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October 8, 2007

Mr. Russell Golden
Director of Technical Application and Implementation Activities
FASB
401 Merritt 7
P. O. Box 5116
Norwalk, Ct 06856-5116

Re: File Reference: Proposed FSP APB 14-a

Dear Mr. Golden:

Thank you for giving us the opportunity to comment on the Proposed FASB Staff Position No. APB 14-a, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement) ("Proposed FSP"). We understand it is the Board's intent to clarify the accounting for convertible debt instruments that may be settled in cash upon conversion, however, we do not support the Proposed FSP as currently drafted.

In response to the Board's specific request for comments we offer the following:

1. This proposed FSP requires that instruments within its scope be separated into their liability and equity components at initial recognition by (a) recording the liability component at the fair value of a similar liability that does not have an associated equity component and (b) attributing the remaining proceeds from issuance to the equity component. The rationale for the Board's decision to require this separation methodology for convertible debt instruments within the scope of this proposed FSP is described in Appendix B. Do you agree with this method of separation? Would this proposed FSP be easier to apply if separation were achieved by (a) recording the embedded conversion feature (equity component) at its fair value and (b) attributing the remaining proceeds from issuance to the liability component?

We do not agree with the separation methodology provided for in the Proposed FSP, nor do we believe that the alternative, to use a separation methodology in which the calculation would first determine the value of the embedded conversion feature's fair value and attribute the remaining proceeds to the liability is appropriate. The conversion

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option does not have a value in many instances until an event occurs, thus valuing it prior to the event occurring attributes an amount to equity which overstates equity.

2. This proposed FSP provides guidance on the attribution of proceeds at initial recognition and at settlement for convertible debt instruments within its scope. It also requires that discounts on the liability component of instruments within its scope be amortized using the interest method over the expected life of a similar liability that does not have an associated equity component (considering the effects of prepayment features other than the conversion option). The remaining guidance in this proposed FSP, including much of the guidance on subsequent measurement and accounting for modifications, primarily consists of references to other applicable U.S. generally accepted accounting principles (GAAP). Does the inclusion of those references to other applicable U.S. GAAP improve the understandability of this proposed FSP, or should those references be eliminated from a final FSP?

We believe the inclusion of references to other applicable U.S. GAAP improves the understandability of the Proposed FSP and should be retained.

3. Does the inclusion of the illustrative example in Appendix A improve the understandability of the guidance in this proposed FSP, or should that example be eliminated from a final FSP?

We believe examples are always helpful to provide clarity in implementing new guidance.

* * *

Our specific comments on the Proposed FSP are detailed below:

Clarity of APB Opinion 14

We do not believe that the Proposed FSP clarifies existing authoritative literature. In fact, the Proposed FSP will result in Instrument C Convertible Debt to be recognized in direct contrast to current authoritative literature.

In APB 14 paragraph 12, the Board specifically stated, in part, that:

... no portion of the proceeds from the issuance of the types of convertible debt securities described in paragraph 3 should be accounted for as attributable to the conversion feature ... the Board places greater weight on the inseparability of the debt and the conversion option (as described in paragraph 7) and less weight on practical difficulties

Paragraph 7 of APB 14 states:

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The most important reason given for accounting for convertible debt solely as debt is the inseparability of the debt and the conversion option. A convertible debt security is a complex hybrid instrument bearing an option, the alternative choices of which cannot exist independently of one another. The holder ordinarily does not sell one right and retain the other. Furthermore the two choices are mutually exclusive; they cannot both be consummated. Thus, the security will either be converted into common stock or be redeemed for cash. The holder cannot exercise the option to convert unless he forgoes the right to redemption, and vice versa.

In addition, EITF 90-19 provides that Instrument C Converts should be:

accounted for like convertible debt (that is, as a combined instrument) if the conversion spread meets the requirements of Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," including the provisions contained in paragraphs 12-32 of Issue 00-19.

The authoritative literature specifically states that the Instrument C Convertible Debt should be accounted for as debt because the debt and the conversion option are inseparable. With Instrument C Convertible Debt, inseparability is maintained, even though the holder receives both cash and shares upon conversion, because:

- the conversion option cannot be separated and traded, and
- upon exercise of the conversion option, the convertible investor forgoes the benefits
 of redemption because regardless of the currency received, the investor gives up the
 right to future interest payments, has an equity claim in bankruptcy and receives
 only the value of the underlying shares.

Partial cash settlement upon conversion is not a redemption of the debt because a converting holder forever extinguishes the debt claim with no guaranty of receiving the par amount back since the holder only receives the value of the conversion shares, regardless of whether it is more or less than par. The guidance in the Proposed FSP requires that this inseparable debt and conversion option be separated and accounted for in that manner. As stated above, this guidance is in direct contrast with APB 14, and as such this Proposed FSP does not provide clarity to APB 14 but provides contrary guidance.

Financial Statement Results

If the Proposed FSP is issued as currently written the financial statement results that would occur are as follows:

- The liability would be understated as compared to the face amount of the debt and the proceeds received.
- Interest expense would be overstated as compared to interest expense actually incurred and paid.
- Equity would be overstated by any amount attributed to an option that has minimal value.

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The current accounting under APB 14, EITT 90-19 and EITF 00-19 accurately reflects the economic substance of the transaction. The value received for the debt is properly reflected in the financial statements, interest expense is properly recorded, and the shares are only reflected in the EPS share count when the stock price exceeds the conversion price and thus there would actually be a share delivery obligation.

Given the dramatic change represented by the Proposed FSP, and its wide-ranging impact on issuers, we believe that no change to the accounting for Instrument C Convertible Debt should be made outside of a comprehensive accounting model for all instruments with characteristics of liabilities and equity. A new one-off interpretation will likely lead to unintended consequences and is inconsistent with FASB's objective of simplifying accounting standards.

Your consideration of our comments would be appreciated. If you would like to discuss any of these points further, please feel free to contact Linda Huntley at (973) 882-7038.

Very truly yours,

Thomas Bucks

Chief Accounting Officer