



*United States Attorney
Southern District of New York*

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**FORMER SAFETY-KLEEN CHIEF FINANCIAL OFFICER SENTENCED TO 5
YEARS AND 10 MONTHS FOR \$267 MILLION ACCOUNTING FRAUD**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced today that PAUL HUMPHREYS, the former Chief Financial Officer of Safety-Kleen Corporation ("Safety-Kleen" or "the Company"), was sentenced in Manhattan federal court by United States District Judge LAURA TAYLOR SWAIN to 70 months in prison in connection with his prior guilty plea to securities and bank fraud charges.

HUMPHREYS, 48, a Canadian citizen, was indicted by a federal grand jury in December 2002 on charges relating to a scheme to manipulate Safety-Kleen's financial statements in connection with the reporting of more than \$250 million in "adjustments" to Safety-Kleen's books and records in 1998, 1999 and 2000. It was alleged in the Indictment that the fraud was part of an attempt to meet earnings targets the Company had predicted at the time Safety-Kleen was acquired by Rollins Environmental Services, Inc. ("Rollins") in 1998.

On June 22, 2007, after surrendering to FBI agents, HUMPHREYS pleaded guilty to charges of: conspiracy to commit securities fraud, make false statements in SEC filings, falsify books and records, make false statements to the Company's auditors, and commit bank fraud; fraud in connection with the purchase and sale of Safety-Kleen's common stock; and bank fraud.

According to the Indictment filed in Manhattan federal court: When Rollins acquired Safety-Kleen in 1998, the merged Company, the shares of which were traded on the New York Stock Exchange, predicted to the investing public that within one year of the merger, the Company would realize combined annual earnings of approximately \$500 million because of "synergies" and cost savings resulting from the combination of the two companies.

After the merger, however, the Company's operations did not meet those predictions. In an attempt to show that the Company was meeting the predicted earnings and to meet the earnings numbers expected by Wall Street analysts and the public, HUMPHREYS and others participated in an unlawful scheme to falsify Safety-Kleen's general ledger and its financial statements. In furtherance of the scheme, they artificially inflated the earnings disclosed by Safety-Kleen in its Form 10-K annual reports, Form 10-Q quarterly reports, quarterly results press releases, and quarterly results conference calls.

HUMPHREYS systematically made and directed other Safety-Kleen employees to make a series of false accounting entries, commonly known as "top side" adjustments, to artificially inflate earnings for the quarter. These adjustments made Safety-Kleen's financial statements false and misleading in a number of material respects. Many of the individual "top side" adjustments were not supported by the facts, were without proper documentation, and/or were improper under Generally Accepted Accounting Principles ("GAAP"). The cumulative effect of the adjustments vastly increased the Company's reported earnings and, in the absence of any disclosure stating such adjustments had been made, made Safety-Kleen's business operations appear more profitable than they actually were.

Approximately eight to ten business days following the close of each quarter, senior management held operations conference calls with representatives of various field offices to discuss the quarterly results and compare them with budgeted and/or prior year results. Thereafter, HUMPHREYS met with one or more co-conspirators, informed them of a higher "target" earnings number which HUMPHREYS wanted the company to publicly report, and discussed "corporate adjustments" they would make to inflate the reported earnings to reflect the target earnings. HUMPHREYS and his co-conspirators then made, or directed others to make "adjustments" to the Company's general ledger to increase purported revenues and decrease expenses. Such "adjustments" included, among others, (1) improper and double-booking of revenue; (2) improper and arbitrary reduction of reserves; (3) improper capitalization of costs which had previously been expensed, including costs for salaries, marketing and transportation, and the costs of gas presently in the fuel tanks of the Company's trucks or tires presently on those trucks. As HUMPHREYS and his co-conspirators well knew, many of those "adjustments" were not supported by the facts, were without proper documentation, and/or were improper under GAAP.

According to the Indictment, as a result of all of the "top side" adjustments which HUMPHREYS and his co-conspirators made or directed, the Company's quarterly earnings were materially increased as follows:

EARNINGS ADJUSTMENTS Q1 99 - Q1 00

(Amounts approximate and in millions)

QUARTER	EARNINGS BEFORE ADJUSTMENTS	TOTAL ADJUSTMENTS	EARNINGS AFTER ADJUSTMENTS	% CHANGE IN EARNINGS
1ST QUARTER FY 1999	\$91	\$37	\$128	40%
2ND QUARTER FY 1999	\$77	\$31	\$108	40%
3RD QUARTER FY 1999	\$48	\$76	\$123	158%
4TH QUARTER FY 1999	\$57	\$53	\$110	93%
1ST QUARTER FY 2000	\$47	\$70	\$117	149%
TOTAL	\$320	\$267	\$586	83%

In imposing the sentence, Judge SWAIN stated: "This sentence needs to send a message by the imposition of a significant term of incarceration that concealing a company's financial position is always wrong."

Mr. GARCIA praised the outstanding investigative work of the Federal Bureau of Investigation, and thanked the Securities and Exchange Commission for its valuable assistance in this case.

Assistant United States Attorneys STEVEN D. FELDMAN and ANTHONY S. BARKOW are in charge of the prosecution.

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