

**UPDATE 1-Safety-Kleen shelves IPO - underwriter**

NEW YORK, Oct 2 (Reuters) - Safety-Kleen Inc shelved its planned \$350 million initial public offering because of 'adverse market conditions,' underwriter Merrill Lynch said Thursday.

The Plano, Texas-based provider of used oil re-refining and environmental

services for the oil industry, had planned to sell nearly 22 million shares, at between \$15 and \$17 per share, and list on the New York Stock Exchange under the

ticker symbol 'SK'.

About 80 percent of those shares were to have been sold by existing shareholders, according to a regulatory filing.

'The No. 1 reason the IPO got pulled was that most of the stock was owned

by insiders, and that's a red flag in this market,' said Scott Sweet, a senior managing partner at advisory firm IPO Boutique, adding that investors want to see proceeds used for a company's growth.

'With the market being as volatile as it has been recently, the risk-reward relationship did not favor this deal,' Sweet said.

Only a handful of IPOs have had positive returns this year, as investors shy away from unproven stocks.

The company had planned to use the remaining 20 percent of the proceeds for general corporate purposes, including to fund working capital, capital expenditures, and possibly acquisitions, according to a regulatory filing.

The IPO would have been the first stock flotation in the United States since Texas web hosting company Rackspace Hosting Inc went public in early August.

It also becomes the second IPO in a row to be pulled because of market conditions. Last week, Fluidigm, a California-based provider of laboratory systems, postponed its IPO.

A previous incarnation of Safety-Kleen, which began operating in 1963, was bought by Laidlaw Environmental Services in 1998, a year after its sales hit

the \$1 billion threshold.

But, the company said in a filing, the merger did not prove beneficial for the company, and following a U.S. Securities and Exchange Commission investigation into accounting irregularities, the combined company went bankrupt

in 2000. In 2003, after shedding Laidlaw the previous year, Safety-Kleen emerged from bankruptcy.

The underwriters were led by Merrill Lynch and JPMorgan.

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