DANIELSON HOLDING CORP
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PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED MAY 2, 2001

DANIELSON HOLDING CORPORATION

UP TO 8,705,219 SHARES OF COMMON STOCK

We are conducting a rights offering and issuing at no charge one non-transferable warrant ("warrant") with respect to each share of our common stock, par value $0.10 per share ("common stock"), outstanding as of the open of business on April 19, 2002 (referred to as the "trigger date"). In addition, we are issuing at no charge one warrant with respect to each share of our common stock underlying outstanding warrants to purchase our common stock (referred to as the "1999 warrants") as of the open of business on the trigger date, contingent on each holder of 1999 warrants fully exercising such 1999 warrants upon completion of the rights offering. Holders of warrants will be entitled to purchase 0.4 shares of our common stock for every warrant held at an exercise price of $5.00 per share. If other holders of warrants do not fully exercise their warrants, you may be able to purchase additional shares at the exercise price. This is your oversubscription privilege. If all the warrants are exercised in the rights offering, the total purchase price of our common stock in the rights offering will be $43,526,095.

The warrants are exercisable beginning on the date of this prospectus supplement and will expire if they are not exercised by 5:00 p.m., New York City time, on May 20, 2002, unless extended by us from time to time in our sole discretion. Warrants that are not exercised by the expiration date of the rights offering will expire and will have no value. WARRANTHOLDERS SHOULD NOTE THAT IMMEDIATELY AVAILABLE FUNDS MUST BE RECEIVED BY THE EXPIRATION DATE FOR AN EXERCISE TO BE VALID. Although personal checks will be accepted, if they have not cleared by the expiration date the exercise will not be valid. See "The Rights Offering." Holders who exercise their warrants will not be entitled to revoke their exercise. Holders who do not exercise their warrants will relinquish any value inherent in the warrants.

In order to avoid an "ownership change" for Federal income tax purposes, we have implemented certain escrow protection mechanics. The mechanics (the "escrow protection mechanics") are as follows: (1) by exercising warrants, each holder will represent to us that such holder will not be, after giving effect to the exercise of warrants, an owner of more than 1,350,000 shares of our common stock; (2) if such exercise would result in such holder owning, directly or indirectly (as described in this prospectus supplement), more than 1,350,000 shares of our common stock, such holder must notify American Stock Transfer & Trust Company (referred to as the "warrant agent") at the number set forth in this prospectus supplement; (3) if requested, each holder will be required to provide us with additional information regarding the amount of common stock that the holder owns, and (4) we shall have the right to instruct the warrant agent to refuse to honor such holder's exercise to the extent such exercise might, in our sole and absolute discretion, result in such holder owning 5% or more of our common stock. By exercising warrants in the rights offering, you agree that the escrow protection mechanics are valid, binding and enforceable against you. We also have the right, in our sole and absolute discretion, to limit the exercise of warrants, including instructing the warrant agent to refuse to honor any exercise of warrants, by 5% or more stockholders.

On March 21, 2002, we entered into an agreement with SZ Investments, L.L.C. (referred to as "SZ Investments"), the holder of approximately 18.0% of our common stock on a fully diluted basis as of the trigger date, pursuant to which SZ Investments agreed, subject to certain conditions, to:

- simultaneously with the closing of the rights offering, exercise in full its 1999 warrant dated August 12, 1999, resulting in the issuance of 1,900,437 shares of our common stock for an aggregate exercise price of $9,015,500; and
- purchase shares of our common stock offered in the rights offering and not purchased pursuant to the basic subscription privilege or the oversubscription privilege (referred to as the "backstop"), up to a maximum total investment by SZ Investments pursuant to the backstop of $20,000,000.

In consideration for its obligations pursuant to the backstop, SZ Investments will receive a cash fee in the amount of $1,000,000, $250,000 of which was paid upon execution of the backstop agreement and $750,000 of which became payable upon commencement of the rights offering. In addition, we have also agreed to reimburse SZ Investments for (1) their costs and expenses in connection with the backstop in an aggregate amount not to exceed $25,000 and (2) if applicable, all costs and expenses incurred in preparation and filing of notices and filings under the Hart Scott Rodino Antitrust Improvements Act of 1976. See "Backstop Agreement."

Our obligation to consummate the rights offering is subject to the conditions described in this prospectus supplement, including, among other conditions, the consummation of certain of a series of transactions effecting a comprehensive restructuring of American Commercial Lines LLC (referred to as "ACL") and American Commercial Lines Holdings LLC, ACL's parent holding company (referred to as "ACL Holdings") as described in this prospectus supplement.

Our common stock is listed on the American Stock Exchange under the symbol "DHC." On March 15, 2002 (the last day on which trading prices were reported prior to the public announcement of the rights offering) and on April 18, 2002, the last reported per share sales price of our common stock was $6.20 and $8.00, respectively. We expect that shares of our common stock issued upon the exercise of the warrants will also be listed on the American Stock Exchange under the same symbol.

EXERCISING THE WARRANTS REQUIRES AN INVESTMENT IN OUR COMMON STOCK. AN INVESTMENT IN OUR COMMON STOCK INVOLVES RISK. YOU SHOULD CONSIDER CAREFULLY THE RISK FACTORS BEGINNING ON PAGE 11 OF THIS PROSPECTUS SUPPLEMENT BEFORE EXERCISING YOUR WARRANTS.

IN ORDER TO AVOID AN "OWNERSHIP CHANGE" FOR FEDERAL INCOME TAX PURPOSES, OUR CERTIFICATE OF INCORPORATION PROHIBITS ANY PERSON FROM BECOMING A BENEFICIAL OWNER OF 5% OR MORE OF OUR OUTSTANDING COMMON STOCK, EXCEPT UNDER LIMITED CIRCUMSTANCES. CONSEQUENTLY, THERE ARE LIMITATIONS ON THE EXERCISE OF THE WARRANTS AS DESCRIBED IN THIS PROSPECTUS SUPPLEMENT.

We reserve the right to cancel the rights offering at any time. If canceled, the exercise price will be promptly returned by mail to exercising warrantholders, without interest or deduction. If the rights offering is canceled, the warrants will not be exercisable and will have no value. In addition, if the rights offering is canceled, holders of 1999 warrants will have the exercise price applicable to such 1999 warrants returned by mail to them, without interest or deduction.

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

The date of this prospectus supplement is April 19, 2002.

PROSPECTUS SUPPLEMENT

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WHERE YOU CAN FIND MORE INFORMATION

DANIELSON HOLDING CORPORATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy any document we file with the Commission at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference room. Our Commission filings are also available to the public at the Commission's web site at http://www.sec.gov.

AMERICAN COMMERCIAL LINES LLC

ACL is also subject to the information and reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), and, in accordance therewith, files periodic reports and other information with the Commission. Such reports and other information filed by ACL with the Commission can be inspected and copied at the public reference room of the Commission at the address set forth above. Copies of such material also can be obtained by mail from the public reference room of the Commission at the address set forth above, at prescribed rates. ACL's Commission filings are also available to the public at the Commission's web site set forth above.

FORWARD-LOOKING STATEMENTS

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

SUMMARY

ABOUT DANIELSON HOLDING CORPORATION

We are a holding company incorporated in Delaware, having separate

subsidiaries offering a variety of insurance products. It is our intention to grow by developing business partnerships and making strategic acquisitions. As part of our ongoing corporate strategy, we have continued to seek acquisition opportunities which will both complement our existing operations and enable us to earn an attractive return on investment.

Our largest subsidiary is our indirect wholly-owned California insurance company, National American Insurance Company of California (together with its subsidiaries, referred to as "NAICC"). NAICC is a California corporation currently engaged in writing private passenger automobile insurance in California and commercial automobile insurance in certain western states, primarily California. Prior to the fourth quarter of 2001, NAICC had also been engaged in writing non-standard private passenger automobile insurance in certain western states outside of California, preferred private passenger automobile insurance and workers' compensation insurance. NAICC is a second tier subsidiary. Prior to 2001, NAICC's immediate parent corporation was KCP Holding Company ("KCP"), which was wholly-owned by Mission American Insurance Company ("MAIC"), which was wholly-owned by us. In April 2001, MAIC and KCP were merged into Danielson Indemnity Company ("DIND"). DIND is wholly-owned by us.

We had cash and investments at the holding company level of $29.9 million at December 31, 2001. Our total liabilities at the same date were $6.6 million.

We expect to report, as of the close of our 2001 tax year, aggregate consolidated net operating tax loss carryforwards ("NOLs") for Federal income tax purposes of approximately $745 million. These losses will expire over the course of the next 18 years unless utilized prior thereto. See Note 8 to our audited consolidated financial statements as of and for the fiscal year ended December 31, 2001 incorporated in this prospectus supplement and related prospectus by reference from our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Our principal executive offices are located at 767 Third Avenue, New York, New York 10017, and our telephone number is (212) 888-0347.

ABOUT AMERICAN COMMERCIAL LINES LLC

ACL is an integrated marine transportation and service company. ACL provides barge transportation and ancillary services throughout the inland United States and Gulf Intracoastal Waterway Systems, which include the Mississippi, Illinois, Tennessee and the Missouri Rivers and their tributaries and the Intracoastal canals that parallel the Gulf Coast. In addition, ACL is the leading provider of barge transportation services on the Orinoco River in Venezuela and the Parana/Paraguay River System serving Argentina, Brazil, Paraguay, Uruguay and Bolivia. ACL is a wholly owned subsidiary of its parent holding company, ACL Holdings. For additional information concerning ACL and its business, financial position and prospects, see "Selected Financial Data -- American Commercial Lines Holdings LLC" and "About ACL."

ACL's principal executive offices are located at 1701 East Market Street, Jeffersonville, Indiana 47130 and its telephone number is (812) 288-0100.

PROPOSED RESTRUCTURING OF AMERICAN COMMERCIAL LINES

On March 15, 2002, we entered into a recapitalization agreement (referred to as the "recapitalization agreement"), with ACL, ACL Holdings, all the preferred unitholders of ACL Holdings, including all members of ACL management holding preferred and common units of ACL Holdings, and holders of approximately 97.5% of the existing common units of ACL Holdings, including those held by preferred

unitholders and management unitholders, with respect to a comprehensive restructuring of ACL and ACL Holdings (referred to as the "restructuring"). The material elements of the restructuring will include:

- the recapitalization of ACL Holdings pursuant to a series of transactions which will result in us owning 100% of the membership interests in ACL Holdings (referred to as the "recapitalization"), including:

  -- our, and/or one or more of our subsidiaries, exchanging $7 million in cash for all preferred units of ACL Holdings (other than preferred units held by the members of ACL management); and

  -- our, and/or one or more of our subsidiaries, contributing $25 million in cash and $58.493 million of 10 1/4% senior notes due June 30, 2008 issued by ACL (referred to as the "existing notes") and held by us and/or one or more of our subsidiaries (together with the interest obligations, if any, thereon) in exchange for newly issued common units of ACL Holdings;

- the restructuring of ACL's outstanding debt obligations (referred to as the "debt restructuring"), pursuant to which:

  -- ACL's outstanding existing notes, other than the existing notes held by us and/or one or more of our subsidiaries, will be exchanged for (1) $120 million of new 11 1/4% senior notes due January 1, 2008 and (2) $116.507 million of new 12% pay-in-kind senior subordinated notes due July 1, 2008 (collectively referred to as the "new notes"), pursuant to an exchange offer and solicitation of releases and consents (collectively referred to as the "exchange offer") or a voluntary plan of reorganization under Chapter 11 of the United States Bankruptcy Code (referred to as the "plan");

  -- additional new notes will be issued in respect of existing notes, other than existing notes held by us and/or one or more of our subsidiaries, in an aggregate principal amount calculated based on the accrued and unpaid interest owing in respect of the existing notes through the closing of the restructuring;

  -- ACL's existing credit facility will be amended and restated on substantially the same terms as described under the caption "Description of ACL's Credit Facility Arrangements," including a $25 million prepayment of term debt thereunder from the proceeds of the $25 million cash contribution made to ACL Holdings; and

  -- ACL's existing receivables facility will be replaced on substantially the same terms;

- the purchase by us and/or one or more of our subsidiaries of (1) the equity interests that 399 Venture Partners, Inc. ("399 Ventures") owns in Global Material Services, LLC ("GMS"), an entity of which ACL owns 50% of the equity interests, and (2) the equity interests that Vectura Group LLC owns in Vessel Leasing LLC ("Vessel Leasing"), an entity of which ACL owns 50% of the equity interests (collectively referred to as the "GMS/Vessel Leasing acquisition"); and

- members of ACL management will surrender the preferred and common units of ACL Holdings held by them, and in consideration of their continued employment with ACL, will receive shares of our restricted common stock with a fair market value as determined pursuant to the recapitalization agreement of approximately $1.7 million, which will be $5 per share if

the rights offering is consummated. In addition, a number of shares equal to 6.0% of our common stock, calculated on a fully-diluted basis as of the closing of the restructuring, will be reserved under a management stock incentive plan for issuance to members of ACL management over time.

ACL is simultaneously pursuing the restructuring via two alternative mechanisms: (1) an out-of-court alternative centered around the exchange offer and (2) an in-court-alternative centered around the plan. The exchange offer is conditioned upon, among other conditions:

- the holders of at least 95% of the aggregate principal amount of existing notes (with the existing notes held by us and our subsidiaries being deemed tendered in the exchange offer for these purposes) tendering, and not withdrawing, their existing notes in the exchange offer (the "minimum tender condition"); and

- the recapitalization and the debt restructuring, other than the exchange offer, having been consummated on or prior to the date of consummation of the exchange offer as contemplated by the recapitalization agreement.

TO THE BEST OF OUR KNOWLEDGE, ACL HOLDINGS AND ACL HAVE NOT MADE ANY DECISION AS OF THE DATE OF THIS PROSPECTUS SUPPLEMENT TO COMMENCE ANY CHAPTER 11 CASE.

IF THE RESTRUCTURING IS CONSUMMATED PURSUANT TO THE IN-COURT-ALTERNATIVE, WE WILL TERMINATE THE RIGHTS OFFERING. HOWEVER, WE EXPRESSLY RESERVE OUR RIGHT TO RECOMMENCE THE RIGHTS OFFERING AT A LATER DATE.

See "The Restructuring" for a more detailed summary of the restructuring.

THE RIGHTS OFFERING

Warrants......................	We are conducting a rights offering and issuing at no charge one non-transferable warrant with respect to each share of our common stock outstanding as of the open of business on the trigger date. In addition, we are issuing at no charge one non-transferable warrant with respect to each share of our common stock underlying outstanding 1999 warrants, as of the open of business on the trigger date, contingent on each holder of 1999 warrants fully exercising such 1999 warrants upon completion of the rights offering. If all the warrants are exercised in the rights offering, the total purchase price of our common stock in the rights offering will be $43,526,095.
Basic Subscription Privilege; Exercise Price................	Holders of warrants will be entitled to purchase 0.4 shares of our common stock for every warrant held at an exercise price of $5.00 per share, in immediately available funds.
Oversubscription Privilege....	Each warrantholder may also subscribe for additional shares at the same exercise price

	per share pursuant to the oversubscription privilege. If an insufficient number of shares are available to fully satisfy oversubscription privilege requests, the available shares, if any, will be allocated pro rata among warrantholders who exercised their oversubscription privilege based on the number of shares each warrantholder subscribed for under the basic subscription privilege. The warrant agent will return any excess payments by mail or by book-entry transfer, without interest or deduction, promptly after the expiration of the rights offering.
Conditions to the Rights Offering.....................	The closing of the rights offering is subject to, among other conditions, the prior or simultaneous closing of the recapitalization and the debt restructuring. See "The Rights Offering -- Conditions to the Rights Offering." Your right to exercise your warrants is subject to, among other things, certain ownership restrictions imposed by our certificate of incorporation and the escrow protection mechanics described herein.
Trigger Date.................	April 19, 2002.
Expiration Date...............	The warrants will expire if they are not exercised by 5:00 p.m., New York City time, on May 20, 2002, unless extended by us from time to time in our sole discretion.
Certificate of Incorporation Restrictions; Escrow Protection Mechanics..........	Our ability to utilize our NOLs would be substantially reduced if we were to undergo an ownership change within the meaning of Section 382 of the Internal Revenue Code (referred to as the "Code"). In order to reduce the risk of an ownership change, our certificate of incorporation restricts the ability of any holder of 5% or more of our common stock to sell or otherwise transfer any shares owned by such holder or to purchase or otherwise acquire shares of our common stock. Our certificate of incorporation also restricts the ability of any other holder to make an acquisition of our common stock which will result in total ownership by such

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stockholder of 5% or more of our common stock. These restrictions will apply unless and until we determine that such acquisition will not result in an unreasonable risk of an ownership change. We have the right, in our sole and absolute discretion, to limit the exercise of warrants, including instructing the warrant agent to refuse to honor any exercise of

warrants, by 5% stockholders.

The total number of shares of our common stock expected to be outstanding upon completion of the rights offering and the issuance of 339,039 shares of restricted common stock to ACL management, as described under "The Restructuring -- Management Arrangements," is 30,807,306. Five percent of 30,807,306 is 1,540,365.

In order to avoid an "ownership change" for Federal income tax purposes, we have implemented the escrow protection mechanics, which are as follows: (1) by exercising warrants, each holder will represent to us that such holder will not be, after giving effect to the exercise of warrants, an owner, directly or indirectly (as described in this prospectus supplement), of more than 1,350,000 shares of our common stock; (2) if such exercise would result in such holder owning more than 1,350,000 shares of our common stock, such holder must notify the warrant agent at the number set forth under "The Rights Offering -- Delivery of Subscription Materials and Payment;" (3) if requested, each holder will provide us with additional information regarding the amount of common stock that the holder owns and (4) we shall have the right to instruct the warrant agent to refuse to honor such holder's exercise to the extent such exercise might, in our sole and absolute discretion, result in such holder owning 5% or more of our common stock. By exercising warrants in the rights offering, you agree that the escrow protection mechanics are valid, binding and enforceable against you.

We reserve the right to require exercising warrantholders to provide us with additional information regarding the amount of common stock that they own.

See "The Rights Offering -- Certificate of Incorporation Restrictions; Escrow Protection Mechanics."

Transferability of Warrants... The warrants are not separately transferable. Transfer of ownership of a share of our common stock will also transfer ownership of the warrant issued with respect to such share.

Procedure for Exercising Warrants..................... You may exercise all or any portion of your warrants by delivering the following to the warrant agent at the address and in the manner described below at or prior to 5:00 p.m., New York City time, on the expiration date:

- your properly completed and executed exercise form with any required signature guarantees

or other supplemental documentation;

- your full exercise price payment for each share subscribed for under your basic subscription privilege and your oversubscription privilege;

- if you hold your shares of our common stock in certificated form, the certificates evidencing the shares of our common stock in an amount at least equal to the warrants to be exercised; and

- if you hold your shares of our common stock through the Depository Trust Company (referred to as "DTC"), an exercise form instructing your broker, nominee or other custodian to instruct DTC to transfer the shares of common stock representing the warrants to be exercised to a suspense account with the warrant agent, to be held in escrow for you until after the expiration date.

Once you have exercised the basic subscription privilege or oversubscription privilege, your exercise may not be revoked. Warrants not exercised prior to the expiration date will lose their value.

SZ Investments Backstop....... On March 21, 2002, we entered into an agreement with SZ Investments, the holder of approximately 18.0% of our common stock on a fully diluted basis as of the trigger date, pursuant to which SZ Investments agreed, subject to certain conditions, to exercise in full its 1999 warrant for 1,900,437 shares of our common stock and purchase shares of our common stock offered in the rights offering and not purchased pursuant to the basic and oversubscription privileges, up to a maximum total investment pursuant to the backstop of $20,000,000. See "Backstop Agreement." In consideration for providing the backstop, SZ Investments will receive a cash fee in the amount of $1,000,000, $250,000 of which was paid upon execution of the backstop agreement and $750,000 of which became payable upon commencement of the rights offering. In addition, we have also agreed to reimburse SZ Investments for (1) their costs and expenses in connection with the backstop in an aggregate amount not to exceed $25,000 and (2) if applicable, all costs and expenses incurred in preparation and filing of notices and filings under the Hart Scott Rodino Antitrust Improvements Act of 1976.

Certain United States Federal

Income Tax Consequences to Holders of Our Common Stock...	For United States Federal income tax purposes, the receipt of warrants in the rights offering by holders of our common stock should not be a taxable event.
Issuance of Our Common Stock........................	We will issue certificates or make the necessary book-entry transfers representing shares purchased in the rights offering as soon as reasonably practicable after the closing of the rights offering. All exercises of warrants, including the exercise of 1999 warrants, will be effective on the closing of the rights offering.
No Recommendation to Warrant Holders.......................	Our board of directors is not making any recommendation to you as to whether you should exercise your warrants. You should

	decide whether to exercise your warrants based upon your own assessment of your best interests. You should not view SZ Investments' obligations pursuant to the backstop as a recommendation or other indication by our board of directors or SZ Investments that the exercise of your warrants is in your best interests.
American Stock Exchange Listing of our Common Stock...	Our common stock is traded on the American Stock Exchange under the symbol "DHC." On March 15, 2002, the last trading day prior to our public announcement of the decision of our board to commence the rights offering, the closing price of our common stock on the AMEX was $6.20 per share. On April 18, 2002, the closing price of our common stock on the AMEX was $8.00 per share. We expect that shares of our common stock issued upon the exercise of the warrants will also be listed on the AMEX under the same symbol.
Listing of the Warrants.......	The warrants will not be listed on AMEX or any stock exchange or market.

SUMMARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following table presents summary unaudited pro forma condensed consolidated financial information about us. The summary unaudited pro forma condensed consolidated financial information gives effect to (1) the completion of the rights offering assuming it is fully subscribed and the payment of the related backstop fee and other related expenses, (2) the exercise of the 1999 warrants by the holders thereof and the exercise of options in 2002 under our 1995 Stock and Incentive Plan and (3) the restructuring ((1), (2) and (3)

collectively the "transactions"). The summary unaudited pro forma condensed consolidated financial information has been derived from the unaudited pro forma condensed consolidated financial information which is included elsewhere in this prospectus supplement. The unaudited pro forma condensed consolidated financial information does not purport to be indicative of the results of operations or financial position of the combined companies that would have occurred had the transactions been consummated at the beginning of the period presented or on the date indicated, nor are they indicative of future operating results or financial position. The summary unaudited pro forma condensed consolidated financial information should be read in conjunction with "Selected Financial Data -- Danielson Holding Corporation," "Selected Financial Data -- American Commercial Lines Holdings LLC," "Unaudited Pro Forma Condensed Consolidated Financial Information," "About ACL -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- ACL," our audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated by reference herein and the audited consolidated financial statements and related notes of ACL Holdings, the audited consolidated financial statements and related notes of GMS and the unaudited consolidated financial statements and related notes of Vessel Leasing, each filed as an exhibit to our Current Report on Form 8-K filed with the Commission on April 19, 2002 and incorporated by reference herein.

	YEAR ENDED DECEMBER 31, 2001 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS) (UNAUDITED)
RESULTS OF OPERATIONS:	
Total revenue	$ 929,202
Operating expense	882,039
Operating income	47,163
Interest expense	66,463
Net loss	(21,025)
Loss per share of common stock	(0.68)
BALANCE SHEET DATA:	
Investment securities	$ 116,560
Cash and cash equivalents	75,508
Properties -- net	684,885
Total assets	1,142,907
Unpaid losses and loss adjustment expenses	105,745
Long-term debt, including current portion	629,585
Stockholders' equity	136,706
Shares of common stock outstanding	30,807,306
OTHER DATA:	
EBITDA from marine transportation services operations	137,243(1)

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(1) EBITDA, as that term is defined under ACL's existing credit facility, as amended, represents earnings before interest, income taxes, depreciation, and amortization for ACL Holdings, GMS and Vessel Leasing and the addition of $7,139 deferred profit, $652 interest rate cap loss, $1,164 of expenses related to the restructuring, $38 loss from ACL's equity investment in Vessel Leasing and the subtraction of $1,886 gain from the sale of terminals and Omaha condemnation proceeds, $110 earnings from investment in T.T.

Barge, $1,016 earnings recorded as equity income in GMS and $1,075 earnings relating to the minority interest in GMS. EBITDA is presented because management believes it is a widely accepted financial indicator used by certain investors and securities analysts to analyze and compare companies on the basis of operating performance.

EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to operating income as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. EBITDA, as used herein, is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. See the audited consolidated financial statements of ACL Holdings and the related notes thereto filed as an exhibit to our Current Report on Form 8-K filed with the Commission on April 19, 2002 and incorporated by reference herein.

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SUMMARY HISTORICAL FINANCIAL INFORMATION -- DANIELSON HOLDING CORPORATION

The following summary historical financial information about us should be read in conjunction with "Selected Financial Data -- Danielson Holding Corporation" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements and related notes, each contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated by reference herein.

	FISCAL YEAR ENDED DECEMBER 31,		
	1999	2000	200
	(DOLLARS IN THOUSANDS, EXCEPT SHARE AN SHARE AMOUNTS)		
RESULTS OF OPERATIONS:			
Total revenues..	$ 71,158	$ 86,237	$ 9
Net income (loss).....................................	1,255	1,030	(1
Diluted earnings (loss) per share of common stock.......	0.07	0.05	
BALANCE SHEET DATA:			
Invested assets.......................................	$ 140,391	$ 154,130	$ 15
Total assets..	194,752	210,829	20
Unpaid losses and loss adjustment expenses.............	94,934	100,030	10
Stockholders' equity..................................	76,226	81,330	7
Shares of common stock outstanding....................	18,476,265(1)	19,295,954(1)	19,50

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(1) Does not give effect to currently exercisable options and warrants to purchase shares of common stock.

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SUMMARY HISTORICAL FINANCIAL INFORMATION -- AMERICAN COMMERCIAL LINES HOLDINGS LLC

The following summary historical financial information about ACL Holdings

should be read in conjunction with "Selected Financial Data -- American Commercial Lines Holdings LLC," "About ACL -- Management's Discussion and Analysis of Financial Condition and Results of Operations -- ACL Holdings" and ACL Holdings' audited consolidated financial statements and related notes filed as an exhibit to our Current Report on Form 8-K filed with the Commission on April 19, 2002 and incorporated by reference herein.

	FISCAL YEARS ENDED		
	DEC. 31, 1999	DEC. 29, 2000	DEC. 28, 2001
	(DOLLARS IN THOUSANDS)		
STATEMENT OF OPERATIONS(1):			
Operating revenue	$ 739,136	$ 773,838	$ 788,501
Operating expense	664,544	717,530	723,140
Operating income	74,592	56,308	65,361
Other (income) expense(2)	(3,048)	(10,368)	(591)
Interest expense	71,275	70,813	70,932
Earnings (loss) before income taxes	6,365	(4,137)	(4,980)
Income taxes (benefit)	1,658	4,263	118
Earnings (loss) from continuing operations	4,707	(8,400)	(5,098)
OTHER FINANCIAL DATA:			
EBITDA(3)	129,859	117,503	128,492
Depreciation and amortization	51,222	56,014	55,497
Property additions	55,880	50,861	19,772
STATEMENT OF FINANCIAL POSITION:			
Cash and cash equivalents	$ 30,841	$ 59,568	$ 47,253
Working capital	(16,525)	(107,354)	(681,674)
Properties -- net	559,777	509,443	464,133
Total assets	776,096	787,538	757,936
Long-term debt, including current portion	712,807	658,055	608,519
Members' deficit	(384,633)	(420,052)	(454,235)

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(1) ACL purchased Peavey Barge Line and the assets of other inland marine transport divisions of ConAgra, Inc. ("Peavey") in 2000. The results of operations and cash flows of these companies have been included from the date of the respective acquisitions.

(2) Includes $11,418 gain from the sale of Waterways Communication System LLC ("Watercom") in 2000.

(3) EBITDA, as that term is defined in ACL's existing credit facility, represents earnings before interest, income taxes, depreciation, amortization and, in 2001, the addition of $7,139 deferred profit, $652 interest rate cap loss and $1,164 expenses related to the 1998 Recapitalization and the subtraction of $1,886 gain from the sale of terminals and Omaha condemnation proceeds and $110 earnings from investment in T.T. Barge, and in 2000, the addition of $734 extraordinary loss, $3,688 deferred profit and $3,865 impairment loss on barges and the subtraction of $11,418 gain on sale of Watercom. EBITDA is presented because management believes it is a widely accepted financial indicator used by certain investors and securities analysts to analyze and compare companies on the basis of operating performance.

EBITDA is not intended to represent cash flows for the period, nor has it been presented as an alternative to operating income as an indicator of

operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. EBITDA, as used herein, is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. See the audited consolidated financial statements of ACL Holdings and the related notes thereto filed as an exhibit to our Current Report on Form 8-K filed with the Commission on April 19, 2002 and incorporated by reference herein.

RISK FACTORS

Exercising the warrants requires an investment in our common stock. An investment in our common stock is very risky. You should consider carefully the risk factors beginning on page 12 of this prospectus supplement before exercising your warrants.

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USE OF PROCEEDS

The proceeds from the rights offering, the exercise of the 1999 warrants and, if applicable, the backstop will be used as follows:

- $25 million for the cash contribution to ACL Holdings as part of the recapitalization;

- $7 million for the cash payment to ACL Holdings' preferred unitholders in exchange for their preferred units as part of the recapitalization;

- $4,058,869 million for the consideration to be paid in respect of the GMS/Vessel Leasing acquisition;

- the payment of our fees and expenses in connection with the rights offering, the backstop and the restructuring, estimated to be approximately $8.4 million in the aggregate; and

- the remainder will be available for general corporate purposes.

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RISK FACTORS

An investment in our common stock is very risky. You should carefully consider the following factors and all the information in this prospectus supplement, the accompanying prospectus and the information incorporated by reference herein before deciding to exercise your warrants.

Unless the context otherwise requires, references in this "Risk Factors" to "we," "our," "us" and similar terms refer to Danielson Holding Corporation and its subsidiaries.

RISKS RELATED TO THE RIGHTS OFFERING

WE HAVE THE RIGHT TO LIMIT THE EXERCISE OF THE WARRANTS.

Our certificate of incorporation generally restricts the ability of any 5% holder of our common stock from disposing of or acquiring shares of our common stock without our consent. Our certificate of incorporation also restricts the ability of other holders from becoming 5% stockholders without our consent. In order to comply with these restrictions, the terms of the warrants may limit the

number of shares exercisable by a holder. If the exercise of your warrants might result in a risk of your becoming a 5% stockholder, your exercise may be reduced in order to eliminate that risk. We may also limit the exercise of warrants by holders who possess 5% of our outstanding common stock. In addition, you may be required to provide certain information concerning your share ownership in order to help us enforce these restrictions. See "The Rights Offering -- Certificate of Incorporation Restrictions; Escrow Protection Mechanics."

WARRANTHOLDERS WHO EXERCISE THEIR WARRANTS WILL BE UNABLE TO SELL OR OTHERWISE TRANSFER THEIR SHARES DURING THE RIGHTS OFFERING.

Warrantholders who exercise their warrants in the rights offering are required to deliver to the warrant agent the certificates, or otherwise, of shares of our common stock representing at least the shares of stock exercised in the rights offering. Therefore, if you exercise your warrants, you will be unable to sell or otherwise transfer your shares of our common stock during the rights offering.

THE MARKET PRICE OF OUR COMMON STOCK MAY DECLINE PRIOR TO THE EXPIRATION DATE OF THE RIGHTS OFFERING.

The exercise of warrants pursuant to the rights offering is irrevocable. Although the exercise price is at a discount to the market price per share of our common stock as of the commencement of the rights offering, the market price of our common stock may decline prior to the expiration date and you may be forced to purchase the common stock at a price higher than the market price.

THE EXERCISE PRICE MAY NOT REFLECT THE VALUE OF OUR COMMON STOCK.

During the past twelve months, the market price per share of our common stock has ranged from $3.34 to $8.20. Although the exercise price is at a discount to the market price per share of our common stock as of the commencement of the rights offering, the market price of our common stock has been volatile.

STOCKHOLDERS WHO DO NOT FULLY EXERCISE THEIR WARRANTS WILL HAVE THEIR INTERESTS DILUTED BY SZ INVESTMENTS AND THOSE OTHER STOCKHOLDERS WHO DO EXERCISE THEIR WARRANTS.

If the 1999 warrants and all the warrants are exercised in the rights offering, it will result in our issuance of an additional 10,707,787 shares of our common stock. If you choose not to fully exercise your warrants, your relative ownership interest in our common stock will be diluted. Warrantholders who do not exercise their warrants will lose any value in their warrants.

SZ INVESTMENTS BENEFICIALLY OWNS APPROXIMATELY 18.0% OF OUR OUTSTANDING COMMON STOCK.

As of the open of business on April 19, 2002, SZ Investments beneficially owned 2,000,000 shares of our common stock, and 1999 warrants to purchase 1,900,437 shares of our common stock, for an aggregate beneficial ownership of approximately 18.0% of our common stock. If no holder of warrants exercises warrants in the rights offering, and assuming that SZ Investments exercises its 1999 warrant pursuant to its obligation

under the backstop, SZ Investments' beneficial ownership of our common stock will increase significantly. In addition, our 9 member board of directors includes two SZ Investments' designees, Samuel Zell and William Pate. Because of its large percentage of ownership and board representation, SZ Investments may have significant control over our management and policies. In addition, the

level of SZ Investments' ownership of shares of common stock could have the effect of discouraging or impeding an unsolicited acquisition proposal.

WE MAY CANCEL THE RIGHTS OFFERING AT ANY TIME.

We may cancel the rights offering at any time. If we cancel the rights offering, the warrants cannot be exercised unless and until another rights offering is commenced by us.

RISKS RELATED TO OUR BUSINESS

ALTHOUGH WE CURRENTLY RELY ON CASH AND SHORT TERM INVESTMENTS TO MEET OUR LIQUIDITY NEEDS, WE MAY EXPERIENCE LIQUIDITY CONSTRAINTS IN THE FUTURE WHICH COULD RESTRAIN OUR GROWTH OR REDUCE PROFITABILITY.

Historically, we have not experienced major liquidity constraints, but, as discussed below, revenues are affected by numerous factors and a decrease in those revenues can create cash flow issues. In such event, we may rely on dividends and tax sharing payments from our subsidiaries. These dividends and tax sharing payments may not be available because, among other things:

- if the proposed acquisition of ACL Holdings is consummated, ACL Holdings' and its subsidiaries' ability to make such payments to us may be restricted by poor financial performance of ACL and provisions of the amended and restated credit agreement and the indentures governing the new notes;

- in some cases, our subsidiaries must first receive regulatory approval before paying us dividends;

- there are business and regulatory considerations that affect our subsidiaries, including the impact of dividends on surplus which could affect a subsidiary's insurance ratings, its competitive position, the amount of premiums that it can write and its risk-based capital requirements; and

- there may be a prolonged material decline in an insurance subsidiary's profits or materially adverse insurance regulatory developments.

OUR BUSINESS PLAN IS TO CONTINUE TO GROW BUT OUR LIMITED FINANCIAL RESOURCES AND THE CONSTRAINTS ON OUR ABILITY TO ISSUE ADDITIONAL STOCK MAY IMPEDE OUR GROWTH.

Although we have sought to grow through entering into strategic partnerships or making acquisitions, we have limited financial resources. Our limited financial resources and constraints on our ability to issue additional stock or otherwise raise capital to finance transactions may prevent us from successfully consummating any future transactions. Due to these factors, we have been unable to participate in larger transactions in the past, and we believe that these factors will continue to govern the types of transactions we are able to entertain and consummate.

OUR INSURANCE BUSINESS IS AFFECTED BY MANY FACTORS OUTSIDE OF OUR CONTROL SUCH AS WEATHER CONDITIONS AND ECONOMIC ACTIVITY THAT COULD REDUCE DEMAND FOR OUR PRODUCTS OR CAUSE INCREASES IN CLAIMS.

Our insurance business is concentrated primarily in the Western United States. If this region experiences an economic downturn, there could be fewer car sales, less demand for automobile insurance and lower policy amounts. Severe adverse weather conditions could also adversely affect our business. These factors, together with competitive pricing, could result in increases in our loss ratios and fluctuations in our underwriting results and net income.

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WE ARE SUBJECT TO INSURANCE LAWS AND REGULATIONS WHICH COULD RESTRICT OUR OPERATIONS AND REDUCE OUR FINANCIAL FLEXIBILITY.

The states in which we transact business have passed insurance laws and regulations. The agencies established pursuant to these state laws have broad administrative and supervisory powers which can impact our insurance business including:

- the granting and revocation of licenses to transact insurance business;
- regulation of trade practices;
- establishment of guaranty associations;
- licensing of agents;
- approval of policy forms;
- premium rate filing requirements;
- reserve requirements;
- the form and content of required regulatory financial statements;
- periodic examinations of insurers' records; and
- capital and surplus requirements and the maximum concentrations of certain classes of investments.

These laws, in general, also require approval of the particular insurance regulators prior to certain actions by the insurance companies, including the payment of dividends in excess of statutory limitations and certain transactions and continuing service arrangements with affiliates. The laws of most states provide for the filing of premium rate schedules and other information with the insurance commissioner of a particular state, either directly or through rating organizations. The insurance commissioner of each state generally has powers to disapprove such filings or make changes to the rates if they are found to be excessive, inadequate or unfairly discriminatory. The determination of rates is based on various factors, including loss and loss adjustment expense experience. The failure to obtain, or delay in obtaining, the required approvals could result in a decline in revenues of our insurance subsidiaries. We are also required by insurance regulators to maintain certain minimum amounts of capital.

WE FACE INTENSE COMPETITION IN THE INSURANCE BUSINESS THAT COULD IMPAIR OUR ABILITY TO GROW AND ACHIEVE PROFITABILITY.

We compete both with large national writers and with smaller regional companies in each state in which we operate. Some of these competitors are larger and have greater financial resources than us. Some of these competitors have, from time to time, decreased their prices significantly to gain market share. Our ability to grow depends on our ability to expand in the states in which we already do business and to expand into other states where our competitors operate.

IF CURRENTLY ESTABLISHED PROVISIONS FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES (REFERRED TO AS "LAE") PROVE INADEQUATE IN LIGHT OF SUBSEQUENT ACTUAL EXPERIENCE, IT WILL BE NECESSARY TO INCREASE PROVISIONS FOR UNPAID LOSSES.

We are required to estimate liability for losses and LAE. Our insurance subsidiaries establish provisions to cover their estimated liability for losses and LAE with respect to both reported and unreported claims as of the end of each accounting period. By their nature, these provisions for unpaid losses and LAE do not represent an exact calculation of liabilities. Rather, they are estimates involving management's projections as to the ultimate settlement and administration of claims. These expectations are, in turn, based on, among other things:

- facts and circumstances known at the time;

- predictions of future events;

- estimates of future trends in the severity and frequency of claims;

- judicial theories of liability; and

- inflation.

Our insurance subsidiaries regularly review their respective reserve techniques and reserve positions and believe that adequate provision has been made for their respective unpaid losses and LAE. We cannot ensure that currently established provisions for unpaid losses and LAE will prove adequate in light of subsequent actual experience. Future earnings could be adversely impacted should future loss development require increases in provisions for unpaid losses and LAE previously established for prior periods.

WE CANNOT BE CERTAIN THAT THE NET OPERATING LOSS CARRYFORWARDS (REFERRED TO AS "NOL") WILL CONTINUE TO BE AVAILABLE TO OFFSET OUR TAX LIABILITY.

We currently have NOLs estimated to be approximately $745 million for Federal income tax purposes. The NOLs will expire in various amounts beginning December 31, 2002 through December 31, 2019 if not used. The Internal Revenue Service (the "IRS") has not audited any of our tax returns for the years in which the losses giving rise to the NOLs were reported nor has it otherwise challenged our use of the NOL carryforwards. If we were to undergo an "ownership change" as such term is used in Section 382 of the Code, the use of our NOLs would be severely limited. We will be treated as having had an "ownership change" if there is a more than 50% increase in stock ownership during a 3-year "testing period" by "5% stockholders." For this purpose, stock ownership is measured by value, and does not include so-called "straight preferred" stock.

Our certificate of incorporation contains stock transfer restrictions which were designed to help us preserve the NOLs by reducing the risk of an ownership change. The transfer restrictions were implemented in 1990, and we expect that they will remain in force as long as the NOLs are available to us. We cannot be certain, however, that these restrictions will prevent an ownership change.

PROVISIONS IN OUR CERTIFICATE OF INCORPORATION THAT LIMIT OWNERSHIP AND TRANSFERABILITY OF OUR STOCK MAY ENTRENCH CURRENT MANAGEMENT AND THE CURRENT STOCKHOLDERS.

Our certificate of incorporation generally restricts the ability of any 5% holder of our common stock from disposing or acquiring shares of our common stock without our consent. Our certificate of incorporation also restricts the ability of other holders from becoming 5% stockholders without our consent. We may withhold our consent if the acquisition or transfer of our common stock would create an unreasonable risk of an "ownership change." We intend to vigorously challenge and pursue by all available means any attempt to violate the restrictions in our certificate of incorporation.

THE MARKET FOR OUR COMMON STOCK HAS BEEN HISTORICALLY ILLIQUID WHICH MAY AFFECT YOUR ABILITY TO SELL YOUR SHARES.

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

FUTURE SALES OF OUR COMMON STOCK MAY DEPRESS OUR STOCK PRICE.

No prediction can be made as to the effect, if any, that future sales of our common stock, or the availability of our common stock for future sales, will have on the market price of our common stock. Sales in the public market of substantial amounts of our common stock, or the perception that such sales could occur, could adversely affect prevailing market prices for our common stock. In connection with the backstop agreement, we agreed to enter into a registration rights agreement with SZ Investments that, subject to certain conditions, will allow them to resell the common stock they purchase pursuant to the backstop agreement and any common stock that they may receive upon exercise of their warrants.

REDUCED LIQUIDITY AND PRICE VOLATILITY COULD RESULT IN A LOSS TO INVESTORS.

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

IF THE PROPOSED ACQUISITION OF ACL HOLDINGS IS COMPLETED, WE MAY HAVE DIFFICULTY INTEGRATING ACL'S ACQUIRED ASSETS AND BUSINESSES.

We plan to acquire 100% of the membership interests of ACL Holdings with the expectation that the acquisition will result in certain benefits. If we acquire ACL Holdings, we cannot assure you that we will be successful in integrating the acquired ACL businesses into our current businesses. The integration risks associated with the acquisition include but are not limited to the diversion of our management's attention, as integrating the ACL operations and assets would require a substantial amount of our management's attention. If the ACL acquisition is completed, there is a risk that the costs of integration could have a material adverse effect on our operating results.

RISKS RELATED TO ACL'S BUSINESS

ADVERSE WEATHER AND RIVER CONDITIONS COULD HAMPER ACL'S BARGING AND MANUFACTURING OPERATIONS.

ACL's barging operations are affected by weather and river conditions. Varying weather patterns can affect river levels and cause ice in certain river areas of the United States. For example, the Upper Mississippi River closes annually from approximately mid-December to mid-March and ice conditions can hamper navigation on the upper reaches of the Illinois River during the winter months. In addition, adverse river conditions affect towboat speed, tow size and loading drafts and can delay barge movements. Lock outages due to lock maintenance and/or other interruptions in normal lock operation can also delay barge movements. The waterfront location of ACL's subsidiary Jeffboat LLC ("Jeffboat") is subject to occasional flooding. Jeffboat's manufacturing

operations that are conducted outdoors are also subject to weather conditions, which may adversely impact production schedules. Terminals may also experience operational interruptions as a result of weather and river conditions. It is likely that ACL's operations will be subject to adverse weather or river conditions in the future and there can be no assurance that such weather or river conditions will not have a material adverse effect on ACL's business, financial condition and results of operations.

DECREASES IN DEMAND FOR U.S. GRAIN COULD ADVERSELY AFFECT FREIGHT RATES.

ACL's dry cargo barging business in North America is significantly affected by the level of grain export volume handled through the Gulf of Mexico ports. Grain exports can vary due to, among other things, crop harvest yield levels in the United States and abroad. Overseas grain shortages can increase demand for U.S. grain, while worldwide over-production can decrease the demand for U.S. grain. Other factors, such as the introduction of genetically altered products, may also impact the demand for U.S. grain. This variable nature of grain exports can result in temporary barge oversupply which can drive down freight rates. There can be no assurance that historical levels of North American grain export volume will be maintained in the future and, to the extent supply imbalances were to prevail for a significant period of time, they could have a material adverse effect on ACL's business, financial condition and results of operations.

THE SEASONAL NATURE OF ACL'S BUSINESS COULD HAVE AN ADVERSE EFFECT ON OPERATIONS.

ACL's business is seasonal, and its quarterly revenues and profits historically have been lower during the first and second fiscal quarters of the year (January through June) and higher during the third and fourth fiscal quarters (July through December) due to the North American grain harvest. In addition, working capital requirements fluctuate throughout the year. Adverse market or operating conditions during the last four months of the year could have a greater effect on ACL's business, financial condition and results of operations than during other periods.

FLUCTUATIONS IN FREIGHT TRANSPORTATION RATES AND AVAILABLE VESSELS AND CARGOES COULD HAVE AN ADVERSE EFFECT ON ACL'S BUSINESS.

Freight transportation rates may fluctuate from season to season and year to year, which could result in varying levels of cash flow. The level of dry and liquid cargoes requiring transportation on the Inland Waterways will vary due to numerous factors, including global economic conditions and business cycles, domestic agricultural production/demand as well as international agricultural production/demand and the value of the U.S. dollar relative to other currencies. In addition, the number of barges and towboats in the overall industry fleet available to transport these cargoes will vary from year to year as older vessels are retired and scrapped and new vessels are constructed and placed into service. The resulting relationship between available cargoes and available vessels will vary with periods of low vessel availability and high cargo demand causing higher freight rates and periods of high vessel availability and low cargo demand causing lower freight rates. Significant periods of high vessel availability and low cargo demand could have a material adverse effect on ACL's business, financial condition and results of operations.

The foregoing factors can also affect market rates. As contracts expire and terms are renegotiated at then current market rates, the level of revenue can vary relative to prior years. This has become more evident as the industry has shifted to shorter term contracts. The impact of these factors could be material and there can be no assurance that the rates at which contracts are renewed will

not have a material adverse effect on ACL's business, financial condition or results of operations.

ACL FACES COMPETITION IN THE BARGE BUSINESS.

The barge business is highly competitive and there are few significant barriers to entry. Certain of ACL's principal competitors have greater financial resources and/or are less leveraged than ACL and may be better able to withstand and respond to adverse market conditions within the barging industry. There can be no assurance that such competition will not have a material adverse effect on ACL's business, financial condition or results of operations or that ACL will not encounter increased competition in the future, which also could have a material adverse effect on its business, financial condition or results of operations.

INTERNATIONAL ECONOMIC AND POLITICAL FACTORS COULD AFFECT DEMAND FOR IMPORTS AND EXPORTS.

ACL's operations may be affected by actions of foreign governments and global or regional economic developments. ACL is affected by fluctuations in the value of the U.S. dollar as compared to certain foreign currencies and its investments in foreign affiliates subjects it to foreign currency exchange rate risk and equity price risks. Global economic events such as foreign import/export policy or currency fluctuations, could also affect the level of imports and exports. Foreign agricultural subsidies can also impact demand for U.S. agricultural exports. In addition, foreign trade agreements and each country's adherence to the terms of such agreements can raise or lower demand for U.S. imports and exports. National and international boycotts and embargoes of other countries' or U.S. imports and/or exports together with the raising or lowering of tariff rates will affect the level of cargoes requiring transportation on the Inland Waterways. Changes in the value of the U. S. dollar relative to other currencies will raise or lower demand for U.S. exports as well as U.S. demand for foreign produced raw materials and finished good imports. Such actions or developments could have a material adverse effect on ACL's business, financial condition and results of operations.

PROVIDING SERVICES ABROAD CARRIES THE RISK OF BEING BURDENED BY ADVERSE INTERNATIONAL LAWS AND REGULATIONS.

Barging services to international customers represented approximately 5% of ACL's 2001 net sales and may increase in the future. Demand for ACL's services may be affected by economic and political conditions in each of the countries in which ACL provides services. ACL's foreign operations are also subject to other risks of doing business abroad, including fluctuations in the value of currencies (which may affect demand for products priced in U.S. dollars as well as local labor and supply costs), import duties, changes to import and export regulations (including quotas), possible restrictions on the repatriation of capital and earnings, labor or civil unrest, long payment cycles, greater difficulty in collecting accounts receivable and the burdens and cost

of compliance with a variety of foreign laws, changes in citizenship requirements for purposes of doing business and government expropriation of operations and/or assets. There can be no assurance that foreign governments will not adopt regulations or take other actions that would have a direct or indirect adverse impact on the business or market opportunities of ACL or that the political, cultural or economic climate outside the United States will be favorable to ACL's operations and growth strategy.

INCREASES IN FUEL PRICES COULD ADVERSELY AFFECT ACL'S BUSINESS.

Fuel consumed in 2001 represented approximately 13% of ACL's operating expenses. Fuel prices are subject to fluctuation as a result of domestic and international events. Most of ACL's long-term contracts contain clauses under which increases in fuel costs are passed on to customers thereby reducing the fuel price risk. In addition, ACL has entered into fuel rate swap agreements for short-term protection. As a result of ACL's fuel hedging strategy, it may not fully benefit from certain fuel price declines. There can be no assurance that ACL's fuel hedging strategy will prevent it from experiencing increased fuel prices in the future, which could have a materially adverse effect on ACL's business, financial condition and results of operations.

THE NEED TO REPLACE BARGES AND TOWBOATS CREATES THE RISK THAT ACL WILL BE UNDEREQUIPPED TO MEET MARKET DEMAND.

Barge and towboat replacement represents a significant cost for ACL, and ACL expects to replace an average of 165 barges per year during the next four years. Due to the variable nature of the barging industry and the freight transportation industry in general and the relatively long life of marine equipment, it is difficult for ACL and other barge companies to accurately predict equipment requirements. Accordingly, no assurance can be given that ACL will have sufficient equipment to satisfy market demand or that the industry will not have an oversupply of equipment. Holding insufficient or excess equipment could have a material adverse effect on ACL's business, financial condition and results of operations.

ACL'S BUSINESS COULD SUFFER FROM THE LOSS OF KEY PERSONNEL.

ACL is dependent on the continued services of its senior management team. The loss of such key personnel could have a material adverse effect on ACL's business, financial condition and results of operations.

ACL FACES THE RISK OF WORK STOPPAGES OR OTHER LABOR DISRUPTIONS.

Although ACL believes that its relations with its employees and with the recognized labor unions are generally good, there can be no assurance that ACL will not be subject to work stoppages or other labor disruption and, if such events were to occur, that there would not be a material adverse effect on ACL's business, financial condition and results of operations. Specifically, the Jeffboat collective bargaining agreement was to have expired April 29, 2001. The agreement contained a clause in accordance with federal labor law that the contract would automatically renew for one year if neither side requested a contract reopener sixty days prior to the expiration date. Jeffboat made no such request. Teamsters Local No. 89 made an untimely request 58 days prior to the expiration of the agreement. Teamsters Local No. 89 failed to inform its members of this development. Jeffboat agreed to conduct "early negotiations" in March and April of 2001, which resulted in an offer endorsed by the bargaining committee. The offer was rejected by the union membership. The majority of employees then engaged in a work stoppage (not realizing that a strike was unlawful since they had no knowledge that the Agreement had automatically renewed). Jeffboat informed the employees of the renewal, and the employees returned to work after a one week work stoppage. Union management has indicated to ACL an intention to strike in the event an agreement is not reached. A strike could have a material adverse effect on Jeffboat's operations and could result in a material adverse effect on ACL's operations.

THE NATURE OF ACL'S BUSINESS EXPOSES IT TO LIABILITY FOR VIOLATIONS OF ENVIRONMENTAL, HEALTH AND SAFETY REQUIREMENTS.

ACL's operations are subject to extensive federal, state and local environmental laws and regulations which, among other things, specify requirements for the management of oil, hazardous wastes, and hazardous substances and impose liability for releases of these materials into the environment. A release of oil, hazardous waste, hazardous substances or other pollutants into the environment at or by ACL's properties or vessels, as a result of ACL's current or past operations, or at a facility to which ACL has shipped wastes, or the existence of historical contamination at any of its properties, could result in material liability to ACL. ACL conducts loading and unloading of dry commodities, liquids and scrap materials in and near waterways. Such operations present a potential that some such materials might be spilled into a waterway thereby exposing ACL to potential liability.

ACL is involved as a potentially responsible party ("PRP") or interested party with respect to the cleanup of hazardous waste disposal sites (Superfund sites) identified under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the federal Superfund cleanup statute and similar state laws.

- A group of barge operators, including National Marine, had barges cleaned at the SBA Shipyard in Houma, Louisiana, which is now conducting voluntary environmental remediation. The SBA Shipyard owner who previously funded the cleanup effort has become insolvent and, as a result, the barge operators involved have formed a group to fund remediation. ACL assumed National Marine's liability in this matter pursuant to the 1998 recapitalization of ACL. The barge operator group has removed the majority of liquid waste from the site and the EPA has preliminarily approved a work plan to remove the solid waste.

- ACBL has received notice from the EPA that it is a PRP at the State Marine of Port Arthur ("State Marine") and the Palmer Barge Line Superfund Sites in Port Arthur, Texas in regard to approximately 50 barges that were cleaned by State Marine and five barges cleaned by Palmer Barge Line for ACBL in the early 1980s. The EPA has requested that ACBL, and other potentially responsible companies, enter into negotiations for the performance of a Remedial Investigation and Feasibility Study, however, there has been no further action to pursue any response costs from ACBL as a PRP.

Because CERCLA liability is retroactive, it is possible in the future that ACL may be identified as a PRP with respect to other waste disposal sites, where wastes generated by ACL have been transported and disposed. Such matters could have a material adverse effect on ACL's business, financial condition and results of operations.

Federal, state and local governments could in the future enact laws or regulations concerning environmental matters that affect ACL's operations or facilities, increase its costs of operation, or adversely affect the demand for its services. ACL cannot predict the effect that such future laws or regulations could have on ACL. Nor can ACL predict what environmental conditions may be found to exist at its current or past facilities or at other properties where ACL or its predecessors have arranged for the disposal of wastes and the extent of liability that may result from the discovery of such conditions. It is possible that such future laws or undiscovered conditions could have a material adverse effect on ACL's business, financial condition and results of operations.

ACL's domestic vessel operations are primarily regulated by the U.S. Coast Guard for occupational health and safety standards. ACL's domestic shore operations are subject to the U.S. Occupational Safety and Health Administration regulations. There can be no assurance that claims will not be made against ACL for work related illness or injury, or that the further adoption of occupational health and safety regulations in the United States or in foreign jurisdictions

in which ACL operates will not adversely affect its business, financial condition and results of operations.

ANY SIGNIFICANT CHANGES TO INTERNATIONAL OR DOMESTIC GOVERNMENT REGULATIONS RELATING TO BARGING COULD HAVE AN ADVERSE EFFECT ON ACL'S BUSINESS.

ACL's barging operations are subject to various laws and regulations, including international treaties, conventions, national, state and local laws and regulations and the laws and regulations of the flag nations of ACL's vessels, all of which are subject to amendment or changes in interpretation. Further, ACL is required by various governmental and quasi-governmental agencies to obtain and/or maintain certain permits, licenses and certificates respecting its operations. ACL's domestic towboats are in certain circumstances subject to a significant federal fuel use tax, which may be increased. Any significant changes in laws or regulations affecting ACL's operations, or in the interpretation thereof, could have a material adverse effect on ACL's business, financial condition and results of operations.

THE INTERNATIONAL NATURE OF ACL'S BUSINESS EXPOSES IT TO FOREIGN CURRENCY RATE RISK.

ACL has significant transportation contracts in South America, which are denominated in U.S. dollars. However, many expenses incurred in the performance of such contracts, such as crew wages and fuel, are, by necessity, denominated in foreign currency. Therefore, ACL is affected by fluctuations in the value of the U.S. dollar as compared to certain foreign currencies. Additionally, ACL's investments in foreign affiliates subjects it to foreign currency exchange risk and equity price risks. While ACL does not consider it's exposure to exchange rate risk to be material and considers its investments in foreign affiliates to be denominated in relatively stable currencies, changes in the value of the U.S. dollar relative to other currencies could have a material adverse effect on ACL's business, financial condition and results of operations.

TERRORIST ATTACKS COULD ADVERSELY AFFECT ACL'S RESULTS OF OPERATIONS, ITS ABILITY TO RAISE CAPITAL OR ITS FUTURE GROWTH.

The impact that terrorist attacks, such as those carried out on September 11, 2001, may have on ACL's industry in general, and on ACL in particular, is not known at this time. Such attacks, and the uncertainty surrounding them, may impact ACL's operations in unpredictable ways, including disruptions of rail lines, highways and fuel supplies and the possibility that ACL facilities and vessels could be direct targets of, or indirect casualties of, an act of terror. In addition, war or risk of war may also have an adverse effect on the economy. A decline in economic activity could adversely affect ACL's revenues or restrict its future growth. Instability in the financial markets as a result of terrorism or war could also affect ACL's ability to raise capital. Such attacks may lead to increased volatility in fuel costs and availability and could affect the results of operations. In addition, the insurance premiums charged for some or all of the coverages currently maintained by ACL could increase dramatically, or the coverages could be unavailable in the future.

A RELATIVELY SMALL NUMBER OF CUSTOMERS ACCOUNT FOR A SUBSTANTIAL PORTION OF ACL'S REVENUES.

In 2001, ACL's largest customer accounted for more than 10% of its revenues, while ACL's 25 largest customers accounted for approximately 55% of revenues.

THERE IS UNCERTAINTY CONCERNING ACL'S CONTINUED USE OF PISTRELLI, DIAZ Y

ASOCIADOS, MEMBER OF ANDERSEN AS OUTSIDE AUDITOR FOR CERTAIN OF ITS FOREIGN SUBSIDIARIES.

Pistrelli, Diaz y Asociados, Member of Andersen ("Arthur Andersen") is the outside auditor for UABL Limited ("UABL"), a company in which a subsidiary of ACL, through a joint venture, owns an indirect 50% interest, and ACL is satisfied with how Arthur Andersen has performed its obligations to UABL. Due to the recent indictment of Arthur Andersen, there exists uncertainty concerning ACL's continued use of Arthur Andersen as the outside auditor for UABL. As a public reporting company, ACL is required to file with the Commission periodic financial statements audited or reviewed by an independent certified public accountant. The Commission has said that it will continue accepting financial statements audited by Arthur Andersen, and interim financial statements reviewed by it, so long as Arthur Andersen is able to make certain representations to its clients. ACL's ability to access the capital markets and make timely Commission filings could be impaired if the Commission ceases accepting financial statements audited by Arthur Andersen, if Arthur

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Andersen becomes unable to make the required representations to ACL or if for any other reason Arthur Andersen is unable to perform required audit-related services for ACL.

RISKS RELATING TO ACL'S DEBT OBLIGATIONS

ACL HAS A SUBSTANTIAL AMOUNT OF LEVERAGE.

ACL has, and following the restructuring will continue to have, a significant amount of debt. The degree to which ACL will be leveraged could have important consequences to ACL's business, including, but not limited to: (i) making it more difficult for ACL to satisfy its obligations with respect to the new notes; (ii) increasing ACL's vulnerability to general adverse economic and industry conditions; (iii) limiting ACL's ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements; (iv) requiring the dedication of a substantial portion of ACL's cash flow from operations to the payment of principal of, and interest on, its indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures or other general corporate requirements; (v) limiting ACL's flexibility in planning for, or reacting to, changes in its business and the industry in which it competes; and (vi) placing ACL at a competitive disadvantage compared to less leveraged competitors. In addition, the indentures for the new notes and the amended and restated facility will contain financial and other restrictive covenants that limit the ability of ACL to, among other things, borrow additional funds. Failure by ACL to comply with such covenants could result in an event of default which, if not cured or waived, could have a material adverse effect on ACL's business, financial condition and results of operations. If ACL cannot generate sufficient cash to meet its obligations as they become due or refinance such obligations, ACL may have to sell assets or reduce capital expenditures. In addition, the degree to which ACL is leveraged could prevent it from repurchasing all of the Senior Notes tendered to it upon the occurrence of a change of control under the Indenture.

DUE TO ACL'S SUBSTANTIAL LEVERAGE, IT MAY BE UNABLE TO REPAY ITS DEBT.

ACL's ability to make scheduled payments of principal of, or to pay the premium, if any, interest or liquidated damages, if any, on, or to refinance, its indebtedness (including the new notes), or to fund planned capital expenditures will depend on its future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory

and other factors that are beyond its control. There can be no assurance that ACL's business will generate sufficient cash flow from operations, that anticipated revenue growth and operating improvements will be realized or that future borrowings will be available under the amended and restated credit agreement or otherwise in an amount sufficient to enable ACL to service its indebtedness, including the new notes, or to fund its other liquidity needs. ACL may be required to refinance all or a portion of the principal of the new notes on or prior to maturity. There can be no assurance, however, that such refinancing would be available on commercially reasonable terms or at all.

THERE WILL BE SIGNIFICANT RESTRICTIONS IMPOSED ON ACL BY THE AMENDED AND RESTATED CREDIT AGREEMENT AND THE INDENTURES FOR THE NEW NOTES.

The amended and restated credit agreement and the indentures for the new notes will limit ACL's financial flexibility in a number of ways. They will require ACL to maintain specified financial ratios and tests, among other obligations, including a minimum interest expense coverage ratio, a maximum senior leverage ratio and a maximum senior leverage ratio adjusted for rent. In addition, the amended and restated credit agreement restricts, among other things, ACL's ability to incur additional indebtedness, sell assets, create liens or other encumbrances, incur guarantee obligations, repay the new notes or amend the indentures for the new notes, make certain payments, including dividends or other distributions, incur rent, make investments, loans or advances and make acquisitions and capital expenditures beyond a certain level. A failure to maintain specified financial ratios or otherwise to comply with the restrictions contained in the amended and restated credit agreement could lead to an event of default thereunder, which could result in an acceleration of such indebtedness. In such event, the lenders under the amended and restated credit agreement could elect to declare all amounts outstanding thereunder, together with accrued and unpaid interest, to be immediately due and payable, and, if ACL were unable to repay such amounts, such lenders would have the right to proceed

against the collateral granted to them to secure such indebtedness and other amounts (which is expected to be substantially all of the assets of ACL). Such an acceleration would constitute an event of default under the indentures for the new notes. In addition, the indentures for the new notes will restrict, among other things, ACL's ability to incur additional indebtedness, sell assets, create liens or other encumbrances, make certain payments, including dividends or other distributions, or merge or consolidate. A failure to comply with the restrictions in the indentures for the new notes could result in an event of default under the indentures for the new notes.

ACL'S AMENDED AND RESTATED CREDIT AGREEMENT WILL CONTAIN SIGNIFICANT ENCUMBRANCES ON ITS ASSETS.

In connection with the amended and restated credit agreement, ACL Holdings will grant the lenders thereunder a first priority lien on all of the membership interests of ACL owned by it as security for its guarantee of ACL's obligations under the amended and restated credit agreement. In the event of a default under the amended and restated credit agreement or such guarantee, the lenders under the amended and restated credit agreement could foreclose upon the assets pledged to secure the amended and restated credit agreement, including such membership interests, and the holders of the new notes might not be able to receive any payments until any payment default was cured or waived, any acceleration was rescinded, or the indebtedness of the amended and restated credit agreement was discharged or paid in full.

NO BOARD RECOMMENDATION

Our board of directors believes the rights offering is in our best interests. The rights offering proceeds, together with the proceeds of the 1999 warrant exercises and, if applicable, the backstop will be used in connection with the restructuring and for general corporate purposes. See "Use of Proceeds."

OUR BOARD OF DIRECTORS IS NOT MAKING ANY RECOMMENDATION TO YOU AS TO WHETHER YOU SHOULD EXERCISE YOUR WARRANTS. EACH OF YOU MUST MAKE YOUR OWN DECISION AS TO WHETHER TO EXERCISE YOUR WARRANTS. You should not view SZ Investments' obligations pursuant to the backstop as a recommendation or other indication by our board of directors or SZ Investments that the exercise of your warrants is in your best interests. An investment in shares of our common stock must be made according to your own evaluation of your best interests.

No dealer, salesman or other person has been authorized by us to provide you with any information other than the information contained in this prospectus supplement, the accompanying prospectus, the information incorporated by reference herein and the other documents delivered herewith. You should rely only on the information provided in this document or other information that we have referred you to. This prospectus supplement, the accompanying prospectus, the other documents referred to and the rights offering do not constitute an offer to sell or a solicitation to buy securities in any jurisdiction in which an offer or a solicitation would be unlawful.

THE INFORMATION AGENT FOR THE RIGHTS OFFERING, INNISFREE M&A INCORPORATED, HAS AGREED TO PROVIDE SERVICES TO US IN CONNECTION WITH THE RIGHTS OFFERING. IF YOU REQUIRE ASSISTANCE, PLEASE CONTACT THE INFORMATION AGENT AT 501 MADISON AVENUE, 20TH FLOOR, NEW YORK, NEW YORK 10022, TELEPHONE (888) 750-5834 (TOLL-FREE).

DANIELSON HOLDING CORPORATION

We are a holding company incorporated in Delaware, having separate subsidiaries offering a variety of insurance products. It is our intention to grow by developing business partnerships and making strategic acquisitions. As part of our ongoing corporate strategy, we have continued to seek acquisition opportunities which will both complement our existing operations and enable us to earn an attractive return on investment.

Our largest subsidiary is our indirect wholly-owned California insurance company, NAICC. NAICC is a California corporation currently engaged in writing private passenger automobile insurance in California and commercial automobile insurance in certain western states, primarily California. Prior to the fourth quarter of 2001, NAICC had also been engaged in writing non-standard private passenger automobile insurance in certain western states outside of California, preferred private passenger automobile insurance and workers' compensation insurance. NAICC is a second tier subsidiary. Prior to 2001, NAICC's immediate parent KCP, which was wholly-owned by MAIC, which was wholly-owned by us. In April 2001, MAIC and KCP were merged into DIND. DIND is wholly-owned by us.

We had cash and investments at the holding company level of $29.9 million at December 31, 2001. Our total liabilities at the same date were $6.6 million.

We expect to report, as of the close of our 2001 tax year, aggregate NOLs for federal income tax purposes of approximately $745 million. These losses will expire over the course of the next 18 years unless utilized prior thereto. See Note 8 to our audited consolidated financial statements as of and for the fiscal year ended December 31, 2001 incorporated in this prospectus supplement and related prospectus by reference from our Annual Report on Form 10-K for the

fiscal year ended December 31, 2001.

Our principal executive offices are located at 767 Third Avenue, New York, New York 10017, and our telephone number is (212) 888-0347.

AMERICAN COMMERCIAL LINES LLC

ACL is an integrated marine transportation and service company. ACL provides barge transportation and ancillary services throughout the inland United States and Gulf Intracoastal Waterway Systems, which include the Mississippi, Illinois, Tennessee and the Missouri Rivers and their tributaries and the Intracoastal canals that parallel the Gulf Coast. In addition, ACL is the leading provider of barge transportation services on the Orinoco River in Venezuela and the Parana/Paraguay River System serving Argentina, Brazil, Paraguay, Uruguay and Bolivia. ACL is a wholly owned subsidiary of its parent holding company, ACL Holdings. For additional information concerning ACL and its business, financial position and prospects, see "Selected Financial Data -- American Commercial Lines Holdings LLC" and "About ACL."

ACL's principal executive offices are located at 1701 East Market Street, Jeffersonville, Indiana 47130 and its telephone number is (812) 288-0100.

BACKGROUND

BACKGROUND OF THE RESTRUCTURING

Following the recapitalization of ACL in 1998, which is described in further detail under the caption "About ACL -- Business -- ACL -- History," ACL's efforts to execute its business plan and meet the financial covenants contained in its existing credit facility were hampered and constrained by a variety of factors, including record severe weather conditions in the United States and South America, reduced demand for U.S. agricultural exports and reduced vessel construction demand, all followed by a general economic slowdown, which further depressed overall demand and rates. ACL aggressively managed its financial performance shortfalls through certain strategic asset sales, the proceeds of which were used to retire debt and reduce leverage, and the implementation of significant cost-saving initiatives, which were designed to reduce operating costs without negatively impacting operating performance or customer service.

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In 2000, ACL's financial performance resulted in a breach of certain financial covenants contained in its existing credit facility. A key factor resulting in the breach was a loss of shipping volume and revenues due to the introduction of genetically altered seed into the U.S. corn supply, leading to grain inspection delays and poor demand for U.S. corn, one of the principal agricultural products transported by American Commercial Barge Line LLC ("ACBL"), a wholly-owned subsidiary of ACL. In addition, historic cold weather in November and December of 2000 resulted in the accumulation of ice on key river segments. These factors resulted in an early closure of the Illinois River and severely impacted ACBL's operations in the fourth quarter of 2000. As a result of the covenant breach, at the beginning of 2001 ACL sought and received a waiver to certain of the covenants contained in its existing credit facility.

Significant ice and weather delays continued into the first quarter of 2001. Specifically, record freezing temperatures rendered the Illinois and middle Mississippi Rivers nearly unnavigable in January 2001 and for most of February of 2001. These complications caused a significant reduction in ACL's revenues during those periods, as well. The harsh weather conditions also caused ACL to experience increased repair costs and reduced barge capacity.

The cold weather and ice buildup continued to hamper ACL's overall operations in the second quarter of 2001, as melting ice and heavy rainfall caused significant flooding on the river system. As a result of the flooding, the Upper Mississippi River was closed or significantly restricted throughout most of the second quarter of 2001. The Upper Mississippi River System finally fully opened, allowing shipping vessels to reach Minneapolis/St. Paul, Minnesota, an essential operating port, just prior to Memorial Day 2001, which represented one of the latest system openings in history. In addition, the floods delayed the openings of other important ports, further frustrating ACL's operations and negatively impacting revenues.

In late summer of 2001, we, as a holder of approximately 19.8% of ACL's existing notes, expressed interest in acquiring ACL. In September of 2001, ACL retained Greenhill & Co., LLC to assist it in the restructuring process and commenced negotiations with us in September of 2001. While the negotiations progressed with us, ACL elected to use the 30-day grace period provided under the terms of the indenture for the existing notes to postpone the $15.1 interest payment under the existing notes, which was due on December 31, 2001 (the "bond interest payment"). Following the 30-day grace period provided by the indenture for the existing notes, ACL again elected not to make the bond interest payment. This election not to pay the bond interest payment constituted an event of default under the indenture for the existing notes, enabling holders of existing notes to accelerate the maturity date of the existing notes making them immediately due and payable. However, noteholders, including us on our behalf and on behalf of our subsidiaries, holding approximately 76.8% of existing notes entered into the lock-up agreements with respect to the restructuring as described below. Acceleration of the maturity of the existing notes under the indenture for the existing notes would have a material adverse effect on ACL's liquidity and the ability of ACL to continue to conduct its business. Further, as a result of ACL's failure to make the bond interest payment, JP Morgan, the administrative agent under ACL's existing credit facility, delivered a notice to ACL in January 2002 asserting that ACL was in default under the existing credit facility. A sufficient number of lenders under ACL's existing credit facility entered into the credit facility forbearance agreement described below. An acceleration of the debt under the existing credit facility would have a material adverse effect on ACL's liquidity and the ability of ACL to continue to conduct its business.

As a result of the events described above, the administrator under ACL's existing receivables facility asserted that ACL was in default under the facility. While ACL disputed the alleged default, the receivables facility waiver described below was obtained. The receivables facility waiver requires ACL to reduce its overall borrowing under the facility from $60.0 million to no more than $55.0 million. A default under the existing receivables facility or the receivables facility waiver would have a material adverse effect on ACL's liquidity and the ability of ACL to continue to conduct its business.

AGREEMENTS IN PLACE WITH RESPECT TO THE RESTRUCTURING

The following agreements have been executed in connection with the restructuring:

- the recapitalization agreement;

- Waiver and Second Amendment to the Second Amended and Restated Receivables Purchase Agreement, dated February 12, 2002, as modified as of February 25, 2002 and as of April 1, 2002, by and among American Commercial Lines Funding Corporation, a subsidiary of ACL, as seller,

ACBL, as servicer, Market Street Funding Corporation, as issuer, and PNC Bank, National Association, as administrator (the "receivables facility waiver"), which waives all existing defaults under the agreement that governs ACL's existing receivables facility through June 30, 2002;

- a Forbearance Agreement, dated February 22, 2002, as amended and restated as of March 28, 2002, by and among ACL, ACL Holdings, certain subsidiaries of ACL and certain lenders under ACL's existing credit facility (the "credit facility forbearance agreement" and, together with the receivables facility waiver, the "forbearance agreements"), wherein such lenders agreed to refrain from exercising their rights and remedies arising from certain existing defaults under the credit agreement, dated as of June 30, 1998, governing the existing credit facility (as amended, the "existing credit agreement") through the earlier of (1) August 1, 2002, (2) the occurrence of a default under the credit facility forbearance agreement and (3) the consummation of the restructuring;

- a lock-up, support and voting agreement, dated February 26, 2002, by and among ACL, ACL Holdings, certain preferred unitholders of ACL Holdings and noteholders holding approximately 57.1% of the principal amount of the existing notes, pursuant to which such noteholders agreed to tender their existing notes in the exchange offer, consent to amendments to the indenture for the existing notes, and if applicable, vote in favor of the plan and the preferred unitholders agreed to execute appropriate documents in connection with the recapitalization and support the recapitalization, including, if applicable, vote in favor of the plan (the "noteholders lock-up agreement");

- a lock-up, support and voting agreement, dated February 26, 2002, by and among ACL, ACL Holdings and us pursuant to which we agreed, and agreed to cause our subsidiaries, if applicable, to consent to amendments to the indenture for the existing notes and, if applicable, vote in favor of the plan (the "DHC lock-up agreement" and, together with the noteholders lock-up agreement, the "lock-up agreements");

- an amendment agreement, dated April 11, 2002, by and among ACL, ACL Holdings and certain lenders under ACL's existing credit facility, pursuant to which the existing credit agreement will be amended and restated (the "amendment agreement"); and

- an amended and restated credit agreement, dated April 11, 2002, by and among ACL, ACL Holdings and certain of the lenders under the existing credit agreement (the "amended and restated credit agreement").

The amended and restated credit agreement will not become effective until satisfaction of certain conditions set forth in the amendment agreement, including the consummation of the recapitalization and the debt restructuring.

A more detailed summary of: (1) the recapitalization agreement is provided elsewhere in this prospectus supplement under the caption "Description of the Recapitalization Agreement"; (2) the credit facility forbearance agreement, the amendment agreement and the amended and restated credit agreement is provided elsewhere in this prospectus supplement under the caption "Description of ACL's Credit Facility Arrangements"; and (3) the receivables facility waiver and the status of a replacement receivables facility is provided elsewhere in this prospectus supplement under the caption "Description of ACL's Receivables Facility Arrangements."

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AGREEMENT WITH ACL'S SENIOR SECURED LENDERS

Concurrently with ACL's negotiations with us regarding a possible restructuring, we and ACL began discussions with representatives of ACL's senior secured lenders with respect to a restructuring to be effected either through an exchange transaction pursuant to an exemption from the registration requirements under the Securities Act or a bankruptcy proceeding under Chapter 11 of the United States Bankruptcy Code. After substantial negotiations, ACL and its senior secured lenders agreed to enter into the amendment agreement. The key elements of the restructuring that induced ACL's senior secured lenders were (1) the agreement by us and/or one or more of our subsidiaries to contribute $58.493 million of the outstanding existing notes (plus the interest obligations thereon through the closing date for the restructuring), (2) a $25.0 million cash contribution to ACL Holdings by us and/or one or more of its subsidiaries to be used by ACL to prepay term loans under the existing credit facility which payment will be made on the closing date for the restructuring; (3) $50.0 million of existing revolving credit loans under the existing credit facility being converted into a new term loan that will have an interest rate and other terms substantially similar to the existing revolving credit loans and will participate in the initial $25.0 million amortization payment as well as future scheduled annual term loan amortization payments, (4) amendment and arranger fees and (5) modified financial and restrictive covenants under the amended and restated credit agreement.

In the event that ACL pursues the restructuring through a bankruptcy proceeding under Chapter 11, JPMorgan has provided a commitment to provide the debtor-in-possession ("DIP") facility. The availability of the borrowings under the DIP facility will be subject to certain borrowing base requirements and the initial extension of credit thereunder will be subject to certain customary conditions for DIP financing facilities.

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THE RESTRUCTURING

THE FINANCIAL RESTRUCTURING

The material terms of the restructuring are described below.

THE RECAPITALIZATION

Common Unit Surrender and Cancellation of Existing Common Units

Upon the terms and subject to the conditions set forth in the recapitalization agreement, the common unitholders of ACL Holdings that are party to the recapitalization agreement and that hold only common units of ACL Holdings, which, when taken together with the common units held by the preferred unitholders and the management unitholders (each as defined in the next subsection "Management Unitholder Exchange"), represent approximately 97.5% of the outstanding common units, have agreed to surrender their common units to ACL Holdings in exchange for the mutual release described below pursuant to their consent to the merger (as defined under the caption "DHC Transactions") (the "common unit surrender"). Upon effectiveness of the merger, all the existing common units of ACL Holdings shall cease to exist, including the common units held by the preferred unitholders and the management unitholders.

Management Unitholder Exchange

Upon the terms and subject to the conditions set forth in the recapitalization agreement, the members of management of ACL Holdings and ACL that are party to the recapitalization agreement and that hold preferred and common units of ACL Holdings (the "management unitholders") have agreed to

exchange all the preferred units held by them for the mutual release (the "management unitholder exchange"). See "-- Management Arrangements" for a further discussion of agreements between us and ACL management.

DHC Transactions

Upon the terms and subject to the conditions set forth in the recapitalization agreement, we and/or one or more of our subsidiaries have agreed to:

- exchange cash in an aggregate amount of $7.0 million for all the preferred units held by the preferred unitholders of ACL Holdings (other than the management unitholders) (the "preferred unitholders") (the "DHC preferred exchange"), $3.5 million of which will be delivered to Brown Water Transportation Corp., a subsidiary of CSX Corporation, and $3.5 million of which will be delivered to 399 Ventures;

- contribute to ACL Holdings in exchange for newly issued common units of ACL Holdings:

  -- $25.0 million in cash (the "cash contribution"); and

  -- $58.493 million in aggregate principal amount of existing notes, together with all interest obligations thereon, if any, held by us and/or one or more of our subsidiaries, whereupon such existing notes shall be cancelled by ACL Holdings (the "existing note contribution" and, together with the DHC preferred exchange and the cash contribution, the "DHC transactions").

The DHC transactions and the common unit surrender will be effected pursuant to a merger of a newly-formed indirect subsidiary of DHC with and into ACL Holdings, with ACL Holdings as the surviving entity (the "merger"). The recapitalization consists of the DHC transactions, together with the common unit surrender, the management unitholder exchange and the merger.

THE DEBT RESTRUCTURING

The recapitalization described above is part of a larger plan to restructure the obligations of ACL, as follows:

- the existing credit agreement will be amended and restated on substantially the same terms as described under the caption "Description of ACL's Credit Facility Arrangements," including the prepayment of $25.0 million of term debt thereunder from the proceeds of the cash contribution;

- the exchange offer will be consummated, and the indenture amendments shall become effective, or the exchange of existing notes for new notes shall be effected through the plan resulting in holders of existing notes obtaining substantially the same consideration offered in the exchange offer; and

- ACL's existing receivables facility shall be replaced on substantially the same terms.

GMS/VESSEL LEASING ACQUISITION

Pursuant to the recapitalization agreement, we and 399 Ventures have agreed to negotiate in good faith the definitive documentation with respect to the

GMS/Vessel Leasing acquisition. The cash purchase price to be paid by us for 399 Venture's interest in GMS is $1,290,000 and for Vectura's interest in Vessel Leasing is $2,768,869. Consummation of the GMS/Vessel Leasing acquisition is subject to customary conditions. The closing of the GMS/Vessel Leasing acquisition is not a condition to the consummation of the exchange offer or the closing of the transactions contemplated by the recapitalization agreement or the rights offering.

MANAGEMENT ARRANGEMENTS

Upon the terms and subject to the conditions set forth in the recapitalization agreement, we have agreed to grant to the management unitholders, in consideration for their continued employment with ACL following the restructuring, restricted shares of our common stock having a fair market value as determined pursuant to the recapitalization agreement equal to approximately $1.7 million, which will be $5 per share if the rights offering is consummated.

In addition, upon the terms and subject to the conditions set forth in the recapitalization agreement, we have agreed to solicit stockholder approval of a management incentive stock plan (the "management stock plan"), whereby 6.0% of our common stock (calculated on a fully diluted basis as of the closing of the restructuring) shall be allocated for issuance to identified ACL management over time or, if we cannot obtain such stockholder approval, we shall grant such management participants stock appreciation rights providing such participants with the same economic benefits as the management stock plan.

The management stock plan is intended to promote our interests and the interests of our stockholders by providing ACL's management team and other key employees with appropriate incentives and rewards to encourage them to enter into and to continue in the employ of us and/or ACL and to acquire a proprietary interest in our and our subsidiaries', including ACL's, long-term success and to reward the performance of such individuals in fulfilling their personal responsibilities for long-range achievements.

On the closing date for the restructuring, certain members of management of ACL, including Messrs. Hagan, President and Chief Executive Officer of ACL, and Wolff, Senior Vice President -- Finance and Administration of ACL, will be entering into new employment agreements with ACL. The agreements will provide, among other things, for the executives to receive grants of options under the management stock plan to acquire our common stock at an exercise price per share equal to fair market value as determined pursuant to the recapitalization agreement (which will be $5 per share if the rights offering is consummated). The options will vest in part upon continued employment and in part based upon the achievement of specified performance goals. In addition, the agreements for Messrs. Hagan and Wolff will provide that upon termination of each such executive's employment under certain conditions, such executive will be entitled to benefit continuation for one year, severance pay equal to six month's annual base salary and an additional payment equal to the largest bonus paid to the executive by ACL in the three years prior to such termination.

Such agreements also provide that each executive will be subject to certain restrictive covenants, including non-competition, non-solicitation and confidentiality.

The management stock plan is intended to allow for payment of performance-based compensation within the meaning of Section 162(m) of the Code which generally limits the deduction by an employer for compensation of certain covered officers. Under Section 162(m), certain compensation, including

compensation based on the attainment of performance goals, may be disregarded for purposes of this deduction limit if certain requirements are met. Among the requirements for compensation to qualify for this exception is that the material terms pursuant to which the compensation is to be paid be disclosed to and approved by the stockholders in a separate vote prior to the payment. Accordingly, the management stock plan must be approved by stockholders in order for grants made thereunder to qualify as performance based compensation, and this be exempt from the deduction limitation otherwise imposed by Section 162(m).

For a further description of the terms and conditions of the recapitalization agreement, see "Description of the Recapitalization Agreement."

ALTERNATIVE MEANS FOR IMPLEMENTING THE RESTRUCTURING

The restructuring is simultaneously being pursued via two alternative mechanisms: (1) the out-of-court restructuring and (2) the in-court restructuring.

OUT-OF-COURT RESTRUCTURING

ACL has commenced an exchange offer:

- offering to exchange all outstanding existing notes, except for existing notes held by us and/or one or more of our subsidiaries, for: (1) $120 million of new 11 1/4% senior notes due January 1, 2008 and (2) $116.507 million of new 12% pay-in-kind senior subordinated notes due July 1, 2008;

- with respect to existing notes tendered in the exchange offer, except for existing notes held by us and/or one or more of our subsidiaries, offering to issue additional new senior notes in an aggregate principal amount calculated based on the aggregate accrued and unpaid interest owing in respect of such tendered existing notes, through the date on which the exchange offer becomes effective, up to $20.0 million. To the extent the aggregate accrued and unpaid interest on the existing notes tendered in the exchange offer exceeds $20.0 million, ACL will issue additional new senior subordinated notes in an aggregate principal amount calculated based on such excess; and

- seeking the consent of noteholders to amendments to the indenture for the existing notes and by the tender of existing notes by a noteholder, the automatic act of becoming a party to, and a beneficiary of, the mutual release described below.

Among other things, the consummation of the exchange offer is conditioned on: (1) the minimum tender condition being satisfied or waived and (2) the recapitalization and the debt restructuring, other than the exchange offer, having been consummated on or prior to the consummation of the exchange offer as required by the recapitalization agreement.

IN-COURT RESTRUCTURING

If the exchange offer is not consummated by June 15, 2002, ACL intends to effectuate the restructuring by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code and seeking court approval of the restructuring.

To facilitate court approval of the in-court-restructuring, ACL has solicited the holders of the existing notes for acceptances of the plan. The plan contains the terms of the restructuring, which will, if approved, result in substantially the same distributions as would be effectuated through the

out-of-court-restructuring.

In connection with the possible in-court restructuring, ACL's solicitation materials included forecasts of ACL's operating revenue, operating income, net earnings (loss) and EBITDA summarized below. The

forecasts were based upon numerous assumptions and adjustments to reflect the terms of a possible in-court restructuring, including the plan. ACL has filed a copy of the solicitation materials as an exhibit to its Current Report on Form 8-K filed with the Commission on April 19, 2002.

Should we not acquire 100% of ACL Holdings or elect not to implement "push-down accounting," the use of "fresh-start accounting" under the requirements of Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" (SOP 90-7), issued by the American Institute of Certified Public Accountants, may apply upon ACL's emergence from a Chapter 11 proceeding. The provisions of fresh start accounting under SOP 90-7 require that ACL revalue its assets and liabilities at fair value, reset its unitholders' equity using the reorganization value established in the bankruptcy and record any applicable reorganization value in excess of amounts allocable to identifiable assets. The forecasts prepared under SOP 90-7 could differ from the Forecasts prepared under SFAS 141 as presented in ACL's solicitation materials and summarized in this prospectus supplement.

SUMMARY OF ACL'S FORECASTED FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN-COURT RESTRUCTURING)

	FISCAL YEARS				
	2002	2003	2004	2005	2006
Operating Revenue	$841,865	$874,986	$912,106	$939,270	$947,527
Operating Income	41,871	46,845	49,607	51,935	47,191
Net Earnings (Loss)	$(22,028)	$(22,119)	$(17,558)	$(16,182)	$(18,951)
EBITDA....					