropriate and equitable substitution, adjustment or treatment with respect to the Restricted Stock Units, including a substitution or adjustment in the aggregate number or kind of shares subject to this Agreement, notwithstanding that the Restricted Stock Units are subject to the restrictions on transfer imposed by Section 4 above. Any securities, awards or rights issued pursuant to this Section 7 shall be subject to the same restrictions as the underlying Restricted Stock Units to which they relate.

8. Tax Withholding. As a condition precedent to the receipt of any Restricted Stock Units hereunder, Employee agrees to pay to the Company, at such times as the Company shall determine, such amounts as the Company shall deem necessary to satisfy any withholding taxes due on income that Employee recognizes pursuant to this award. The obligations of the Company under this Agreement and the Plan shall be conditional on such payment or arrangements, and the Company, its Affiliates and Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to the Employee. In addition, Employee may elect, unless otherwise determined by the Compensation Committee, to satisfy the withholding requirement by having the Company withhold shares of Common Stock with a Fair Market Value, as of the date of such withholding, sufficient to satisfy the withholding obligation.

9. Registration. This grant is subject to the condition that if at any time the Board or Compensation Committee shall determine, in its discretion, that the listing of the shares of Common Stock issuable upon vesting and conversion of the Restricted Stock Units granted hereunder on any securities exchange, or the registration or qualification of such shares under any federal or state law, or the consent or approval of any regulatory body, shall be necessary or desirable as a condition of, or in connection with, the grant, receipt or delivery of shares of Common Stock hereunder, such grant, receipt or delivery will not be effected unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained

free of any conditions not acceptable to the Board or Compensation Committee. The Company agrees to make every reasonable effort to effect or obtain any such listing, registration, qualification, consent or approval.

10. Rights of Employee. In no event shall the granting of the Restricted Stock Units or the other provisions hereof or the acceptance of the Restricted Stock Units by Employee interfere with or limit in any way the right of the Company, an Affiliate or Subsidiary to terminate Employee's employment at any time, nor confer upon Employee any right to continue in the employ of the Company, an Affiliate or Subsidiary for any period of time or to continue his or her present or any other rate of compensation.

11. Noncompetition; Nonsolicitation; Confidential Information, etc. Employee hereby acknowledges that, during and solely as a result of Employee's employment by the Company or its Subsidiaries or Affiliates, Employee has received and will continue to receive special training and education with respect to the operations of such entity(ies) and access to confidential information and business and professional contacts, all of which is exceptionally valuable to the Covanta Group and vital to the success of the Covanta Group's business and other related matters. In consideration of such special and unique opportunities afforded to Employee as a result of Employee's employment and the grant of Restricted Stock Units, Employee hereby agrees to be bound by and acknowledges the reasonableness of the following covenants, which are specifically relied upon by the Company and Covanta in entering into this Agreement and as a condition to the grant of the Restricted Stock Units. Employee acknowledges and agrees that each of the individual provisions of this Section 11 constitutes a separate and distinct obligation of Employee to the Covanta Group, individually enforceable against Employee.

(a) Covenant Not to Compete. During the period Employee is employed by Company or its Subsidiaries or Affiliates and for a period following Employee's termination of employment for any reason, equal to [INSERT PERIOD], Employee shall not, without the consent of the Board, in any form or any manner, directly or indirectly, on Employee's own behalf or in combination with others, become engaged in (as an individual, partner, stockholder, director, officer, principal, agent, independent contractor, employee, trustee, lender of money or in any other relation or capacity whatsoever, except as a holder of securities of a corporation whose securities are publicly traded and which is subject to the reporting requirements of the Exchange Act, and then only to the extent of owning not more than two percent (2%) of the issued and outstanding securities of such corporation or other entity) or provide services to any business which renders services or sells products, or proposes to render services or sell products, that compete with the Business of the Covanta Group within the United States and any foreign country in which the Covanta Group conducts any aspect of the Business during the term of this Agreement. For purposes of this Agreement, the term "Business" shall mean the development, ownership and/or operation of businesses engaged in waste-to-energy and other renewable energy facilities, waste management and/or waste procurement. Notwithstanding the foregoing, after termination of Employee's employment for any reason, Employee shall be permitted to work for any business that owns and operates independent power generation projects or that provides services to competitors or customers of the Covanta Group,

so long as such business, as determined in the good faith judgment of the Board, does not compete with the Covanta Group.

(b) Covenant Not to Solicit Employees. During the period Employee is employed by the Company or its Subsidiaries or Affiliates and for a period following Employee's termination of employment for any reason, equal to [INSERT PERIOD], Employee agrees and covenants that he shall not, for any reason, directly or indirectly, employ, solicit or endeavor to entice away from the Covanta Group (whether for Employee's own benefit or on behalf of another person or entity), or facilitate the solicitation, employment or enticement of, any employee of the Covanta Group to work for Employee, any affiliate of Employee or any competitor of the Covanta Group, nor shall Employee otherwise attempt to interfere (to the Covanta Group's detriment) in the relationship between the Covanta Group and any such employees.

(c) Covenant Not to Solicit Customers. During the period Employee is employed by Company or its Subsidiaries or Affiliates and for a period following Employee's termination of employment for any reason, equal to [INSERT PERIOD], Employee agrees and covenants that he shall not, directly or indirectly, in any form or manner, contact, solicit, or facilitate the contacting or solicitation of, any Customer of the Covanta Group for the purpose of competing with the Business. For purposes of this Agreement, the term "Customer" shall mean and refer to each person, entity, municipality or other governmental entity that has a contract with or is actively being solicited by the Covanta Group to deliver waste, receive services or purchase energy during the period of Employee's employment hereunder.

(d) Covenant of Confidentiality. At any time during the term of Employee's employment with the Company or its Subsidiaries or Affiliates (pursuant to this Agreement or otherwise), and for a period of five (5) years after the termination of Employee's employment with the Company or its Subsidiaries or Affiliates, as applicable, for any reason, Employee shall not, except in furtherance of the Business of the Covanta Group or otherwise with the prior authorization of the Company, in any form or manner, directly or indirectly, divulge, disclose or communicate to any person, entity, firm, corporation or any other third party (other than in the course of Employee's employment), or utilize for Employee's personal benefit or for the benefit of any competitor of the Covanta Group any Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, but shall not be limited to, any technical or non-technical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, designs, processes, procedures, improvements, models or manuals of any member of the Covanta Group or which are licensed by any member of the Covanta Group, any financial data or lists of actual or potential customers or suppliers (including contacts thereat) of the Covanta Group, and any information regarding the contracts, marketing and sales plans, which is not generally known to the public through legitimate origins of the Covanta Group. The parties hereto each acknowledge and agree that such Confidential Information is extremely valuable to the Covanta Group and shall be deemed to be a "trade secret." In the event that any part of the Confidential Information becomes generally known to the public through legitimate origins (other than by the breach of this Agreement by Employee or by misappropriation), or is required

to be disclosed by legal, administrative or judicial process (provided that Employee has provided to the Company and Covanta reasonable prior notice of such request and the Company or Covanta has had a reasonable opportunity, at its expense, to dispute, defend or limit such request for the Confidential Information), that part of the Confidential Information shall no longer be deemed Confidential Information for purposes of this Agreement, but Employee shall continue to be bound by the terms of this Agreement as to all other Confidential Information.

(e) Return of Property. Upon termination of Employee's employment for any reason, Employee shall promptly deliver to the Company or its Subsidiaries or Affiliates all correspondence, drawings, blueprints, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents or any other documents, including all copies in any form or media, concerning the Covanta Group's Customers, marketing strategies, products or processes which contain any Confidential Information.

(f) Assignment of Inventions. Any and all writings, inventions, improvements, processes, procedures and/or techniques now or hereafter acquired, made, conceived, discovered or developed by Employee, either solely or jointly with any other person or persons, whether or not during working hours and whether or not at the request or upon the suggestion of the Company or its Subsidiaries or Affiliates, which relate to or are useful in connection with any business now or hereafter carried on or contemplated by the Covanta Group, including developments or expansions of its present fields of operations, shall be the sole and exclusive property of the Company or its Subsidiaries or Affiliates, as applicable. Employee shall make full disclosure to the Company or its Subsidiaries or Affiliates of all such writings, inventions, improvements, processes, procedures, techniques, or any other material of a proprietary nature, including, without limitation, any ideas, inventions, discoveries, improvements, developments, designs, methods, systems, computer programs, trade secrets or other intellectual property whether or not patentable or copyrightable and specifically including, but not limited to, copyright and mask works, formulae, compositions, products, processes, apparatus, and new uses of existing materials or machines (collectively, "Inventions"), made, conceived or first reduced to practice by Employee solely or jointly with others while employed by the Company or its Subsidiaries or Affiliates and which relate to or result from the actual or anticipated business, work, research or investigation of the Covanta Group or which are suggested by or result from any task assigned to or performed by Employee for the Covanta Group; and Employee shall do everything necessary or desirable to vest the absolute title thereto in the Company or its Subsidiaries or Affiliates, as applicable. Employee shall write and prepare all descriptions, specifications and procedures regarding the Inventions as may be required by the Company or its Subsidiaries or Affiliates to protect the Company's or its Subsidiaries or Affiliates rights in and to the Inventions, and otherwise aid and assist the Company or its Subsidiaries or Affiliates so that the Company or its Subsidiaries or Affiliates can prepare and present applications for copyright or letters patent therefor and can secure such copyright or letters patent wherever possible, as well as reissues, renewals, and extensions thereof, and can obtain the record title to such copyright or patents so that the Company or its Subsidiaries or Affiliates shall be the sole and absolute owner thereof in all countries in which it may desire to have copyright or patent protection. Employee will, at the Company's or its Subsidiaries or Affiliates request, execute any and all assignment, patent or copyright forms and the like,

deemed reasonably necessary by the Company or its Subsidiaries or Affiliate. The Company's or its Subsidiaries or Affiliates rights hereunder shall not be limited to this country but shall extend to any country in the world and shall attach to each Invention notwithstanding that it is perfected, improved, reduced to specific form or used after termination Employee's employment. Employee agrees to lend such assistance as he or she may be able, at the Company's or its Subsidiaries or Affiliates request in connection with any proceedings relating to such letters of patent, trade secrets, copyright or application thereof, as may be determined by the Company or its Subsidiaries or Affiliates to be reasonably necessary. The Company, in its sole discretion, may agree to pay Employee a reasonable fee to defray any costs or time incurred by Employee in providing such assistance. Employee shall not be entitled to any additional or special compensation or reimbursement regarding any and all such writings, inventions, improvements, processes, procedures and techniques.

(g) Equitable Remedies. In the event that Employee breaches any of the terms or conditions set forth in this Section 11 (collectively, the "Restrictive Covenants"), Employee stipulates that such breach will result in immediate and irreparable harm to the business and goodwill of the Company and/or its Subsidiaries or Affiliates and that damages, if any, and remedies at law for such breach would be inadequate. The Company and/or its Subsidiaries or Affiliates shall therefore be entitled to seek for and receive from any court of competent jurisdiction a temporary restraining order, preliminary and permanent injunctive relief and/or an order for specific performance to protect its rights and interests and to restrain any violation of this Agreement and such further relief as the court may deem just and proper, each without the necessity of posting bond. Following judgment or other final determination by such court, the non-prevailing party in such proceeding shall pay the costs and expenses (including court costs and reasonable attorneys' fees) of the prevailing party. The Company and/or its Subsidiaries or Affiliates may elect to seek such remedies at its sole discretion on a case by case basis. Failure to seek any or all remedies in one case shall not restrict the Company and/or its Subsidiaries or Affiliates from seeking any remedies in another situation. Such action by the Company and/or its Subsidiaries or Affiliates shall not constitute a waiver of any of its rights.

(h) Continuing Obligation. During Employee's employment and upon termination of Employee's employment for any reason the obligations, duties and liabilities of Employee pursuant to Sections 11(a), 11(b), 11(c), 11(d) and 11(e) of this Agreement are continuing, and for the periods set forth in such provisions hereof are absolute and unconditional, and shall survive and remain in full force and effect as provided in each such Section. Notwithstanding anything else contained in this Agreement to the contrary, the parties hereto agree that in the event, and at the moment, Employee breaches any of the terms, duties or obligations contained in Sections 11(a), 11(b), 11(c), and 11(d) of this Agreement, all of the Restricted Stock Units as to which the restrictions on transfer imposed thereon by Section 4 hereof shall not have lapsed prior to such date will immediately be cancelled and forfeited.

12. Construction.

(a) Successors. This Agreement and all the terms and provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, heirs and successors, except as expressly herein otherwise provided.

(b) Entire Agreement; Modification. This Agreement contains the entire understanding between the parties with respect to the matters referred to herein. Subject to Section 16(c) of the Plan, this Agreement may be amended by the Board or Compensation Committee at any time.

(c) Capitalized Terms; Headings; Pronouns; Governing Law. Capitalized terms used and not otherwise defined herein are deemed to have the same meanings as in the Plan. The descriptive headings of the respective sections and subsections of this Agreement are inserted for convenience of reference only and shall not be deemed to modify or construe the provisions which follow them. Any use of any masculine pronoun shall include the feminine and vice-versa and any use of a singular, the plural and vice-versa, as the context and facts may require. The construction and interpretation of this Agreement shall be governed in all respects by the laws of the State of Delaware.

(d) Notices. Each notice relating to this Agreement shall be in writing and shall be sufficiently given if delivered by registered or certified mail, or by a nationally recognized overnight delivery service, with postage or charges prepaid, to the address hereinafter provided in this Section 12. Any such notice or communication given by first-class mail shall be deemed to have been given two business days after the date so mailed, and such notice or communication given by overnight delivery service shall be deemed to have been given one business day after the date so sent, provided such notice or communication arrives at its destination. Each notice to the Company shall be addressed to it at its offices at 445 South Street, Morristown, New Jersey 07960 (attention: Chief Financial Officer), with a copy to the Secretary of the Company or to such other designee of the Company. Each notice to the Employee shall be addressed to the Employee at the Employee's address shown on the signature page hereof.

(e) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement or the application thereof to any party or circumstance shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the minimal extent of such provision or the remaining provisions of this Agreement or the application of such provision to other parties or circumstances.

(f) Counterpart Execution. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute the entire document.

(g)

**COVANTA HOLDING CORPORATION**

By: \_\_  
Title

Accepted this \_\_ day of  
\_\_, 20\_\_.

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**EMPLOYEE'S ADDRESS:**

27466757.3

**COVANTA HOLDING CORPORATION**

**TSR AWARD AGREEMENT**

THIS AGREEMENT is made and entered into as of this \_\_\_ day of \_\_\_\_\_, 20\_\_ (the “Grant Date”) by and between Covanta Holding Corporation, a Delaware corporation (the “Company”), and \_\_\_\_\_ (“Employee”), pursuant to the Covanta Holding Corporation 2014 Equity Award Plan (the “Plan”). This Agreement and the award contained herein are subject to the terms and conditions set forth in the Plan, which are incorporated by reference herein, and the following terms and conditions:

**WITNESSETH:**

**WHEREAS** , Employee is an employee of the Company or its Affiliates or Subsidiaries;

**WHEREAS** , the Company has adopted the Plan in order to promote the interests of the Company and its stockholders by using equity interests in the Company to attract, retain and motivate its management and other eligible persons and to encourage and reward their contributions to the Company’s and/or its Affiliates’ and Subsidiaries’ performance and profitability;

**WHEREAS**, the Compensation Committee (the “Compensation Committee”) of the Company’s Board of Directors (the “Board”) authorized an objectively-determinable performance-based award described in Section 1 below (the “TSR Award”) measuring the Company’s total shareholder return (defined and measured in accordance with Exhibit A hereto, the “TSR”) to Employee pursuant to the Plan;

**WHEREAS** , the Compensation Committee has determined that it is in the best interests of the Company to grant under the Plan PRSUs (as hereinafter defined) payable in TSR Performance Shares (as hereinafter defined) to Employee pursuant to the terms and conditions set forth in this Agreement; and

**WHEREAS** , Employee is entrusted with knowledge of the confidential and proprietary information and particular business methods of the Company, Covanta Energy LLC and their respective Subsidiaries and Affiliates (“Covanta Group”) and the clients of the Covanta Group, and Employee is trained and instructed in the Covanta Group’s particular operations, all of which are exceptionally valuable to the Covanta Group and vital to the success of the Covanta Group’s business.

**NOW, THEREFORE** , in consideration of the various covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. **TSR Award** . In accordance with, and subject to, the terms and conditions of the Plan, the Company hereby grants to Employee \_\_\_\_\_ performance restricted stock units (the “PRSUs”) payable in shares of the Company’s common stock, par value \$0.10 per share (“Common Stock”), for the period commencing as of January 1, 20\_\_ and ending December 31, 20\_\_ (the “Performance Period”). Issuance and payment of the award in the form of shares of

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Common Stock of the Company (the “TSR Performance Shares”) is conditioned and dependent upon Employee’s continued employment during the Performance Period and the achievement of performance goals reflected in the Company’s TSR relative to the TSR of the Peer Group Companies (as hereinafter defined) more fully described in Exhibit A hereto. If the Company issues or otherwise delivers TSR Performance Shares to Employee, the Company shall also pay to Employee the amount of cash determined under Section 3 (the “TSR Dividend Equivalent Cash Award”).

2. **TSR Award Performance Conditions** . It is understood and agreed that this TSR Award is subject to the following terms and conditions:

2.1 **Determination of Number of TSR Performance Shares.** The number of the TSR Performance Shares, if any, earned for the Performance Period shall be determined in accordance with the terms and conditions of Exhibit A, subject to the terms of this Agreement.

2.2 **Employment Condition** . Except as set forth in Section 2.3 below, vesting of the TSR Award is expressly conditioned upon Employee being continuously employed by the Company or any of its Subsidiaries or Affiliates during the entire Performance Period, including without limitation, the last day of the Performance Period.

2.3 **Effect of Termination of Employment.** Except as otherwise provided below, if Employee’s employment with the Company or any of its Subsidiaries or Affiliates, is terminated for any reason prior to the end of the Performance Period, the TSR Award shall be immediately forfeited.

(a) Termination due to Death or Disability . If Employee’s termination of employment is due to death or Disability (as defined in the Plan), the TSR Award shall vest and will be issuable at the time and in the form as provided in Section 4.1 hereof based on the Company’s TSR for the entire Performance Period relative to the TSR for each of the Peer Group Companies (as weighted in accordance with Exhibit A hereto) for the entire Performance Period.

(b) Termination due to Retirement or Termination by the Company for Other than Cause . If Employee’s termination of employment is due to Employee’s retirement at or after the age of 65 or with a sum of age and years of service with the Company or any of its Subsidiaries or Affiliates on the date of retirement equal to at least 75 (unless such retirement results from a termination of Employee’s employment by the Company for Cause (as such term is defined in the Plan)) or if Employee’s employment is terminated by the Company (or a Subsidiary or Affiliate of the Company, as the case may be) for reasons other than Cause (as determined by the Compensation Committee), a prorated portion of the TSR Award shall vest pursuant to Section 2.3(c) below, and will be payable at the time and in the form as provided in Section 4.1 hereof. For purposes of this Section 2.3(b), Employee shall be considered employed during any period in which Employee is receiving severance pay, and the date of the termination of Employee’s employment shall be the last day of any such severance pay period.

(c) Prorated Vesting upon Retirement or Termination by the Company for Other than Cause . The prorated portion of the TSR Award that vests due to termination of Employee’s employment due to retirement or termination by the Company for reasons other than

Cause shall be determined by multiplying (i) the TSR Performance Shares that would have been vested based on the Company's TSR for the entire Performance Period relative to the TSR for each of the Peer Group Companies (as weighted in accordance with Exhibit A hereto) for the entire Performance Period, by (ii) a fraction, the numerator of which is the number of days that Employee was continually employed since the beginning of the Performance Period and the denominator of which is 1,095.

(d) Change in Control Event. Notwithstanding anything in the Plan to the contrary, in the event of a Change in Control (as hereinafter defined) during the Performance Period, the portion of the TSR Award that would be deemed to be earned shall be (i) the TSR Performance Shares as calculated in accordance with Exhibit A hereto and determined based on the Company's TSR relative to the TSR for each of the Peer Group Companies and weighted in accordance with Section 2.1(d) based on TSR performance for the period beginning January 1, 2018 and ending on the date preceding the date on which the Change in Control occurs (the "Prorated Period"), multiplied by (ii) a fraction, the numerator of which is the number of days in the Prorated Period and the denominator of which is 1,095. Such earned TSR Performance Shares shall be converted to restricted stock units that shall vest based on continued service through December 31, 20\_\_; provided, however, (x) if the successor entity does not assume, convert or replace such restricted stock units, then vesting will accelerate upon the Change in Control and (y) if the successor entity assumes, converts or replaces such restricted stock units, then vesting of such assumed, converted or replaced awards will accelerate if Employee is terminated without Cause within 24 months following the Change in Control. The Company also shall pay to Employee a TSR Dividend Equivalent Cash Award based on such number of TSR Performance Shares deemed to be earned by Employee pursuant to this Section 2.3(d).

(e) Change in Control Definition. For purposes of this Agreement, a "Change in Control" shall mean the occurrence of any of the following events, each of which shall be determined independently of the others: (i) any "Person" (as hereinafter defined), other than a holder of at least 10% of the outstanding voting power of the Company as of the date of this Agreement, becomes a "beneficial owner" (as such term is used in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of a majority of the stock of the Company entitled to vote in the election of directors of the Company; (ii) individuals who are Continuing Directors of the Company (as hereinafter defined) cease to constitute a majority of the members of the Board; (iii) stockholders of the Company adopt and consummate a plan of complete or substantial liquidation or an agreement providing for the distribution of all or substantially all of the assets of the Company; (iv) the Company is a party to a merger, consolidation, other form of business combination or a sale of all or substantially all of its assets, with an unaffiliated third party, unless the business of the Company following consummation of such merger, consolidation or other business combination is continued following any such transaction by a resulting entity (which may be, but need not be, the Company) and the stockholders of the Company immediately prior to such transaction hold, directly or indirectly, at least a majority of the voting power of the resulting entity; provided, however, that a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) shall not constitute a Change in Control; (v) there is a Change in Control of the Company of a nature that is reported in response to item 5.01 of Current Report on Form 8-K or any similar item, schedule or form under the Exchange

Act, as in effect at the time of the change, whether or not the Company is then subject to such reporting requirements; provided, however, that for purposes of this Agreement a Change in Control shall not be deemed to occur if the Person or Persons deemed to have acquired control is a holder of at least 10% of the outstanding voting power of the Company as of the date of this Agreement; or (vi) the Company consummates a transaction which constitutes a “Rule 13e-3 transaction” (as such term is defined in Rule 13e-3 of the Exchange Act) prior to the termination or expiration of this Agreement.

(f) Covanta Energy LLC. In the event that Employee is an employee of Covanta Energy LLC or any of its Subsidiaries or Affiliates, then the references to the Company in Section 2.3(e)(i), (iii), (iv), (v) and (vi) above shall also include, in the alternative, Covanta Energy LLC.

(g) Continuing Director Definition. For purposes of Section 2.3(e), “Continuing Directors” shall mean the members of the Board on the date of execution of this Agreement, provided that any person becoming a member of the Board subsequent to such date whose election or nomination for election was supported by at least a majority of the directors who then comprised the Continuing Directors shall be considered to be a Continuing Director; and the term “Person” is used as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

3. **TSR Dividend Equivalent Cash Awards** . The amount of the TSR Dividend Equivalent Cash Award shall be determined by multiplying the number of TSR Performance Shares earned by Employee as determined under Section 2 above by the total amount of dividends paid per share of the Company’s Common Stock for which the ex-dividend date occurred after the beginning of the Performance Period and before the Payment Date (as that term is defined in Section 4.2), as applicable.

#### 4. **Confirmation and Payment** .

4.1 Determination of TSR Performance Shares . Following the end of the Performance Period, the Compensation Committee shall determine and confirm: (a) the Relative Total Shareholder Return and Earned Percentage (each as defined in Exhibit A hereto); (b) the number of TSR Performance Shares earned which shall be issuable to Employee; and (c) the amount of the TSR Dividend Equivalent Cash Award payable to Employee. Prior to such meeting, the Company shall provide to the Compensation Committee, in reasonable detail, the calculation of the Relative Total Shareholder Return, Earned Percentage, the number of TSR Performance Shares issuable to Employee and the amount of the TSR Dividend Equivalent Cash Award payable to Employee, which information shall be available to Employee upon request after the Payment Date (as hereinafter defined). The number of TSR Performance Shares earned shall be rounded to the nearest whole share.

4.2 Issuance of TSR Performance Shares and Payment of TSR Dividend Equivalent Cash Awards . As soon as practicable in the calendar year following the close of the Performance Period (but not later than March 15) (the “Payment Date”) and subject to applicable tax withholding as provided in Section 5 hereof, the TSR Dividend Equivalent Cash Award shall be paid to Employee, or in the event of Employee’s death, to Employee’s beneficiary. Promptly

after the Payment Date, certificates representing the TSR Performance Shares determined in accordance with Section 4.1 shall be delivered to Employee or to Employee's beneficiary, as applicable. Notwithstanding the foregoing, in the event that Employee is prohibited from trading in the Company's securities on the Payment Date pursuant to applicable securities laws and/or the Company's policy on securities trading and disclosure of confidential information, the Payment Date shall be, in the determination of the Compensation Committee, the first date Employee is no longer prohibited from such trading.

5. **Tax Withholding** . As a condition precedent to the receipt of any TSR Performance Shares as provided for in Section 4.2, Employee agrees to pay to the Company, at such times as the Company shall determine, such amounts as the Company shall deem necessary to satisfy any withholding taxes due on income that Employee recognizes pursuant to the issuance to Employee of the TSR Performance Shares. The obligations of the Company under this Agreement and the Plan shall be conditional on such payment or arrangements, and the Company, its Affiliates and Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment otherwise due to Employee. In addition, Employee may elect, unless otherwise determined by the Compensation Committee, to satisfy the withholding requirement by having the Company withhold first TSR Dividend Equivalent Cash Awards and, if such amount is insufficient to pay the full amount of the withholding tax, TSR Performance Shares with a Fair Market Value (as hereinafter defined), as of the date of such withholding, sufficient to satisfy the withholding obligation. For purposes of this Section 5, the "Fair Market Value" of a TSR Performance Share shall be equal to the closing market price of the Common Stock on the last trading day immediately preceding the Payment .

## 6. **Changes in Capital Structure** .

6.1 If, during the term of this Agreement, there shall be any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, rights offering or extraordinary distribution with respect to the Common Stock, or other change in corporate structure affecting the Common Stock, the Compensation Committee shall make or cause to be made an appropriate and equitable substitution, adjustment or treatment with respect to the TSR Performance Shares, including a substitution or adjustment in the aggregate number or kind of shares subject to this Agreement. Any securities, awards or rights issued pursuant to this Section 6.1 shall be subject to the same restrictions, if any, as the underlying TSR Performance Shares to which they relate.

6.2 If the outstanding Common Stock of the Company is hereafter converted into or exchanged for all of the outstanding Common Stock of a corporation (the "Parent Successor") as part of a transaction (the "Transaction") in which the Company becomes a wholly-owned subsidiary of Parent Successor, then (a) the obligations under this Agreement shall be assumed by Parent Successor and references in this Agreement to the Company shall thereafter generally be deemed to refer to Parent Successor, (b) Common Stock of Parent Successor shall be issued in lieu of Common Stock of the Company under this Agreement, (c) employment by the Company for purposes of this Agreement shall include employment by either the Company or Parent Successor, and (d) the TSR Dividend Equivalent Cash Awards under Section 4 of this

Agreement shall be based on dividends paid on the Common Stock of the Company prior to the Transaction and dividends paid on the Common Stock of the Parent Successor after the Transaction.

7. **Return and/or Forfeiture of Performance-Based Payments or Awards** . Notwithstanding any other provision in this Agreement, in the event that pursuant to the terms or requirements of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or of any applicable laws, rules or regulations promulgated by the Securities and Exchange Commission from time to time, and in the event any stock award or other payment is based upon the satisfaction of financial performance metrics which are subsequently reversed due to a restatement or reclassification of financial results of the Company, then any payments made or awards granted shall be returned and forfeited to the extent required and as provided by applicable laws, rules, regulations or listing requirements. This Section 7 shall survive any expiration or termination of this Agreement for any reason.

8. **Registration** . This grant is subject to the condition that if at any time the Board or Compensation Committee shall determine, in its discretion, that the listing of the TSR Performance Shares which may be issued hereunder on any securities exchange, or the registration or qualification of such shares under any federal or state law, or the consent or approval of any regulatory body, shall be necessary or desirable as a condition of, or in connection with, the grant, receipt or delivery of the TSR Performance Shares hereunder, such grant, receipt or delivery will not be effected unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Board or Compensation Committee. The Company agrees to make every reasonable effort to effect or obtain any such listing, registration, qualification, consent or approval.

9. **No Right to Employment** . In no event shall the granting of the TSR Performance Shares or the other provisions hereof or the acceptance of the TSR Performance Shares by Employee interfere with or limit in any way the right of the Company, an Affiliate or Subsidiary to terminate the Employee's employment at any time, nor confer upon Employee any right to continue in the employ of the Company, an Affiliate or Subsidiary for any period of time or to continue his or her present or any other rate of compensation.

10. **Noncompetition; Nonsolicitation; Confidential Information, etc** . Employee hereby acknowledges that, during and solely as a result of Employee's employment by the Company or its Subsidiaries or Affiliates, Employee has received and will continue to receive special training and education with respect to the operations of such entity(ies) and access to confidential information and business and professional contacts, all of which is exceptionally valuable to the Covanta Group and vital to the success of the Covanta Group's business and other related matters. In consideration of such special and unique opportunities afforded to Employee as a result of Employee's employment and the grant of TSR Performance Shares, Employee hereby agrees to be bound by and acknowledges the reasonableness of the following covenants, which are specifically relied upon by the Company and Covanta in entering into this Agreement and as a condition to the grant of the TSR Performance Shares. Employee acknowledges and agrees that each of the individual provisions of this Section 10 constitutes a separate and distinct obligation of Employee to the Covanta Group, individually enforceable against Employee.

10.1 **Covenant Not to Compete** . During the period Employee is employed by Company or its Subsidiary and for a period following Employee's termination of employment for any reason, equal to  [INSERT PERIOD] , Employee shall not, without the consent of the Board, in any form or any manner, directly or indirectly, on Employee's own behalf or in combination with others, become engaged in (as an individual, partner, stockholder, director, officer, principal, agent, independent contractor, employee, trustee, lender of money or in any other relation or capacity whatsoever, except as a holder of securities of a corporation whose securities are publicly traded and which is subject to the reporting requirements of the Exchange Act, and then only to the extent of owning not more than two percent (2%) of the issued and outstanding securities of such corporation or other entity) or provide services to any business which renders services or sells products, or proposes to render services or sell products, that compete with the Business of the Covanta Group within the United States and any foreign country in which the Covanta Group conducts any aspect of the Business during the term of this Agreement. For purposes of this Agreement, the term "Business" shall mean the development, ownership and/or operation of businesses engaged in waste-to-energy and other renewable energy facilities, waste management and/or waste procurement. Notwithstanding the foregoing, after termination of Employee's employment for any reason, Employee shall be permitted to work for any business that owns and operates independent power generation projects or that provides services to competitors or customers of the Covanta Group, so long as such business, as determined in the good faith judgment of the Board, does not compete with the Covanta Group.

10.2 **Covenant Not to Solicit Employees** . During the period Employee is employed by the Company or its Subsidiary and for a period following Employee's termination of employment for any reason, equal to  [INSERT PERIOD] , Employee agrees and covenants that he shall not, for any reason, directly or indirectly, employ, solicit or endeavor to entice away from the Covanta Group (whether for Employee's own benefit or on behalf of another person or entity), or facilitate the solicitation, employment or enticement of, any employee of the Covanta Group to work for Employee, any affiliate of Employee or any competitor of the Covanta Group, nor shall Employee otherwise attempt to interfere (to the Covanta Group's detriment) in the relationship between the Covanta Group and any such employees.

10.3 **Covenant Not to Solicit Customers** . During the period Employee is employed by Company or its Subsidiary and for a period following Employee's termination of employment for any reason, equal to  [INSERT PERIOD] , Employee agrees and covenants that he shall not, directly or indirectly, in any form or manner, contact, solicit, or facilitate the contacting or solicitation of, any Customer of the Covanta Group for the purpose of competing with the Business. For purposes of this Agreement, the term "Customer" shall mean and refer to each person, entity, municipality or other governmental entity that has a contract with or is actively being solicited by the Covanta Group to deliver waste, receive services or purchase energy during the period of Employee's employment hereunder.

10.4 **Covenant of Confidentiality** . At any time during the term of Employee's employment with the Company or its Subsidiary (pursuant to this Agreement or otherwise), and for a period of five (5) years after the termination of Employee's employment with the Company or its Subsidiary, as applicable, for any reason, Employee shall not, except in furtherance of the

Business of the Covanta Group or otherwise with the prior authorization of the Company, in any form or manner, directly or indirectly, divulge, disclose or communicate to any person, entity, firm, corporation or any other third party (other than in the course of Employee's employment), or utilize for Employee's personal benefit or for the benefit of any competitor of the Covanta Group any Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean, but shall not be limited to, any technical or non-technical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, designs, processes, procedures, improvements, models or manuals of any member of the Covanta Group or which are licensed by any member of the Covanta Group, any financial data or lists of actual or potential customers or suppliers (including contacts thereat) of the Covanta Group, and any information regarding the contracts, marketing and sales plans, which is not generally known to the public through legitimate origins of the Covanta Group. The parties hereto each acknowledge and agree that such Confidential Information is extremely valuable to the Covanta Group and shall be deemed to be a "trade secret." In the event that any part of the Confidential Information becomes generally known to the public through legitimate origins (other than by the breach of this Agreement by Employee or by misappropriation), or is required to be disclosed by legal, administrative or judicial process (provided that Employee has provided to the Company and Covanta reasonable prior notice of such request and the Company or Covanta has had a reasonable opportunity, at its expense, to dispute, defend or limit such request for the Confidential Information), that part of the Confidential Information shall no longer be deemed Confidential Information for purposes of this Agreement, but Employee shall continue to be bound by the terms of this Agreement as to all other Confidential Information.

10.5 **Return of Property** . Upon termination of Employee's employment for any reason, Employee shall promptly deliver to the Company or its Subsidiary all correspondence, drawings, blueprints, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents or any other documents, including all copies in any form or media, concerning the Covanta Group's Customers, marketing strategies, products or processes which contain any Confidential Information.

10.6 **Assignment of Inventions** . Any and all writings, inventions, improvements, processes, procedures and/or techniques now or hereafter acquired, made, conceived, discovered or developed by Employee, either solely or jointly with any other person or persons, whether or not during working hours and whether or not at the request or upon the suggestion of the Company or its Subsidiaries or Affiliates, which relate to or are useful in connection with any business now or hereafter carried on or contemplated by the Covanta Group, including developments or expansions of its present fields of operations, shall be the sole and exclusive property of the Company or its Subsidiaries or Affiliates, as applicable. Employee shall make full disclosure to the Company or its Subsidiaries or Affiliates of all such writings, inventions, improvements, processes, procedures, techniques, or any other material of a proprietary nature, including, without limitation, any ideas, inventions, discoveries, improvements, developments, designs, methods, systems, computer programs, trade secrets or other intellectual property whether or not patentable or copyrightable and specifically including, but not limited to, copyright and mask works, formulae, compositions, products, processes, apparatus, and new uses of existing materials or machines (collectively, "Inventions"), made, conceived or first reduced to practice by Employee solely or jointly with others while employed by the Company or its Subsidiaries or

Affiliates and which relate to or result from the actual or anticipated business, work, research or investigation of the Covanta Group or which are suggested by or result from any task assigned to or performed by Employee for the Covanta Group; and Employee shall do everything necessary or desirable to vest the absolute title thereto in the Company or its Subsidiaries or Affiliates, as applicable. Employee shall write and prepare all descriptions, specifications and procedures regarding the Inventions as may be required by the Company or its Subsidiaries or Affiliates to protect the Company's or its Subsidiaries' or Affiliates' rights in and to the Inventions, and otherwise aid and assist the Company or its Subsidiaries or Affiliates so that the Company or its Subsidiaries or Affiliates can prepare and present applications for copyright or letters patent therefor and can secure such copyright or letters patent wherever possible, as well as reissues, renewals, and extensions thereof, and can obtain the record title to such copyright or patents so that the Company or its Subsidiaries or Affiliates shall be the sole and absolute owner thereof in all countries in which it may desire to have copyright or patent protection. Employee will, at the Company's or its Subsidiaries or Affiliates request, execute any and all assignment, patent or copyright forms and the like, deemed reasonably necessary by the Company or its Subsidiaries or Affiliates. The Company's or its Subsidiaries' or Affiliates' rights hereunder shall not be limited to this country but shall extend to any country in the world and shall attach to each Invention notwithstanding that it is perfected, improved, reduced to specific form or used after termination Employee's employment. Employee agrees to lend such assistance as he or she may be able, at the Company's or its Subsidiaries' or Affiliates' request in connection with any proceedings relating to such letters of patent, trade secrets, copyright or application thereof, as may be determined by the Company or its Subsidiaries or Affiliates to be reasonably necessary. The Company, in its sole discretion, may agree to pay Employee a reasonable fee to defray any costs or time incurred by Employee in providing such assistance. Employee shall not be entitled to any additional or special compensation or reimbursement regarding any and all such writings, inventions, improvements, processes, procedures and techniques.

10.7 **Equitable Remedies** . In the event that Employee breaches any of the terms or conditions set forth in this Section 10 (collectively, the "Restrictive Covenants"), Employee stipulates that such breach will result in immediate and irreparable harm to the business and goodwill of the Company and/or its Subsidiaries or Affiliates and that damages, if any, and remedies at law for such breach would be inadequate. The Company and/or its Subsidiaries or Affiliates shall therefore be entitled to seek for and receive from any court of competent jurisdiction a temporary restraining order, preliminary and permanent injunctive relief and/or an order for specific performance to protect its rights and interests and to restrain any violation of this Agreement and such further relief as the court may deem just and proper, each without the necessity of posting bond. Following judgment or other final determination by such court, the non-prevailing party in such proceeding shall pay the costs and expenses (including court costs and reasonable attorneys' fees) of the prevailing party. The Company and/or its Subsidiaries or Affiliates may elect to seek such remedies at its sole discretion on a case by case basis. Failure to seek any or all remedies in one case shall not restrict the Company and/or its Subsidiaries or Affiliates from seeking any remedies in another situation. Such action by the Company and/or its Subsidiaries or Affiliates shall not constitute a waiver of any of its rights.

10.8 **Continuing Obligation** . During Employee's employment and upon termination of Employee's employment for any reason the obligations, duties and liabilities of Employee pursuant to Sections 10.1, 10.2, 10.3, 10.4 and 10.5 of this Agreement are continuing, and for the periods set forth in such provisions hereof are absolute and unconditional, and shall survive and remain in full force and effect as provided in each such Section. Notwithstanding anything else contained in this Agreement to the contrary, the parties hereto agree that in the event, and at the moment, Employee breaches any of the terms, duties or obligations contained in Sections 10.1, 10.2, 10.3, and 10.4 of this Agreement, all of the TSR Performance Shares which have not vested, will immediately be cancelled and forfeited.

## 11. **Construction** .

11.1 **No Rights of Stockholder** . The TSR Award (including any associated PRSUs and TSR Performance Shares) represents the Company's unfunded and unsecured promise to issue shares of Common Stock, at a future date subject to the terms of this Agreement. Employee has no rights with respect to the TSR Award other than rights of a general creditor of the Company. Employee shall not have any of the rights of a stockholder with respect to unvested TSR Performance Shares.

11.2 **Successors** . This Agreement and all the terms and provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective legal representatives, heirs and successors, except as expressly herein otherwise provided.

11.3 **Entire Agreement; Modification** . This Agreement contains the entire understanding between the parties with respect to the matters referred to herein. Subject to Section 12(c) of the Plan, this Agreement may be amended by the Board or Compensation Committee at any time.

11.4 **Capitalized Terms; Headings; Pronouns; Governing Law** . Capitalized terms used and not otherwise defined herein are deemed to have the same meanings as in the Plan. The descriptive headings of the respective sections and subsections of this Agreement are inserted for convenience of reference only and shall not be deemed to modify or construe the provisions which follow them. Any use of any masculine pronoun shall include the feminine and vice-versa and any use of a singular, the plural and vice-versa, as the context and facts may require. The construction and interpretation of this Agreement shall be governed in all respects by the laws of the State of Delaware.

11.5 **Notices** . Each notice relating to this Agreement shall be in writing and shall be sufficiently given if delivered by registered or certified mail, or by a nationally recognized overnight delivery service, with postage or charges prepaid, to the address hereinafter provided in this Section 11.5. Any such notice or communication given by first-class mail shall be deemed to have been given two business days after the date so mailed, and such notice or communication given by overnight delivery service shall be deemed to have been given one business day after the date so sent, provided such notice or communication arrives at its destination. Each notice to the Company shall be addressed to it at its offices at 445 South Street, Morristown, New Jersey 07960 (attention: Chief Financial Officer), with a copy to the Secretary of the Company or to such other

designee of the Company. Each notice to Employee shall be addressed to Employee at Employee's address shown below.

11.6 **Severability** . Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement or the application thereof to any party or circumstance shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the minimal extent of such provision or the remaining provisions of this Agreement or the application of such provision to other parties or circumstances.

11.7 **Counterpart Execution** . This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute the entire document.

**COVANTA HOLDING CORPORATION**

By: \_\_  
Title

Accepted this \_\_ day of  
\_\_, 20\_\_.

\_\_  
**EMPLOYEE**

**EMPLOYEE'S ADDRESS:**

## TSR AWARD AGREEMENT – EXHIBIT A

### PERFORMANCE CRITERIA

The TSR Performance Shares that shall become earned and payable, if any, will be based on the Company's total shareholder return ("TSR") for the Performance Period relative to the TSRs of the Peer Companies (as defined below), as determined by the Compensation Committee. The TSR Performance Shares that shall become earned and payable, if any, following the end of the Performance Period shall be determined by multiplying the number of PRSUs granted by the "Earned Percentage," as determined below, provided that the maximum Earned Percentage for the Performance Period shall be 200% and subject to certain caps described below. Any PRSUs that do not become earned at the end of the Performance Period will be forfeited.

- (a) "TSR" means, for the Company and each of the Peer Companies, such company's total shareholder return, expressed as a percentage, which will be calculated by dividing (i) the Closing Average Share Value by (ii) the Opening Average Share Value and subtracting one from the quotient.
- (b) "Opening Average Share Value" means the average Share Value over the trading days in the Opening Average Period.
- (c) "Opening Average Period" means the trading days in the months of January and February 2018.
- (d) "Accumulated Shares" means, for a given trading day, the sum of (i) one (1) share and (ii) the cumulative number of shares of a company's common stock purchasable with dividends declared on such company's common stock to that point during the Performance Period, assuming same day reinvestment of such dividends at the closing price on the ex-dividend date.
- (e) "Closing Average Share Value" means the average Share Value over the trading days in the Closing Average Period.
- (f) "Closing Average Period" means the trading days in the months of November and December 2020.
- (g) "Share Value" means, with respect to a given trading day, the closing price of a company's common stock multiplied by the Accumulated Shares for such trading day.
- (h) "Peer Companies" means the following companies:

ALLETE, Inc.	Ormat Technologies, Inc.
Babcock & Wilcox Enterprises, Inc.	PNM Resources, Inc.
Calpine Corporation	Schnitzer Steel Industries, Inc.
Casella Waste Systems, Inc.	Sims Metal Management Limited
Clean Harbors, Inc.	Stericycle, Inc.
Commercial Metals Company	US Ecology, Inc.
First Solar, Inc.	Waste Connections, Inc.
H.B. Fuller Company	

The Peer Companies may be changed as follows:

- (i) In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another Peer Company, the surviving entity shall remain a Peer Company.
- (ii) In the event of a merger of a Peer Company with an entity that is not a Peer Company, or the acquisition or business combination transaction by or with a Peer Company, or with an entity that is not a Peer Company, in each case where the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company.
- (iii) In the event of a merger or acquisition or business combination transaction of a Peer Company by or with an entity that is not a Peer Company, a “going private” transaction involving a Peer Company or the liquidation of a Peer Company, where the Peer Company is not the surviving entity or is otherwise no longer publicly traded, the company shall no longer be a Peer Company.
- (iv) In the event of a bankruptcy of a Peer Company, as long as the Peer Company is still trading on a market where an independent price can be determined (i.e., an over-the-counter market), its TSR will continue to be calculated based on reported trading prices. Once the share price can no longer be determined, such Peer Company’s TSR will be locked in for the active performance cycle, based on the last known trading price (i.e., the potential for a TSR of -100%). If the company subsequently resumes trading on a recapitalized basis (completely new equity infusion), it will not be added back to the peer group for active performance cycles.
- (v) In the event of a stock distribution from a Peer Company consisting of the shares of a new publicly-traded company (a “spin-off”), the Peer Company shall remain a Peer Company and the stock distribution shall be treated as a dividend from the Peer Company based on the closing price of the shares of the spun-off company on its first day of trading. The performance of the shares of the spun-off company shall not thereafter be tracked for purposes of calculating TSR.

Each Peer Company’s “common stock” shall mean that series of common stock that is publicly traded on a registered U.S. exchange or, in the case of a non-U.S. company, an equivalent non-U.S. exchange.

- (i) “Relative Total Shareholder Return” means the Company’s TSR relative to the TSR of the Peer Companies. Relative Total Shareholder Return will be determined by ranking the Peer Companies (not including the Company) from highest to lowest according to their respective TSRs. After this ranking, the percentile performance of each of the Peer Companies will be determined as follows:

$$P = \frac{N - R}{N - 1}$$

where: “P” represents the percentile performance which will be rounded, if necessary, to the nearest whole percentile by application of regular rounding.

“N” represents the number of Peer Companies as of the Vesting Date.

“R” represents the Peer Company’s ranking among the Peer Companies.

**Example:** If there are 14 Peer Companies, the Peer Company that ranked 5<sup>th</sup> would be at the 69.2 percentile:  $.692 = ((14 - 5) / (14 - 1))$ .

- (j) “Percentile Rank” means the percentile rank of the Company’s TSR among Peer Companies calculated using the equation below, where:
- (i) and equal the Company’s percentile rank and TSR, respectively;
  - (ii) and equal the percentile rank and TSR, respectively, for the Peer Company that ranks immediately above the Company; and
  - (iii) and equal the percentile rank and TSR, respectively, for the Peer Company that ranks immediately below the Company.

If the Company’s TSR is greater than the highest TSR of a Peer Company, its TSR will be positioned at the 100<sup>th</sup> percentile. Similarly, if Company’s TSR is less than the lowest TSR of a Peer Company, its TSR will be positioned at the 0<sup>th</sup> percentile.

**Example:** If (a) the Company’s TSR equaled 38.4%, (b) the percentile rank and TSR for the Peer Company whose TSR ranks immediately above the Company equaled the 69.2 percentile and 40.2%, respectively, and (c) the percentile rank and TSR for the Peer Company

whose TSR ranks immediately below the Company equaled the 61.5 percentile and 35.6%, respectively, the Company’s TSR would be at the 66.2 percentile:

(k) “Earned Percentage” means the percentage determined according to the following table:

<b>Company TSR Relative to the TSRs of the Peer Companies for the Performance Measurement Period</b>	<b>Earned Percentage</b>
Below 25 <sup>th</sup> Percentile	0%
25 <sup>th</sup> Percentile	50%
50 <sup>th</sup> Percentile	100%
75 <sup>th</sup> Percentile	150.0%
90 <sup>th</sup> Percentile or Higher	200.0%

**Interpolation** : To the extent performance falls between two levels in the table above, linear interpolation shall apply in determining the percentage of the PRSUs that are earned.

**Example:** If the Company’s TSR was at the 66.2 percentile, the Earned Percentage would equal 132.4%.

**Limitations on the Earned Percentage :**

- (i) Notwithstanding the criteria in the table above, in the event the Company’s TSR over the Performance Period is negative, the Earned Percentage shall not exceed 100%.
- (ii) In no event shall the value of a PRSU as of the last day of the Performance Period exceed 400% of the fair market value of a share of Common Stock on the Grant Date. If the product of (a) the fair market value of a share of Common Stock on the last day of the Performance Period, multiplied by (b) the Earned Percentage determined using the table above exceeds 400% of the fair market value of a share of Common Stock on the Grant Date, the Earned Percentage shall equal the quotient of (a) 400% of the fair market value of a share of Common Stock on the Grant Date, divided by

(b) the fair market value of a share of Common Stock on the last day of the Performance Period.

**Example:** If the fair market value of the Common Stock on the Grant Date equaled \$15.00, the maximum value of a PRSU on the last day of the Performance Period would equal \$60.00 (400.0% maximum value cap times \$15.00 fair market value). Further, if the fair market value of the Common Stock on the last day of the Performance Period equaled \$32.00 and the Company's TSR was at the 97.0 percentile among the Peer Companies, the value of a PRSU prior to the limitation on value would equal \$64.00 (200.0% Earned Percentage times \$32.00 fair market value). Due to the 400% maximum value cap the Earned Percentage would equal 187.5%.

If 500 PRSUs were granted, the number of TSR Performance Shares issued to Employee (assuming all vesting requirements were met) would be 938 ( $500 \times 187.5 = 937.5$ , rounded to 938).

The following example illustrates the calculation of TSR for the Company with a Performance Period that extends from January 1, 2015 to December 31, 2017.

Opening Average Share Value (1/2/2015 – 2/27/2015)	\$21.77
Closing Average Share Value (11/1/2017 – 12/29/2017)	\$18.34
TSR (expressed as percentage)	-13.36%

Opening Average				
Date	Closing Price	Dividend	Accumulated Shares	Share Value
2/27/2015	\$21.67	\$0.00	1.000000	\$21.67
2/26/2015	\$21.56	\$0.00	1.000000	\$21.56
2/25/2015	\$21.62	\$0.00	1.000000	\$21.62
2/24/2015	\$21.58	\$0.00	1.000000	\$21.58
2/23/2015	\$21.63	\$0.00	1.000000	\$21.63
2/20/2015	\$21.31	\$0.00	1.000000	\$21.31
2/19/2015	\$20.86	\$0.00	1.000000	\$20.86
2/18/2015	\$21.51	\$0.00	1.000000	\$21.51
2/17/2015	\$21.40	\$0.00	1.000000	\$21.40
2/13/2015	\$21.45	\$0.00	1.000000	\$21.45
2/12/2015	\$20.81	\$0.00	1.000000	\$20.81
2/11/2015	\$21.02	\$0.00	1.000000	\$21.02
2/10/2015	\$20.91	\$0.00	1.000000	\$20.91
2/9/2015	\$20.97	\$0.00	1.000000	\$20.97
2/6/2015	\$21.02	\$0.00	1.000000	\$21.02
2/5/2015	\$21.13	\$0.00	1.000000	\$21.13
2/4/2015	\$20.74	\$0.00	1.000000	\$20.74
2/3/2015	\$20.96	\$0.00	1.000000	\$20.96
2/2/2015	\$20.59	\$0.00	1.000000	\$20.59
1/30/2015	\$20.44	\$0.00	1.000000	\$20.44
1/29/2015	\$20.69	\$0.00	1.000000	\$20.69
1/28/2015	\$20.96	\$0.00	1.000000	\$20.96
1/27/2015	\$21.26	\$0.00	1.000000	\$21.26
1/26/2015	\$21.52	\$0.00	1.000000	\$21.52
1/23/2015	\$21.26	\$0.00	1.000000	\$21.26
1/22/2015	\$21.08	\$0.00	1.000000	\$21.08
1/21/2015	\$20.82	\$0.00	1.000000	\$20.82
1/20/2015	\$20.37	\$0.00	1.000000	\$20.37
1/16/2015	\$20.35	\$0.00	1.000000	\$20.35
1/15/2015	\$20.70	\$0.00	1.000000	\$20.70
1/14/2015	\$20.83	\$0.00	1.000000	\$20.83
1/13/2015	\$21.21	\$0.00	1.000000	\$21.21
1/12/2015	\$21.42	\$0.00	1.000000	\$21.42
1/9/2015	\$21.54	\$0.00	1.000000	\$21.54
1/8/2015	\$21.74	\$0.00	1.000000	\$21.74
1/7/2015	\$21.51	\$0.00	1.000000	\$21.51
1/6/2015	\$21.31	\$0.00	1.000000	\$21.31
1/5/2015	\$21.70	\$0.00	1.000000	\$21.70
1/2/2015	\$22.00	\$0.00	1.000000	\$22.00
<b>Average</b>				<b>\$50.15</b>

Closing Average				
Date	Closing Price	Dividend	Accumulated Shares	Share Value
12/29/2017	\$16.90	\$0.00	1.198923	\$20.26
12/28/2017	\$16.70	\$0.25	1.198923	\$20.02
12/27/2017	\$16.85	\$0.00	1.181240	\$19.90
12/26/2017	\$17.15	\$0.00	1.181240	\$20.26
12/22/2017	\$17.15	\$0.00	1.181240	\$20.26
12/21/2017	\$17.10	\$0.00	1.181240	\$20.20
12/20/2017	\$16.75	\$0.00	1.181240	\$19.79
12/19/2017	\$16.15	\$0.00	1.181240	\$19.08
12/18/2017	\$16.45	\$0.00	1.181240	\$19.43
12/15/2017	\$15.00	\$0.00	1.181240	\$17.72
12/14/2017	\$14.90	\$0.00	1.181240	\$17.60
12/13/2017	\$15.10	\$0.00	1.181240	\$17.84
12/12/2017	\$14.90	\$0.00	1.181240	\$17.60
12/11/2017	\$14.85	\$0.00	1.181240	\$17.54
12/8/2017	\$14.85	\$0.00	1.181240	\$17.54
12/7/2017	\$14.90	\$0.00	1.181240	\$17.60
12/6/2017	\$14.75	\$0.00	1.181240	\$17.42
12/5/2017	\$14.85	\$0.00	1.181240	\$17.54
12/4/2017	\$15.25	\$0.00	1.181240	\$18.01
12/1/2017	\$15.35	\$0.00	1.181240	\$18.13
11/30/2017	\$15.20	\$0.00	1.181240	\$17.95
11/29/2017	\$15.20	\$0.00	1.181240	\$17.95
11/28/2017	\$15.20	\$0.00	1.181240	\$17.95
11/27/2017	\$14.95	\$0.00	1.181240	\$17.66
11/24/2017	\$14.85	\$0.00	1.181240	\$17.54
11/22/2017	\$14.95	\$0.00	1.181240	\$17.66
11/21/2017	\$15.00	\$0.00	1.181240	\$17.72
11/20/2017	\$14.80	\$0.00	1.181240	\$17.48
11/17/2017	\$14.80	\$0.00	1.181240	\$17.48
11/16/2017	\$15.10	\$0.00	1.181240	\$17.84
11/15/2017	\$15.00	\$0.00	1.181240	\$17.72
11/14/2017	\$15.25	\$0.00	1.181240	\$18.01
11/13/2017	\$15.40	\$0.00	1.181240	\$18.19
11/10/2017	\$15.55	\$0.00	1.181240	\$18.37
11/9/2017	\$15.50	\$0.00	1.181240	\$18.31
11/8/2017	\$15.50	\$0.00	1.181240	\$18.31
11/7/2017	\$15.45	\$0.00	1.181240	\$18.25
11/6/2017	\$15.55	\$0.00	1.181240	\$18.37
11/3/2017	\$15.45	\$0.00	1.181240	\$18.25
11/2/2017	\$15.70	\$0.00	1.181240	\$18.55
11/1/2017	\$15.65	\$0.00	1.181240	\$18.49
<b>Average</b>				<b>\$18.34</b>



**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Stephen J. Jones, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Covanta Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/ s / S TEPHEN J. J ONES

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Stephen J. Jones

*President and Chief Executive Officer*

Date: April 27, 2018

**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Bradford J. Helgeson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Covanta Holding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/ s / B RADFORD J. H ELGESON

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Bradford J. Helgeson

*Executive Vice President and Chief Financial Officer*

Date: April 27, 2018

**Certification of Periodic Financial Report Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2018 of Covanta Holding Corporation as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Stephen J. Jones and Bradford J. Helgeson, as Chief Executive Officer and Chief Financial Officer, respectively, of Covanta Holding Corporation, each hereby certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Covanta Holding Corporation;

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Covanta Holding Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement has been provided to Covanta Holding Corporation and will be retained by Covanta Holding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

/ s/ S TEPHEN J. J ONES

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Stephen J. Jones

*President and Chief Executive Officer*

/ s/ B RADFORD J. H ELGESON

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Bradford J. Helgeson

*Executive Vice President and Chief Financial Officer*

Date: April 27, 2018