

COVANTA HOLDING CORP

Form DEF 14A

April 27, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
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Check the appropriate box:

- o Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Covanta Holding Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- x No fee required.
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COVANTA HOLDING CORPORATION

40 Lane Road

Fairfield, New Jersey 07004

(973) 882-9000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On May 31, 2006

To our Stockholders:

Notice is hereby given that the 2006 Annual Meeting of Stockholders (the Annual Meeting) of Covanta Holding Corporation (the Company) will be held on May 31, 2006, at the Marriott New York East Side, 525 Lexington Avenue, New York, New York, at 10:00 a.m. local time, for the following purposes:

1. To elect ten directors, each for a term of one year;
2. To ratify the appointment of Ernst & Young LLP as the Company s independent auditors for the 2006 fiscal year; and
3. To consider such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors of the Company has fixed the close of business on April 18, 2006 as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof. A complete list of these stockholders will be available at the Company s principal executive offices prior to the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy card as promptly as possible in order to ensure your representation at the Annual Meeting. A return envelope (which is postage pre-paid if mailed in the United States) is enclosed for that purpose. Even if you have given your proxy, you may still vote in person if you attend the Annual Meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the Annual Meeting, you must obtain from the record holder a proxy issued in your name.

By Order of the Board of Directors

Timothy J. Simpson

Secretary

Fairfield, New Jersey

April 27, 2006

COVANTA HOLDING CORPORATION
40 Lane Road
Fairfield, New Jersey 07004
PROXY STATEMENT

The enclosed proxy is solicited by Covanta Holding Corporation (the Company) for use at the 2006 Annual Meeting of Stockholders to be held on May 31, 2006 (the Annual Meeting), at 10:00 a.m. local time, or any adjournment or postponement thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the Marriott New York East Side, 525 Lexington Avenue, New York, New York. This proxy statement and accompanying proxy card were mailed on or about April 27, 2006 to all stockholders entitled to vote at the Company's Annual Meeting.

Purpose of Annual Meeting

At the Company's Annual Meeting, stockholders will be asked to act upon the matters outlined in the accompanying Notice of Annual Meeting of Stockholders, including:

the election of ten directors to the Board of Directors of the Company (the Board), each for a term of one year (see page 8); and

ratification of the selection of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2006 (see page 11).

In addition, management will report on Covanta's performance and respond to questions from stockholders.

Record Date and Share Ownership

Only stockholders of record at the close of business on the record date, April 18, 2006, are entitled to vote at the Annual Meeting. At the close of business on the record date, 147,413,640 shares of common stock were outstanding and entitled to vote. Each outstanding share of common stock entitles its holder to cast one vote on each matter to be voted on at the Annual Meeting.

Quorum

The presence in person or by proxy of stockholders entitled to cast a majority of all of the votes entitled to be cast at the Annual Meeting, including shares represented by proxies that reflect abstentions, shall constitute a quorum. Abstentions and broker non-votes (broker non-votes occur when a broker, bank or other nominee does not receive voting instructions regarding a proposal and does not have discretionary voting power with respect to the proposal) are counted for the purposes of determining the presence or absence of a quorum for the transaction of business. If there is not a quorum at the Annual Meeting, the stockholders entitled to vote at the Annual Meeting, whether present in person or represented by proxy, shall only have the power to adjourn the Annual Meeting until such time as there is a quorum. The Annual Meeting may be reconvened without notice to stockholders, other than an announcement at the prior adjournment of the Annual Meeting, within 30 days after the record date, and a quorum must be present at such reconvened meeting.

Voting, Submitting and Revoking Your Proxy

If you properly execute, date and return the enclosed proxy, and you do not revoke it before it is exercised at the Annual Meeting, your shares of common stock represented thereby will be voted by Anthony J. Orlando

and Timothy J. Simpson, the proxy agents for the Annual Meeting, in accordance with your instructions thereon. If you do not provide any specific instructions on the proxy, your proxy will be voted:

FOR election of the ten nominees for director to the Board; and

FOR ratification of the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2006.

In addition, if other matters are properly presented for voting at the Annual Meeting, or at any adjournment or postponement thereof, your proxy grants the persons named as proxy holders the discretion to vote your shares on such matters. The Company does not expect any additional matters to be presented for a vote at the Annual Meeting. If, for any unforeseen reason, any of the director nominees described in this proxy statement are not available as a candidate for director, then the two proxy agents will vote the stockholder proxies for such other candidate or candidates as may be nominated by the Board.

Even after you have submitted your proxy, you may revoke your proxy or change your vote by completing one of the following actions before your proxy is exercised at the Annual Meeting: (1) delivering a written notice of revocation to the Secretary of the Company at 40 Lane Road, Fairfield, New Jersey 07004; (2) submitting a properly executed proxy bearing a later date; or (3) attending the Annual Meeting and casting your vote in person. Attendance at the Annual Meeting will not cause your previously submitted proxy to be revoked unless you cast a vote at the Annual Meeting.

If you wish to attend the Annual Meeting and vote shares of the Company's common stock held through a broker, bank or other nominee, you will need to obtain a proxy form from the institution that holds your shares and follow the voting instructions on that form.

Required Vote For Approval of Matters

In the election for directors, the ten nominees receiving the highest number of FOR votes cast in person or by proxy will be elected to the Board. A WITHHOLD vote for a nominee is the equivalent of abstaining. Abstentions and broker non-votes are not counted as votes cast for the purposes of, and therefore will have no impact as to, the election of directors.

All other proposals require the affirmative FOR vote of a majority of those shares present and entitled to vote. An abstention as to any matter, when passage requires the vote of a majority of the votes entitled to be cast at the Annual Meeting, will have the effect of a vote AGAINST. Broker non-votes will not be considered, as they are not entitled to vote, and will not be counted for any purpose in determining whether a matter has been approved.

Brokers, banks or other nominees have discretionary authority to vote shares without instructions from beneficial owners only on matters considered routine by the New York Stock Exchange, such as the election of directors and the ratification of the appointment of Ernst & Young LLP as the independent auditors of the Company addressed by proposals 1 and 2 in this Proxy Statement; therefore, your shares may be voted on proposals 1 and 2 if they are held in the name of a brokerage firm, even if you do not provide the brokerage firm with voting instructions. On non-routine matters, nominees do not have discretion to vote shares without instructions from beneficial owners and thus are not entitled to vote on such proposals in the absence of such specific instructions, resulting in a broker non-vote for those shares.

Representatives of American Stock Transfer & Trust Company, the Company's transfer agent, will tabulate the votes and act as the inspector of the election at the Annual Meeting.

Cost of Solicitation of Proxies

The cost of solicitation of proxies will be paid by the Company. In addition to the solicitation of proxies by mail, the directors, officers and employees of the Company may also solicit proxies personally, electronically or by telephone without additional compensation for such proxy solicitation activity. Brokers and other nominees who held common stock of the Company on the record date will be asked to contact the beneficial owners of the shares that they hold to send proxy materials to and obtain proxies from such beneficial owners.

Although there is no formal agreement to do so, the Company may reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding this proxy statement to the Company's stockholders.

BOARD STRUCTURE AND COMPOSITION

The Board is currently comprised of ten directors. Following the retirement of Joseph P. Sullivan from the Board in December 2005, the Board passed a resolution to reduce the number of directors on the Board from eleven to ten. During 2005, the Board held ten meetings and took action by written consent four times. Each director attended at least 75% of all meetings of the Board and those Board committees on which he or she served during 2005. In 2004, the Company adopted a policy pursuant to which it expects its Board members to attend annual meetings of its stockholders. In September 2005, all of the then current directors attended the Company's annual meeting of stockholders.

The Board has adopted Corporate Governance Guidelines which, among other matters, describe the responsibilities and certain qualifications of the directors of the Company. One of these requirements is that a majority of the Board qualify as independent within the meaning of the independence standards of the New York Stock Exchange. The applicable standards for independence to the Board are attached to the Company's Corporate Governance Guidelines (the "Independence Standards"). These Independence Standards contain categorical standards that the Company has adopted to assist in making determinations of director independence required by New York Stock Exchange rules. These Independence Standards also describe certain relationships between directors and the Company that the Board has determined to be categorically immaterial. The Corporate Governance Guidelines, including the Independence Standards, are posted on the Company's website at www.covantaholding.com. A copy also may be obtained by writing to the Company's Director of Investor Relations at the Company's principal executive offices. The Independence Standards are also attached as Exhibit A to this proxy statement.

In accordance with the Independence Standards, the Board undertook its annual review of director independence. During this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates. The Board also considered whether there were any transactions or relationships between directors, their organizational affiliations or any member of their immediate family, on the one hand, and the Company and its executive management, on the other hand. As provided in the Independence Standards, the purpose of this review was to determine whether any such relationships or transactions existed that were inconsistent with a determination that the director is independent.

As a result of this review, the Board affirmatively determined that the following directors are independent of the Company and its management under the standards set forth in the Independence Standards: David M. Barse, Ronald J. Broglio, Peter C.B. Bynoe, Richard L. Huber, William C. Pate, Robert S. Silberman, Jean Smith and Clayton Yeutter, and that none of these directors had relationships with the Company except those that the Board has determined to be categorically immaterial as set forth in the Independence Standards. In making these determinations, the Board considered that in the ordinary course of business, transactions may occur between the Company and its subsidiaries and companies at which one or more of the Company's directors are or have been officers. In each case, the amounts paid to these other companies in each of the last three years did not exceed the applicable thresholds set forth in the Independence Standards or the nature of the relationships with these other companies did not otherwise affect the independent judgment of any of such directors. The Board also considered charitable contributions to not-for-profit organizations of which directors or their immediate family members are affiliated, none of which exceeded the applicable thresholds set forth in the Independence Standards.

In connection with this review, the Board noted that as described under *Certain Relationships and Related Transactions* *Related Party Agreements*, Mr. Yeutter is senior advisor to the law firm of Hogan & Hartson LLP. Hogan & Hartson LLP has provided Covanta Energy Corporation (Covanta Energy) with certain legal services for many years, including 2005. This relationship preceded the Company's acquisition of Covanta Energy and Mr. Yeutter did not direct or have any direct or indirect involvement in the procurement,

provision, oversight or billing of such legal services and does not directly or indirectly benefit from those fees. The Board has concluded that this relationship does not interfere with Mr. Yeutter's exercise of independent judgment as a director or otherwise prevent him from meeting any of the Independence Standards as it does not constitute a material relationship to Mr. Yeutter, Hogan & Hartson, the Company or Covanta Energy and Mr. Yeutter qualifies as an independent director under applicable Securities and Exchange Commission (SEC) rules and regulations and New York Stock Exchange listing standards.

Messrs. Zell and Pate are executive officers of Equity Group Investments, L.L.C. (EGI). EGI is affiliated with SZ Investments LLC (SZ Investments), a holder of approximately 15.72% of the Company's common stock as of April 18, 2006, as described under *Equity Ownership of Certain Beneficial Owners*. Although Mr. Zell was an executive officer of the Company within the past three years, and is therefore not independent, the Board reviewed the independence of Mr. Pate. In particular, the Board examined not only the amounts paid to EGI and SZ Investments within the past three years in connection with the financings and other relationships more fully described under *Certain Relationships and Related Transactions - Related Party Agreements*, but also the subjective nature of Mr. Pate's relationship with the Company, as its former non-executive Chairman of the Board. The Board determined that the amounts paid to EGI and SZ Investments did not exceed the applicable thresholds under New York Stock Exchange listing standards and under the Company's Independence Standards and that these relationships do not interfere with Mr. Pate's exercise of independent judgment as a director. Therefore, the Board concluded that Mr. Pate qualifies as an independent director under applicable SEC rules and regulations and New York Stock Exchange listing standards.

Mr. Barse is the President and Chief Executive Officer of Third Avenue Management LLC (Third Avenue), a holder of approximately 5.98% of the Company's common stock as of April 18, 2006, as described under *Equity Ownership of Certain Beneficial Owners*. The Board noted that although Mr. Barse was the President and Chief Operating Officer of the Company from July 1996 until July 2002, such prior service as an executive officer of the Company occurred more than three years ago and does not interfere with his exercise of independent judgment as a director. Further, the Board examined the amounts paid to Third Avenue and its affiliates within the past three years in connection with the financings and other transactions more fully described under *Certain Relationships and Related Transactions - Related Party Agreements* and concluded that these transactions did not exceed the applicable thresholds under New York Stock Exchange rules and under the Company's Independence Standards and that these relationships do not interfere with Mr. Barse's exercise of independent judgment as a director. Therefore, the Board concluded that Mr. Barse qualifies as an independent director under applicable SEC rules and regulations and New York Stock Exchange listing standards.

Committees of the Board

Audit Committee. The current members of the Audit Committee are Mr. Huber (Chair), Ms. Smith and Mr. Pate. Each of the members of the Audit Committee is an independent director under applicable New York Stock Exchange listing standards and applicable SEC rules and regulations. The Board has determined that Mr. Huber qualifies as an audit committee financial expert under applicable SEC rules. Upon the recommendation of the Nominating and Governance Committee, the Board has appointed Ms. Smith to succeed Mr. Huber as Chair of the Audit Committee, subject to her re-election by the stockholders at the Annual Meeting.

The Audit Committee operates under a written charter that was amended and restated by the Board as of October 2005. A copy of the Company's Audit Committee Charter and Key Practices is attached as Exhibit B to this proxy statement and is also available on the Company's website at www.covantaholding.com or a copy may be obtained by writing to the Company's Director of Investor Relations at the Company's principal executive offices. Under its charter, the functions of the Audit Committee include assisting the Board in its oversight of the quality and integrity of the Company's financial statements and accounting processes, compliance with legal and regulatory requirements, assessing and reviewing the qualifications and independence of the Company's independent auditors and the performance of the independent auditors and overseeing the Company's internal audit function. The Audit Committee has the sole authority to select, evaluate,

appoint or replace the independent auditors of the Company and has the sole authority to approve all audit engagement fees and terms. The Audit Committee must pre-approve all permitted non-auditing services to be provided by the independent auditors, discuss with management and the independent auditors the Company's financial statements and any disclosures and SEC filings relating thereto, recommend for shareholder approval the independent auditors for the Company, review the integrity of the Company's financial reporting process, establish policies for hiring of employees or former employees of the auditors and investigate any matters pertaining to the integrity of management.

The Audit Committee held ten meetings during 2005 and took action by written consent twice.

Compensation Committee. The current members of the Compensation Committee are Mr. Barse (Chair), Mr. Bynoe and Mr. Yeutter. Each of the members of the Compensation Committee qualifies as an independent director under applicable New York Stock Exchange listing standards and each member, except for Mr. Barse, also qualifies as an outside director under section 162 of the Internal Revenue Code of 1986, as amended (the Code). Because Mr. Barse was previously the President and Chief Operating Officer of the Company, he does not qualify as an outside director solely for purposes of section 162(m) of the Code. However, the Board has determined that Mr. Barse's prior relationship does not interfere with his exercise of independent judgment as a director and Mr. Barse qualifies as an independent director under applicable New York Stock Exchange listing standards and Mr. Barse recuses himself from voting in connection with any compensation matters in which section 162(m) issues may arise.

The Compensation Committee operates under a written charter that was amended and restated by the Board as of October 2005, a copy of which is available on the Company's website at www.covantaholding.com or a copy may be obtained by writing to the Company's Director of Investor Relations at the Company's principal executive offices. Under its charter, the Compensation Committee among other things, has the authority (1) to review and approve the Company's goals relating to the Chief Executive Officer's compensation, evaluate the Chief Executive Officer's performance under those goals and set the Chief Executive Officer's compensation, (2) to evaluate, review and approve the compensation structure and process for the Company's other officers, and (3) to evaluate, review and recommend to the Board any changes to, or additional stock-based and other incentive compensation plans. In addition, the Compensation Committee is responsible for preparing and publishing an annual executive compensation report, administering certain compensation plans and monitoring compliance with legal prohibitions on loans to officers.

The Compensation Committee held five meetings during 2005 and took action by written consent once.

Nominating and Governance Committee. The current members of the Nominating and Governance Committee are Mr. Yeutter (Chair), Ms. Smith and Mr. Silberman. Each of the members of the Nominating and Governance Committee qualifies as an independent director under applicable New York Stock Exchange listing standards.

The Nominating and Governance Committee operates under a written charter that was amended and restated by the Board as of October 2005, a copy of which is available on the Company's website at www.covantaholding.com or a copy may be obtained by writing to the Company's Director of Investor Relations at the Company's principal executive offices. Under its charter, the Nominating and Governance Committee is responsible for assisting the Board in identifying qualified candidates to serve on the Board, recommending director nominees for the annual meeting of stockholders, identifying individuals to fill vacancies on the Board, recommending corporate governance guidelines to the Board, leading the Board in its annual self evaluations and recommending nominees to serve on each committee of the Board. The Nominating and Governance Committee, among other things, has the authority to evaluate candidates for the position of director, retain and terminate any search firm used to identify director candidates and review and reassess the adequacy of the Company's corporate governance procedures.

The Nominating and Governance Committee held five meetings during 2005 and took no action by written consent.

In identifying candidates for positions on the Board, the Nominating and Governance Committee generally relies on suggestions and recommendations from members of the Board, management and

stockholders. In 2005, the Company did not use any search firm or pay fees to other third parties in connection with seeking or evaluating Board nominee candidates.

The Nominating and Governance Committee does not set specific minimum qualifications for director positions. Instead, the committee believes that nominations should be based on a particular candidate's merits and the needs of the Company after taking into account the current composition of the Board. When evaluating candidates for the position of director, the Nominating and Governance Committee considers an individual's skills, age, diversity, independence from the Company, experience in areas that address the needs of the Board and ability to devote adequate time to Board duties. Candidates that appear to best fit the needs of the Board and the Company are identified and unless such individuals are well known to the Board, they are interviewed and further evaluated by the Nominating and Governance Committee. Candidates selected by the Nominating and Governance Committee are then recommended to the full Board. After the Board approves a candidate, the Chair of the Nominating and Governance Committee extends an invitation to the candidate to join the Board.

The Nominating and Governance Committee will consider candidates recommended by stockholders if such recommendations are accompanied by relevant biographical information and are submitted in accordance with the Company's organizational documents, New York Stock Exchange requirements and SEC rules and regulations, each as in effect from time to time. Candidates recommended by stockholders will be evaluated in the same manner as other candidates. Under the Company's Amended and Restated By-Laws, any holder of 20% or more of the outstanding voting securities of the Company has the right, but not the obligation, to nominate one qualified candidate for election as a director. Provided that such stockholder adequately notifies the Company of a nominee within the time periods set forth in the applicable proxy statement of the Company, that individual will be included in the Company's proxy statement as a nominee.

Executive Sessions of Non-Management Directors and Independent Directors

The non-management directors of the Board meet regularly in executive sessions without management of the Company present. The independent directors also meet on occasion or as necessary in executive session. The Chairs of each of the committees together select a director to serve as the Chair of each executive session of independent directors. Stockholders wishing to communicate with the independent directors may contact them by writing to: Independent Directors, c/o Corporate Secretary, Covanta Holding Corporation, 40 Lane Road, Fairfield, New Jersey 07004. Any such communication will be promptly distributed to the directors named in the communication in the same manner as described below in *Stockholder Communications with the Board*.

Stockholder Communications with the Board

Stockholders can send communications to one or more members of the Board by writing to the Board or to specific directors or group of directors at the following address: Covanta Holding Corporation Board of Directors, c/o Corporate Secretary, Covanta Holding Corporation, 40 Lane Road, Fairfield, New Jersey 07004. Any such communication will be promptly distributed by the Corporate Secretary to the individual director or directors named in the communication or to all directors if the communication is addressed to the entire Board.

Compensation of the Board

Effective as of the Annual Meeting, on an annual basis, at the annual meeting of stockholders at which directors are elected, each non-employee director will be awarded 4,000 shares of restricted stock, which vest as follows: one-third vest upon the grant of the award, one-third will vest one year after the date of grant and the final one-third of the restricted shares will vest two years after the date of grant. Mr. Barse waived his right to receive equity awards for 2005. Non-employee directors also will receive an annual fee of \$30,000. The Chairman of the Board will receive an additional annual fee of \$15,000. In addition, the Chairs of the Audit Committee and Compensation Committee will each receive an additional annual fee of \$10,000.

for such service and the chair of each of the other committees of the Board, including without limitation, the Nominating and Governance Committee and the Public Policy Committee, will be entitled to receive an additional annual fee of \$5,000 for such service. Non-employee directors will be entitled to receive a meeting fee of \$2,000 for each Audit Committee meeting and \$1,500 for each other committee meeting they attend. Directors who are appointed at a date other than the annual meeting of stockholders, will be entitled to receive a pro rata portion of the annual director compensation.

Policies on Business Conduct and Ethics

The Company has a Code of Conduct and Ethics for Senior Financial Officers and a Policy of Business Conduct. The Code of Conduct and Ethics applies to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, controller or persons performing similar functions. The Policy of Business Conduct applies to all of the Company's, and its subsidiaries', directors, officers and employees. Both the Code of Conduct and Ethics and the Policy of Business Conduct are posted on the Company's website at www.covantaholding.com on the Corporate Governance page and copies may be obtained by writing to the Company's Director of Investor Relations at the Company's principal executive offices.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

The Board is currently comprised of ten directors. Following the retirement of Joseph P. Sullivan from the Board in December 2005, the Board passed a resolution to reduce the number of directors on the Board from eleven to ten. The Board, at the recommendation of the Nominating and Governance Committee, has nominated each of the following ten individuals to serve as directors of the Company:

David M. Barse
Ronald J. Broglio
Peter C.B. Bynoe
Richard L. Huber
Anthony J. Orlando
William C. Pate
Robert S. Silberman
Jean Smith
Clayton Yeutter
Samuel Zell

Each of the nominees currently serves as a member of the Board. If elected to another term at this year's Annual Meeting, each nominee will serve until the date of next year's annual meeting or until his or her successor has been elected and qualified.

The Board has appointed Ms. Smith to succeed Mr. Huber as Chair of the Audit Committee, subject to her re-election by the stockholders at this year's Annual Meeting.

Each nominee has consented to serve as a member of the Board if elected or re-elected, as the case may be, for another term. Nevertheless, if any nominee becomes unable to stand for election (which the Board does not anticipate happening), each proxy will be voted for a substitute designated by the Board or, if no substitute is designated by the Board prior to or at the Annual Meeting, the Board will act to reduce the membership of the Board to the number of individuals nominated.

There is no family relationship between any nominee and any other nominee or any executive officer of the Company. The information set forth below concerning the nominees has been furnished to the Company by the nominees.

The Board recommends that you vote FOR the election of each of the above named nominees to the Board. Proxies solicited by the Board will be voted FOR the election of each of the nominees named above unless instructions to the contrary are given.

Directors of the Company

David M. Barse has served as a director since 1996 and is Chairman of the Compensation Committee. Mr. Barse's one-year term as a director will expire at the next annual meeting of stockholders. Mr. Barse served as President and Chief Operating Officer of the Company from July 1996 until July 2002. Since February 1998, Mr. Barse has served as President and, since June 2003, Chief Executive Officer of Third Avenue, an investment adviser to mutual funds and separate accounts. From April 1995 until February 1998, Mr. Barse served as the Executive Vice President and Chief Operating Officer of Third Avenue Trust and its predecessor, Third Avenue Value Fund, Inc. (together with its predecessor, Third Avenue Trust), before assuming the position of President in May 1998 and Chief Executive Officer in September 2003. In 2001, Mr. Barse became Trustee of both the Third Avenue Trust and Third Avenue Variable Series Trust. Since June 1995, Mr. Barse has been the President and, since July 1999, Chief Executive Officer of M.J. Whitman, LLC and its predecessor, a full service broker-dealer. Mr. Barse joined the predecessor of M.J. Whitman LLC and Third Avenue in December 1991 as General Counsel. Mr. Barse also presently serves as a director of American Capital Access Holdings, a privately held financial insurance company. Mr. Barse is 43 years old.

Ronald J. Broglio has served as a director since October 2004 and is a member of the Public Policy Committee. Mr. Broglio's one-year term as a director will expire at the next annual meeting of stockholders. Mr. Broglio has been the President of RJB Associates, a consulting firm specializing in energy and environmental solutions, since 1996. Mr. Broglio was Managing Director of Waste to Energy for Waste Management International Ltd. from 1991 to 1996. Prior to joining Waste Management, Mr. Broglio held a number of positions with Wheelabrator Environmental Systems Inc. from 1980 through 1990, including Managing Director, Senior Vice President Engineering, Construction & Operations and Vice President of Engineering & Construction. Mr. Broglio served as Manager of Staff Engineering and as a staff engineer for Rust Engineering Company from 1970 through 1980. Mr. Broglio is 65 years old.

Peter C. B. Bynoe has served as a director since July 2004 and is a member of the Compensation Committee and is Chair of the Public Policy Committee. Mr. Bynoe's one-year term as a director will expire at the next annual meeting of stockholders. Mr. Bynoe joined the law firm of DLA Piper Rudnick Gray Cary US, LLP as a partner in 1995 and currently serves on the firm's Executive Committee. Mr. Bynoe has been a principal of Telemat Ltd., a consulting and project management firm, since 1982. Mr. Bynoe is a director of Rewards Network Inc., a provider of credit card loyalty and rewards programs. Mr. Bynoe is 55 years old.

Richard L. Huber has served as a director since July 2002 and is Chair of the Audit Committee. Mr. Huber's one-year term as a director will expire at the next annual meeting of stockholders. Mr. Huber served as Chairman and the Interim Chief Executive Officer of American Commercial Lines, Inc., a marine transportation and service company (ACL), from April 2004 until January 2005 and continues as a director of ACL and various subsidiaries and affiliates of ACL. Mr. Huber has been Managing Director, Chief Executive Officer and Principal of the direct investment group Norte-Sur Partners, a direct private equity investment firm focused on Latin America, since January 2001. Mr. Huber held various positions with Aetna, Inc. since 1995, most recently as the Chief Executive Officer, until February 2000. Mr. Huber has approximately 40 years of prior investment and merchant banking, international business and management experience, including executive positions with Chase Manhattan Bank, Citibank, Bank of Boston and Continental Bank. Mr. Huber is also a director of Gafisa, a Brazilian real estate development company. Mr. Huber is 69 years old.

Anthony J. Orlando was named President and Chief Executive Officer of the Company in October 2004. He has served as a director since September 2005 and is a member of the Public Policy Committee. Mr. Orlando's one-year term as a director will expire at the next annual meeting of stockholders. Previously, Mr. Orlando had been President and Chief Executive Officer of Covanta Energy since November 2003. From March 2003 to November 2003 Mr. Orlando served as Senior Vice President, Business and Financial Management of Covanta Energy. From January 2001 until March 2003, Mr. Orlando served as Covanta Energy's Senior Vice President, Waste-to-Energy. Previously, he served as Executive Vice President of Covanta Energy Group, Inc. Mr. Orlando joined Covanta Energy in 1987. Mr. Orlando is 46 years old.

William C. Pate has served as a director since 1999 and is a member of the Audit Committee. Mr. Pate's one-year term as a director will expire at the next annual meeting of stockholders. He was Chairman of the Board of the Company from October 2004 through September 2005. Mr. Pate is Managing Director of EGI, a privately-held investment firm. Mr. Pate has been employed by EGI or its predecessor in various capacities since 1994. Mr. Pate also serves as a director of Adams Respiratory Therapeutic, Inc., a specialty pharmaceutical company. Mr. Pate is 42 years old.

Robert S. Silberman has served as a director since December 2004 and is a member of the Nominating and Governance Committee and Public Policy Committee. Mr. Silberman's one-year term as a director will expire at the next annual meeting of stockholders. Mr. Silberman has been Chairman of the Board of Directors of Strayer Education, Inc., a leading provider of graduate and undergraduate degree programs focusing on working adults, since February 2003 and its Chief Executive Officer since March 2001. Mr. Silberman was Executive in Residence at New Mountain Capital, LLC from August 2000 to March 2001. From 1995 to 2000, Mr. Silberman served as President and Chief Operating Officer of CalEnergy Company, Inc., a California independent energy producer, and in other capacities. Mr. Silberman has also held senior positions within the public sector, including U.S. Assistant Secretary of the Army. In addition to Strayer Education, Inc., Mr. Silberman serves on the Board of Directors of Surgis, Inc., an

ambulatory surgery

center and surgical services company, and NewPage Holding Corporation, a paper manufacturer. Mr. Silberman is a member of the Council on Foreign Relations. Mr. Silberman is 48 years old.

Jean Smith has served as a director since December 2003 and is a member of the Audit Committee and the Nominating and Governance Committee. Ms. Smith's one-year term as a director will expire at the next annual meeting of stockholders. Ms. Smith has been a private investor and consultant since 2001. From 1998 to 2001, Ms. Smith was a Managing Director of Corporate Finance for U.S. Bancorp Libra, a unit of U.S. Bancorp Investments, Inc., a subsidiary of U.S. Bancorp. Ms. Smith has approximately 25 years of investment and international banking experience, having held positions with Banker Trust Company, Citicorp Investment Bank, Security Pacific Merchant Bank and UBS Securities. Ms. Smith is 50 years old.

Clayton Yeutter has served as a director since July 2002 and is Chair of the Nominating and Governance Committee and a member of the Compensation Committee. Mr. Yeutter's one-year term as a director will expire at the next annual meeting of stockholders. Mr. Yeutter is Senior Advisor to Hogan & Hartson LLP, a law firm in Washington, D.C., where he has had an international trade and agricultural law practice since 1993. From 1985 through 1991, Mr. Yeutter served in the Reagan Administration as U.S. Trade Representative and in the first Bush Administration as Secretary of Agriculture. During 1991 and 1992, Mr. Yeutter was Chairman of the Republican National Committee and then returned to the Bush Administration as Counselor to the President for most of 1992. Mr. Yeutter was President and Chief Executive Officer of the Chicago Mercantile Exchange from 1978 through 1985. In the 1970s, Mr. Yeutter held positions in the Nixon and Ford Administrations as Assistant Secretary of Agriculture for Marketing and Consumer Services, Assistant Secretary of Agriculture for International Affairs and Commodity Programs and Deputy Special Trade Representative. Mr. Yeutter is Chairman of the Board of Directors of Openheimer Funds, an institutional investment manager, Chairman of the Board of Directors of Crop Solutions, Inc., a privately-owned agricultural chemical company, Chairman of the Board of Directors of ACL and a director of Burlington Capital Group, a privately-owned investment management company. Mr. Yeutter is 75 years old.

Samuel Zell, elected as the Chairman of the Board of the Company in September 2005, also previously served as a director from 1999 to 2004, as the President and Chief Executive Officer of the Company from July 2002 to April 2004 and as Chairman of the Board of the Company from July 2002 to October 2004. Mr. Zell's one-year term as the Company's Chairman and as a director will expire at the next annual meeting of stockholders. Mr. Zell has served as Chairman of the Board of Directors of EGI since 1999 and as its President since January 2006, and had been Chairman of the Board of Directors of its predecessor, Equity Group Investments, Inc., for more than five years. Mr. Zell has been a trustee and Chairman of the Board of Trustees of Equity Office Properties Trust, an equity real estate investment trust, commonly known as a REIT, primarily focused on office buildings, since October 1996, was its Interim President from April 2002 until November 2002 and was its Interim Chief Executive Officer from April 2002 until April 2003. For more than the past five years, Mr. Zell has served as Chairman of the Board of Directors of Anixter International, Inc., a global distributor of electrical and cable systems; as Chairman of the Board of Directors of Equity Lifestyle Properties, Inc. (previously known as of Manufactured Home Communities, Inc.), an equity REIT primarily engaged in the ownership and operation of manufactured home resort communities; as Chairman of the Board of Trustees of Equity Residential, an equity REIT that owns and operates multi-family residential properties, and as Chairman of the Board of Directors of Capital Trust, Inc., a specialized finance company. Mr. Zell is 64 years old.

Mr. Orlando was an officer of Covanta Energy when it filed for bankruptcy and has continued as officer of Covanta Energy after its emergence from bankruptcy and confirmation of its plan of reorganization. Covanta Energy's Chapter 11 proceedings commenced on April 1, 2002. Covanta Energy and most of its domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. All of the bankruptcy cases were jointly administered under the caption *In re Ogden New York Services, Inc., et al.*, Case Nos. 02-40826 (CB), et al. On March 5, 2004, the Bankruptcy Court entered an order confirming Covanta Energy's plan of reorganization and plan for liquidation for subsidiaries involved in non-core businesses and on March 10, 2004, both plans were effected.

There is no familial relationship between any of the Company's directors and any other director or any executive officer of the Company.

PROPOSAL NO. 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee has appointed Ernst & Young LLP, a registered independent accounting firm, as the Company's independent auditors to audit its consolidated financial statements for the year ending December 31, 2006, subject to ratification of the appointment by the Company's stockholders. During the 2005 fiscal year, Ernst & Young LLP served as the Company's independent auditors and also provided certain tax and audit-related services. The Company has been advised by Ernst & Young LLP that neither it nor any of its members has any direct or indirect financial interest in the Company.

Although the Company is not required to seek stockholder approval of this appointment, the Audit Committee and the Board believe it to be sound corporate practice to do so. If the appointment is not ratified, the Audit Committee will investigate the reasons for stockholder rejection and the Audit Committee will reconsider the appointment. Representatives of Ernst & Young LLP are expected to attend the Annual Meeting where they will be available to respond to appropriate questions and, if they desire, to make a statement.

The Audit Committee recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent auditors. Proxies solicited by the Board will be voted FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent auditors unless instructions to the contrary are given.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth information, as of April 18, 2006, concerning:

beneficial ownership of the Company's common stock by (1) SZ Investments together with its affiliate EGI-Fund (05-07) Investors, L.L.C. (Fund 05-07), and EGI, (2) Third Avenue, and (3) D. E. Shaw Laminar Portfolios, L.L.C. (Laminar), which are the only beneficial owners of 5% or more of the Company's common stock; and

beneficial ownership of the Company's common stock by (1) all of the Company's current directors, (2) those executive officers named in the Summary Compensation Table included in this proxy statement, and (3) all of the current directors and executive officers of the Company together as a group.

The number of shares beneficially owned by each entity, person, current director, director nominee or named executive officer is determined under the rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has the right to acquire within 60 days after the date of this table, through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole investment and voting power, or shares such powers with his or her spouse or dependent children within his or her household, with respect to the shares set forth in the following table. Unless otherwise indicated, the address for all current executive officers and directors is c/o Covanta Holding Corporation, 40 Lane Road, Fairfield, New Jersey 07004.

Equity Ownership of Certain Beneficial Owners

Name and Address of Beneficial Owner ⁽¹⁾	Number of Shares Beneficially Owned	Approximate Percent of Class
SZ Investments LLC ⁽²⁾ 23,176,282 15.72% Two North Riverside Plaza Chicago, Illinois 60606		
Third Avenue Management LLC ⁽³⁾ 8,816,889 ⁽⁴⁾ 5.98% 622 Third Avenue, 32nd Floor New York, New York 10017		
D. E. Shaw Laminar Portfolios, L.L.C. ⁽⁵⁾ 27,127,505 18.40% 120 West Forty-Fifth Street Floor 39, Tower 45 New York, New York 10036		

- (1) In accordance with provisions of the Company's certificate of incorporation, all certificates representing shares of common stock beneficially owned by holders of 5% or more of the common stock are owned of record by the Company, as escrow agent, and are physically held by the Company in that capacity.

- (2) Based on a Schedule 13D/ A filed with the SEC on June 29, 2005, this includes the shares owned as follows:
 - (a) 19,500,900 shares that SZ Investments beneficially owns with shared voting and dispositive power,
 - (b) 3,430,448 shares that Fund 05-07 beneficially owns with shared voting and dispositive power,
 - (c) 244,934 shares that EGI beneficially owns with shared voting and dispositive power, and (d) all 23,176,282 shares listed in the preceding (a)-(c) as beneficially owned by SZ Investments, Fund 05-07 and EGI, respectively, are also beneficially owned with shared voting and dispositive power with Chai Trust Company, L.L.C. (Chai Trust). SZ Investments is the managing member of Fund 05-07. SZ Investments, Fund 05-07 and EGI are each indirectly controlled by various trusts established for the benefit of Samuel Zell and members of his family, the trustee of each of which is Chai Trust. Mr. Zell is not a director of Chai Trust and thus disclaims beneficial ownership of all such shares, except to the extent of his pecuniary interest therein. Each of Mr. Zell and William C. Pate is an executive officer of EGI and Mr. Zell is an executive officer of Fund 05-07 and SZ Investments. Mr. Zell was elected as the Chairman of the Board of the Company

in September 2005 and he also previously served as a director from 1999 to 2004 and as Chairman of the Board of the Company from July 2002 to October 2004, when he did not stand for re-election. In addition, Mr. Zell was the President and Chief Executive Officer of the Company from July 2002 until his resignation as of April 27, 2004. Mr. Pate served as Chairman of the Board of the Company from October 2004 through September 2005 and has been a director since 1999. The addresses of each of Fund 05-07 and EGI are as set forth in the table above for SZ Investments.

- (3) Third Avenue, a registered investment advisor under Section 203 of the Investment Advisors Act of 1940, as amended, invests funds on a discretionary basis on behalf of investment companies registered under the Investment Company Act of 1940, as amended, and on behalf of individually managed separate accounts. David M. Barse has served as a director of the Company since 1996 and was the President and Chief Operating Officer of the Company from July 1996 until July 2002. Since February 1998, Mr. Barse has served as President, and since June 2003, Chief Executive Officer of Third Avenue.
- (4) The shares beneficially owned by Third Avenue are held by Third Avenue Value Fund Series of the Third Avenue Trust. Based on Schedule 13G/ A filed with the SEC on February 14, 2006, Third Avenue beneficially owns 8,816,889 shares of the Company's common stock, with sole voting power and sole dispositive power with respect to all of those shares. The Schedule 13G/ A also states that Third Avenue Value Fund has the right to receive dividends from, and the proceeds from the sale of the 8,816,889 shares. These shares do not include the 621,502 shares beneficially owned by Mr. Barse (including shares underlying currently exercisable options to purchase an aggregate of 138,425 shares of common stock at exercise prices ranging from \$5.31 to \$7.06 per share).
- (5) Based in part on Schedule 13D/ A filed with the SEC on June 28, 2005, and 633,380 shares of the Company's common stock issued in February 2006 pursuant to the exercise of its rights under the 9.25% Offering (as hereinafter defined), Laminar currently has the power to vote or to direct the vote of (and the power to dispose or direct the disposition of) the 27,127,505 shares of the Company's common stock owned by Laminar (the Subject Shares).
- D. E. Shaw & Co, L.P. (DESCO LP), as Laminar's investment adviser, and D. E. Shaw & Co., L.L.C. (DESCO LLC), as Laminar's managing member, also may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) the Subject Shares. As general partner of DESCO LP, D. E. Shaw & Co., Inc., (DESCO, Inc.) may be deemed to have the shared power to vote or to direct the vote of (and the shared power to dispose or direct the disposition of) the Subject Shares. As managing member of DESCO LLC, D. E. Shaw & Co. II, Inc., (DESCO II, Inc.) may be deemed to have the shared power to vote or to direct the vote of (and the shared power to dispose or direct the disposition of) the Subject Shares. None of DESCO LP, DESCO LLC, DESCO, Inc., or DESCO II, Inc. owns any shares of the Company directly, and each such entity disclaims beneficial ownership of the Subject Shares.

David E. Shaw does not own any shares of the Company directly. By virtue of David E. Shaw's position as president and sole shareholder of DESCO, Inc. which is the general partner of DESCO LP, and by virtue of David E. Shaw's position as president and sole shareholder of DESCO II, Inc., which is the managing member of DESCO LLC, David E. Shaw may be deemed to have the shared power to vote or direct the vote of, and the shared power to dispose or direct the disposition of, the Subject Shares owned by Laminar, and, therefore, David E. Shaw may be deemed to be the beneficial owner of such Subject Shares. David E. Shaw disclaims beneficial ownership of the Subject Shares.

Equity Ownership of Management

Name	Number of Shares Beneficially Owned ⁽¹⁾	Approximate Percent of Class
Craig D. Abolt 94,053 ⁽²⁾ *		
David M. Barse 9,438,391 ⁽³⁾ 6.40%		
Ronald J. Broglio 29,668 ⁽⁴⁾ *		
Thomas E. Bucks 11,890 ⁽⁵⁾ *		
Peter C. B. Bynoe 43,018 ⁽⁶⁾ *		
Richard L. Huber 191,184 ⁽⁷⁾ *		
John M. Klett 66,334 ⁽²⁾ *		
Anthony J. Orlando 245,427 ⁽²⁾ *		
William C. Pate 373,395 ⁽⁸⁾ *		
Robert S. Silberman 38,319 ⁽⁹⁾ *		
Timothy J. Simpson 79,551 ⁽²⁾ *		
Jean Smith 54,703 ⁽¹⁰⁾ *		
Clayton Yeutter 126,016 ⁽¹¹⁾ *		
Samuel Zell		
Two North Riverside Plaza		
Chicago, Illinois 60606 23,216,534 ⁽¹²⁾ 15.75%		
All Officers and Directors as a group (14 persons) 34,008,483 ⁽¹³⁾ 23.01%		

* Percentage of shares beneficially owned does not exceed 1% of the outstanding common stock.

(1) In accordance with provisions of the Company's certificate of incorporation, all certificates representing shares of common stock beneficially owned by holders of 5% or more of the common stock are owned of record by the Company, as escrow agent, and are physically held by the Company in that capacity.

- (2) Includes restricted stock awarded pursuant to the terms and conditions of the employment agreements as described under *Executive Compensation Employment Arrangements*. Messrs. Orlando, Abolt, Klett and Simpson received 49,656, 20,690, 19,311 and 17,242 shares of the Company's restricted stock, respectively, under such employment agreements. The restricted stock vests, subject to forfeiture and meeting certain performance-based metrics of Covanta Energy as approved by the Board, under their respective employment agreements in equal installments over three years, with the first 1/3 having vested on February 28, 2005 and the second 1/3 having vested on February 28, 2006. Also includes restricted stock awarded to Messrs. Orlando, Abolt, Klett and Simpson pursuant to the Company's Equity Award Plan for Employees and Officers (the Employees Plan) on July 7, 2005, in the amounts of 48,000, 22,000, 20,000 and 19,200 and on March 17, 2006 in the amounts of 44,170, 17,668, 17,668 and 17,079 shares, respectively. Also includes shares underlying currently exercisable options held by Messrs. Orlando, Abolt, Klett and Simpson to purchase 53,208, 14,875, 11,746 and 13,105 shares of common stock respectively, at an exercise price of \$7.43 per share.
- (3) Includes 8,816,889 shares beneficially owned by Third Avenue, which is affiliated with Mr. Barse. Mr. Barse disclaims beneficial ownership of these shares. Also includes shares underlying currently exercisable options to purchase 50,000 shares of common stock at an exercise price of \$5.69 per share, shares underlying currently exercisable options to purchase 50,000 shares of common stock at an exercise price of \$7.06 per share and shares underlying currently exercisable options to purchase 38,425 shares of common stock at an exercise price of \$5.31 per share.
- (4) Includes shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$7.43 per share and shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$12.90 per share.
- (5) Includes 5,890 shares of restricted stock awarded to Mr. Bucks pursuant to the Employees Plan on March 17, 2006.

- (6) Includes shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$12.90 per share.
- (7) Includes shares underlying currently exercisable options to purchase 26,667 shares of common stock at an exercise price of \$4.26 per share and shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$12.90 per share.
- (8) Includes shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$7.43 per share and shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$12.90 per share.
- (9) Includes shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$12.90 per share.
- (10) Includes shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$12.90 per share.
- (11) Includes shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$4.26 per share and shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$12.90 per share.
- (12) Includes shares underlying currently exercisable options to purchase 13,334 shares of common stock at an exercise price of \$12.90 per share. Mr. Zell disclaims beneficial ownership as to (a) 19,500,900 shares beneficially owned by SZ Investments, (b) 3,430,448 shares beneficially owned by Fund 05-07, and (c) 244,934 shares beneficially owned by EGI. SZ Investments, Fund 05-07 and EGI are each indirectly controlled by various trusts established for the benefit of Mr. Zell and members of his family, the trustee of each of which is Chai Trust. Mr. Zell is not a director or officer of Chai Trust and thus disclaims beneficial ownership of all such shares, except to the extent of his pecuniary interest therein. Also, Mr. Zell disclaims beneficial ownership as to 25,418 shares beneficially owned by the Helen Zell Revocable Trust, the trustee of which is Helen Zell, Mr. Zell's spouse, as to which shares Mr. Zell disclaims beneficial ownership, except to the extent of his pecuniary interest therein.
- (13) Includes shares underlying currently exercisable options to purchase 404,700 shares of common stock that the Company's directors and executive officers have the right to acquire within 60 days of the date of this table.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Executive officers, directors and greater than ten-percent stockholders are required by Federal securities regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based upon a review of filings with the SEC and/or written representations from certain reporting persons, the Company believes that all of its directors, executive officers and other Section 16 reporting persons complied during 2005 with the reporting requirements of Section 16(a), except that the following individuals had late filings during 2005: Clayton Yeutter filed a late Form 4 for the exercise of his rights to purchase 44,999 shares of common stock on June 8, 2005 and 1,350 shares of common stock on June 6, 2005; and Robert S. Silberman filed a late Form 4 for the exercise of his options to purchase 11,111 shares of common stock on May 25, 2005.

EXECUTIVE COMPENSATION

The following table sets forth information concerning the annual and long-term compensation for services in all capacities to the Company or its subsidiary companies or their predecessors for 2003 through 2005 of (a) the Chief Executive Officer of the Company who served during 2005, and (b) the four most highly compensated executive officers, other than the Chief Executive Officer, employed by the Company as of December 31, 2005, whose total annual salary and bonus exceeded \$100,000, referred to as the Named Executive Officers in this proxy statement:

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation ⁽⁶⁾	Long-Term Compensation Awards			All Other Compensation ⁽⁸⁾
		Salary	Bonus		Restricted Stock Awards ⁽⁷⁾	Securities Underlying Options		
Anthony J. Orlando President and Chief Executive	2005	\$425,000	\$506,000	\$0	\$600,000	0	\$77,107	
	2004	\$380,769	\$393,750	\$0				