

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with our unaudited Condensed Consolidated Financial Statements and the related notes thereto included in Item 1 of this Quarterly Report on Form 10-Q as well as our "Selected Financial Data" and our audited Consolidated Financial Statements and the related notes thereto included in Item 6 and Item 8, respectively, of our Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K"). In addition to historical consolidated financial information, this discussion and analysis contains forward-looking statements that reflect our plans, estimates, and beliefs. Actual results could differ from these expectations as a result of certain risk factors, including those described under Item 1A, "Risk Factors," of our 2014 Form 10-K and this Quarterly Report on Form 10-Q.

Business Overview

During the nine months ended September 30, 2015 and September 30, 2014, we operated in one business segment, Hygiene, which encompassed providing essential hygiene and sanitizing service solutions to customers in a wide range of end-markets, including foodservice, hospitality, retail and healthcare industries. As described in Note 13, "Subsequent Events," on November 2, 2015, we completed the sale to Ecolab Inc. ("Ecolab") of the stock of our wholly owned U.S. subsidiary Swisher International, Inc. and other assets related to our U.S. operations, which comprised all of our remaining operating interests (the "Sale Transaction"). As a result, the Company recorded an impairment charge at August 31, 2015 for \$22.6 million as discussed in Note 2, "*Discontinued Operations and Assets Held for Sale*," and Note 3, "*Goodwill and Other Intangible Assets*." As a result of the Sale Transaction, we have no significant operating assets remaining and no material revenue producing business or operations. The Company's operating companies are classified as held for sale on the balance sheet as of September 30, 2015, and the results of the operating companies are presented as discontinued operations for all periods.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses. We believe the most complex and sensitive judgments, because of their significance to the Consolidated Financial Statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 1 to the Consolidated Financial Statements in our 2014 Form 10-K, describe these significant accounting estimates and policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates. There have been no significant changes in our critical accounting policies since the filing of the 2014 Form 10-K.

Newly Issued Accounting Pronouncements

In April, 2014, the Financial Accounting Standards Board issued Accounting Standards Update *ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. The amendments in this ASU raises the threshold for a disposal to qualify as a discontinued operation and requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, expenses and cash flows of discontinued operations. Under the new guidance, the disposal of a component or group of components of a business will be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued. This accounting standard update is effective for annual periods beginning on or after December 15, 2014 and related interim periods, with early adoption allowed. This standard has been adopted by the Company.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update *ASU No. 2014-09, Revenue from Contracts with Customers*. This ASU is intended to clarify the principles for recognizing revenue by providing a more robust framework for addressing revenue issues; improving comparability of revenue recognition practices; and providing more useful information to users of financial statements through improved revenue disclosure requirements. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is currently evaluating the impact of this standard and has elected to not adopt the standard early.

In August 2014, the Financial Accounting Standards Board issued *ASU Update No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This ASU provides guidance related to management's responsibility to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern and to provide related footnote disclosures. The new requirements are effective for the annual periods ending after December 15, 2016, and for interim periods and annual periods thereafter. Early adoption is permitted. The Company is currently evaluating the impact of this standard and has elected to not adopt the standard early.

In July, 2015, the FASB issued Accounting Standards Update ASU No. 2015-11, *Simplifying the Measurement of Inventory*. This ASU applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predicible costs of completion, disposal and transportation. Subsequent measurement is unchanged for inventory that is measured using last-in, last-out ("LIFO"). This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim and annual reporting period. This accounting standard update should be applied prospectively and is effective for annual periods beginning after December 15, 2016, and interim periods beginning in 2018, with early adoption allowed. The Company is currently evaluating the impact of this standard and has elected to not adopt the standard early.

Discontinued Operations

As described above, on November 2, 2015, the Company completed the Sale Transaction. As a result, as described in Note 13, "Subsequent Events," the Company's operating companies are classified as held for sale as of September 30, 2015. As a result, the Company recorded an impairment charge at August 31, 2015 for \$22.6 million as discussed in Note 2, "*Discontinued Operations and Assets Held for Sale*," and Note 3, "*Goodwill and Other Intangible Assets*." Swisher Hygiene Inc. will no longer have any continuing involvement with the operations or cash flows of Swisher International, Inc., and as a result, Swisher Hygiene Inc. will present the operations of Swisher International, Inc. as discontinued operations.

In accordance with the criteria specified in *ASC 205 Presentation of Financial Statements* and *ASC 360, Property, Plant and Equipment*, the assets and liabilities sold in the Sale Transaction are reported as assets held for sale.

Assets Held for Sale

In accordance with *ASC 360, Property, Plant and Equipment*, the Company's estimates of fair value require significant judgment and are regularly reviewed and subject to change based on market conditions, changes in the customer base of the operations or routes, and our continuing evaluation as to the facility's acceptable sale price.

During the second quarter of 2014, the Company updated its estimates of the fair value of certain linen routes and operations to reflect various events that occurred during the period. The cumulative impairment loss for the six months ended June 30, 2014 was \$3.0 million, of which \$1.9 million was attributable to a reduction in the estimate of net sale proceeds for a linen processing operation. The factors driving the \$1.9 million reduction were the cancellation notifications, received from three major customers, resulting in a significant loss of forecasted revenue; and the operation's 2014 year-to-date loss which was in excess of the Company's estimates. The Company made the decision to close this linen processing operation and the fair value was written down to zero. During the first quarter of 2015, the Company completed the sale of equipment of this closed operation classified as asset held for sale, resulting in the net receipt of \$0.3 million in cash and a \$0.3 million gain. The gain is included in "Other income (expense), net" in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

During March 2015, the Board of Directors of the Company approved a resolution to sell the Company's remaining linen operation. In accordance with *ASC 360, Property, Plant and Equipment*, these assets were classified as assets held for sale at March 31, 2015 and were adjusted to the lower of historical carrying amount or fair value, less costs to sell, which was \$3.1 million. The estimated fair value was derived based on the assessment of the potential net selling price. The Company completed the sale of this linen operation on May 12, 2015 receiving \$4.0 million in cash and notes receivable plus purchased accounts receivables, resulting in a gain of \$0.9 million. The gain is included in "Other income (expense), net" in the Condensed Consolidated Statements of Operations and Comprehensive Loss.

For the three and nine months ended September 30, 2015, linen related revenue attributable to the assets held for sale and sold linen assets was \$0.0 million and \$2.3 million, respectively, and \$0.7 million and \$3.1 million for the three and nine months ended September 30, 2014, respectively. The 2014 annual revenue was \$9.6 million attributable to the assets held for sale and sold linen assets.

As described above, on November 2, 2015, we completed the Sale Transaction. In accordance with the criteria specified in ASC 360, *Property, Plant and Equipment*, the assets of Swisher International, Inc. are classified as assets held for sale, and the reconciliation of major classes of assets included as held for sale are presented in Note 2, "Discontinued Operations and Assets Held for Sale."

As a result of the Sale Transaction, the Company performed an impairment analysis of its long-lived assets in accordance with ASC 360-10, *Impairment or Disposal of Long-Lived Assets*, and ASC 350, *Intangible-Goodwill and Other*, as of August 31, 2015. Based on the analysis performed, it was determined that an impairment of the Company's fixed assets had occurred, resulting in an impairment charge of \$12.6 million, as well as an impairment charge to the Company's intangible assets of \$10.0 million.

RESULTS OF CONTINUING OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

Selling, General and Administrative Expenses

Selling, general and administrative expenses for continuing operations consist primarily of the costs incurred for:

- Compensation related to the Chief Financial Officer and the Chief Executive Officer.
- Professional fees related to audit and review related fees, and financial statement printing and related filing expenses.
- Legal and investigation related expenses.
- Corporate governance expenses, investor relations, director and officer insurance fees and other corporate related professional fees.

The details of selling, general and administrative expenses for the three months ended September 30, 2015 and 2014 reported as continuing operations are as follows:

	<u>2015</u>	<u>2014</u>
Selling, General & Administrative Expenses		
Compensation	\$ 193	\$ 132
Other	2,314	1,045
Total selling, general & administrative expenses	<u>\$ 2,507</u>	<u>\$ 1,177</u>

Selling, general and administrative expenses increased \$1.3 million to \$2.5 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The primary component of this change was an increase in other expenses of \$1.3 million. Other expenses increased due to an increase in professional fees of \$1.3 million, which included transaction fees.

Other Income (Expense), Net

The change in other expense from continuing operations is due to a \$2.0 million fine paid to the United States of America pursuant to the terms of a Deferred Prosecution Agreement (as described in Part II -Item 1 Legal Proceedings).

RESULTS OF CONTINUING OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

Selling, General and Administrative Expenses

Selling, general and administrative expenses for continuing operations consist primarily of the costs incurred for:

- Compensation related to the Chief Financial Officer and the Chief Executive Officer.
- Professional fees related to audit and review related fees, and financial statement printing and related filing expenses.
- Legal and investigation related expenses.
- Corporate governance expenses, investor relations, director and officer insurance fees and other corporate related professional fees.

The details of selling, general and administrative expenses for the nine months ended September 30, 2015 and 2014 reported as continuing operations are as follows:

	2015	2014
Selling, General & Administrative Expenses	(In thousands)	
Compensation	\$ 611	\$ 423
Other	5,796	4,640
Total selling, general & administrative expenses	\$ 6,407	\$ 5,063

Selling, general and administrative expenses of continuing operations increased \$1.3 million to \$6.4 million for the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The primary component of this change was an increase in professional fees of \$1.2 million, which includes transaction fees.

Other Income (Expense), Net

The change in other expense from continuing operations is due to a \$2.0 million fine paid to the United States of America pursuant to the terms of a Deferred Prosecution Agreement (as described in Part II-Item 1 Legal Proceedings).

RESULTS OF DISCONTINUED OPERATIONS

The following table provides the results for discontinued operations for the three and nine months ended September 30, 2015 and 2014.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	\$ 41,370	\$ 49,650	\$ 130,046	\$ 147,900
Cost of sales	20,012	22,671	60,680	67,456
Route expense	10,794	13,192	34,116	38,153
Selling, general and administrative	12,227	15,180	40,695	48,198
Depreciation and amortization	3,728	5,044	12,847	15,577
Impairments	22,641	-	22,807	8,810
Other (income) expenses	(775)	185	(1,332)	1,330
Income tax expense	(66)	(55)	(43)	(78)
Net loss from discontinued operations	\$ (27,191)	\$ (6,567)	\$ (39,724)	\$ (31,546)

RESULTS OF DISCONTINUED OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

Revenue

Revenue from products is primarily comprised of the sales and delivery of consumable products such as detergents and cleaning chemicals, the rental, sales and servicing of dish machines and other equipment used to dispense those products, the sale of paper items, rental fees, linen processing and other ancillary product sales. Revenues from services are primarily comprised of manual cleaning and delivery service fees. Franchise and other consists of fees charged to franchisees.

Consolidated revenue of discontinued operations decreased \$8.3 million or 16.7% to \$41.4 million for the three months ended September 30, 2015 compared to 2014. Product revenue decreased \$7.2 million partially due to a \$2.3 million decrease related to linen assets sold or held for sale, and \$0.6 million due to the sale of the Company's Canadian operations during August 2015. The remaining \$4.3 million decrease is due to a reduction in purchasing from large wholesale and distribution customers, the attrition of customers resulting from the termination of the Manufacturing and Supply Agreement (the "Cavalier Agreement") which was terminated in September 2014, as well as additional attrition, volume reductions and strategic separations from customers. Service revenue declined \$1.1 million of which \$0.5 million was due to the sale of the Company's Canadian operations. The remaining decline of \$0.6 million was due to the loss of other hygiene customers and customers lost as a result of linen sale agreements.

Cost of Sales

Cost of sales related to discontinued operations consists primarily of the cost of chemical, paper, air freshener and other consumable products sold to, or used in the servicing of, our customers. These costs are exclusive of route expense and related depreciation and amortization.

Cost of sales for discontinued operations decreased \$2.7 million or 11.7% to \$20.0 million for the three months ended September 30, 2015 compared to 2014 primarily due to the sale of Canadian operations and other declines in sales volume. The increase in cost of sales as a percentage of revenue from the prior-year period primarily reflects the impact of exiting the linen business, partially offset by cost efficiencies. As a percentage of sales, consolidated cost of sales increased 2.7% from 45.7% to 48.4%.

Route Expenses

Route expenses related to discontinued operations consist of costs incurred for the delivery of products and providing services to customers.

Route expenses of discontinued operations decreased \$2.4 million or 18.2% to \$10.8 million for the three months ended September 30, 2015 compared to 2014. The components of this change were decreases in compensation, primarily through route optimization efforts, of \$2.0 million and decrease in vehicle and other of \$0.4 million. Route expense as a percentage of total revenue was 26.2% and 26.7% for the three months ended September 30, 2015 and 2014, respectively. The decrease as a percentage of revenue was primarily due to route optimization.

Selling, General and Administrative Expenses

Selling, general and administrative expenses related to discontinued operations consist primarily of the costs incurred for:

- Local office and field management support costs that are related to field operations. These costs include compensation, occupancy expense and other general and administrative expenses.
- Selling expenses which include compensation and commissions for local sales representatives and corporate account representatives.
- Marketing expenses.
- Information technology, human resource, accounting, purchasing and other support costs.

Selling, general and administrative expenses of discontinued operations decreased \$3.0 million to \$12.2 million for the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The components of this change were decreases in compensation of \$1.9 million, occupancy of \$0.6 million, and other expenses of \$0.5 million. Compensation expense decreased primarily due to headcount reductions related to the sale of the linen business, a reduction in stock based compensation and other operational efforts. Occupancy decreased due to the closure of a linen plant, the sale of a linen plant and due to ongoing efforts to reduce facility infrastructure costs.

Depreciation and Amortization

Depreciation and amortization reported as components of discontinued operations consists of depreciation of property and equipment and the amortization of intangible assets. Depreciation and amortization decreased \$1.3 million to \$3.7 million or 26.1% for the three months ended September 30, 2015. The decrease is primarily the result of fixed assets being fully depreciated, sales of Canadian operations and linen businesses, a decrease in capital expenditures, and impairment.

Other Income (Expense), Net

The increase of \$0.9 million in other income (expense) related to discontinued operations is due primarily to the \$1.3 million gain related to the sale of Canadian operations offset by \$0.5 million increase in foreign currency losses.

Income Tax Expense

In projecting the Company's income tax expense for 2015, management has concluded that it is not more likely than not that the Company will realize the benefit of its deferred tax assets and as a result a full valuation allowance will be required as of December 31, 2015.

For the three months ended September 30, 2015, the Company has recorded an estimate for income taxes based on the Company's projected income tax expense for the twelve month period ending December 31, 2015. The Company's tax provision has an unusual relationship to pretax loss mainly because of the existence of a full deferred tax asset valuation allowance. This circumstance generally results in a zero tax provision since the income tax expense or benefit that would otherwise be recognized is offset by the change to the valuation allowance. However, due to the impairment of tradenames for book purposes during the third quarter of 2015, a deferred tax asset now exists related to tradenames. The change from a net deferred tax liability to a net deferred tax asset resulted in a tax benefit.

RESULTS OF DISCONTINUED OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

Revenue

Revenue from products is primarily comprised of the sales and delivery of consumable products such as detergents and cleaning chemicals, the rental, sales and servicing of dish machines and other equipment used to dispense those products, the sale of paper items, rental fees, linen processing and other ancillary product sales. Revenues from services are primarily comprised of manual cleaning and delivery service fees. Franchise and other consists of fees charged to franchisees.

Consolidated revenue of discontinued operations decreased \$17.9 million or 12.1% to \$130.0 million for the nine months ended September 30, 2015 compared to 2014. Product revenue decreased \$15.8 million partially due to a \$4.4 million decrease related to linen assets sold. The remaining \$11.4 million decrease is primarily due to a reduction in purchasing from large wholesale and distribution customers, the attrition in customers resulting from the termination of the Cavalier Agreement which was terminated in September 2014, as well as additional attrition, volume reductions and strategic separations from customers. Service revenue declined \$1.8 million primarily due to the sale of Canadian operations of \$0.6 million. The remaining decline was due to a loss of hygiene customers due to attrition and customers sold in connection with linen businesses. Franchise and other revenue declined \$0.3 million primarily due to the timing of purchases with one of our international licensees.

Cost of Sales

Cost of sales related to discontinued operations consists primarily of the cost of chemical, paper, air freshener and other consumable products sold to, or used in the servicing of our customers. These costs are exclusive of route expense and related depreciation and amortization.

Cost of sales related to discontinued operations decreased \$6.8 million or 10.0% to \$60.7 million for the nine months ended September 30, 2015, compared to 2014 primarily due to a decline in sales volume. The increase in cost of sales as a percentage of revenue from the prior-year period primarily reflects the impact of exiting the linen business, partially offset by cost efficiencies. As a percentage of sales, consolidated cost of sales increased from 45.6% to 46.7%.

Route Expenses

Route expenses related to discontinued operations consist of costs incurred by the Company for the delivery of products and providing services to customers.

Route expenses of discontinued operations decreased \$4.0 million or 10.6% to \$34.1 million for the nine months ended September 30, 2015 compared to 2014. The components of this change were decreases in compensation, primarily through route optimization efforts of \$3.2 million and decreases in vehicle and other expenses of \$0.8 million. Route expense as a percentage of total revenue was 26.4% and 26.0% for the nine months ended September 30, 2015 and 2014, respectively. The increase as a percentage of revenue was primarily due to the decline in revenue from the prior period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses of discontinued operations consist primarily of the costs incurred for:

- Local office and field management support costs that are related to field operations. These costs include compensation, occupancy expense and other general and administrative expenses.
- Selling expenses which include compensation and commissions for local sales representatives and corporate account representatives.
- Marketing expenses.
- Information technology, human resource, accounting, purchasing and other support costs.

Selling, general and administrative expenses related to discontinued operations decreased \$7.5 million to \$40.7 million for the nine months ended September 30, 2015 compared to 2014. The components of this change were decreases in compensation of \$6.4 million, occupancy of \$1.2 million, offset by an increase in other expenses of \$0.1 million. Compensation expense decreased primarily due to headcount reductions, the sale of Canadian operations and the linen businesses, a reduction in stock based compensation and other optimization efforts. Occupancy decreased due to the closure of a linen plant and due to ongoing efforts to reduce facility infrastructure costs.

Depreciation and Amortization

Depreciation and amortization reported as components of discontinued operations consists of depreciation of property and equipment and the amortization of intangible assets. Depreciation and amortization decreased \$2.7 million to \$12.8 million or 17.5% for the nine months ended September 30, 2015. The decrease is primarily the result of fixed assets being fully depreciated, the sale of Canadian operations and linen businesses and a decrease in capital expenditures.

Other Income (Expense), Net

The increase of \$2.7 million in other income (expense) related to discontinued operations is due primarily to the \$1.3 million gain related to the sale of Canadian operations, offset by a \$0.5 million increase in foreign currency losses, as well as a gain related to the sale of a linen facility of \$0.9 million, and a reduction in expense due to the large linen loss on sale in the prior year.

Income Tax Expense

In projecting the Company's income tax expense for 2015, management has concluded that it is not more likely than not that the Company will realize the benefit of its deferred tax assets and as a result a full valuation allowance will be required as of December 31, 2015.

For the nine months ended September 30, 2015, the Company has recorded an estimate for income taxes based on the Company's projected income tax expense for the twelve month period ending December 31, 2015. The Company's tax provision has an unusual relationship to pretax loss mainly because of the existence of a full deferred tax asset valuation allowance. This circumstance generally results in a zero tax provision since the income tax expense or benefit that would otherwise be recognized is offset by the change to the valuation allowance. However, due to the impairment of tradenames for book purposes during the third quarter of 2015, a deferred tax asset now exists related to tradenames. The change from a net deferred tax liability to a net deferred tax asset resulted in a tax benefit.

Cash Flow Summary

Cash flows from continuing operations for the nine months ended September 30, 2015 and 2014 were:

	<u>2015</u>	<u>2014</u>
	<u>(In thousands)</u>	
Net cash used in operating activities	\$ (6,594)	\$ (3,364)
Net cash provided by (used) in investing activities	-	-
Net cash provided by (used in) financing activities	2,168	(2,516)
Net decrease in cash and cash equivalents from continuing operations	<u>\$ (4,426)</u>	<u>\$ (5,880)</u>

Net cash used in operating activities of continuing activities increased by \$3.2 million primarily due to a \$0.2 million change in operating assets and liabilities offset by an increase in net loss of \$3.4 million. Net cash provided by financing activities of continuing activities was \$2.1 million compared with \$2.5 million used during the same period in 2014. The increase of \$4.7 million was due to an increase in net proceeds from line of credit of \$3.7 million and a decrease in principal payments on debt of \$1.0 million.

Cash flows from discontinued operations for the nine months ended September 30, 2015 and 2014 were:

	<u>2015</u>	<u>2014</u>
	(In thousands)	
Net cash used in operating activities of discontinued operations	\$ (4,765)	\$ (4,282)
Net cash provided by (used) in investing activities of discontinued operations	2,811	706
Net cash provided by (used in) financing activities of discontinued operations	245	(1,830)
Net increase (decrease) in cash and cash equivalents from discontinued operations	\$ (1,709)	\$ (5,406)

Net cash used in operating activities of discontinued operations increased by \$0.5 million primarily due to an increase in net loss of \$8.2 million, decrease in depreciation and amortization of \$2.7 million, and a decrease in stock based compensation of \$0.3 million, offset by an impairment change of \$14.0 million. The remaining change was a result of changes in working capital components of \$3.3 million. Net cash provided by investing activities of discontinued activities increased \$2.1 million, primarily due to reduction of restricted cash of \$5.4 million, proceeds from the sale of Canadian operations of \$2.7 million, a \$1.8 million reduction in purchases of property and equipment and an increase of \$3.0 in cash received from sale of assets held for sale. Cash provided by financing activities of discontinued operations was \$0.2 million compared with \$1.8 million used during the same period in 2014. The increase of \$2.0 million was primarily due to a decrease in net payments received on debt.

Liquidity and Capital Resources

Cash Requirements

As a result of the activities discussed above, our cash and cash equivalents decreased by \$6.1 million to \$1.1 million at September 30, 2015 compared to \$7.2 million at December 31, 2014. Due to the Sales Transaction completed on November 2, 2015, the Company does not have any significant operating assets remaining and no material revenue producing business or operations. As such, it is important that we take immediate steps to reduce costs and expenses in order to preserve cash. At the Company's Annual Meeting of Stockholders held on October 15, 2015, the Company's stockholders approved a proposal to dissolve the Company (the "Dissolution"), which provided the Board of Directors discretion to determine, within twelve months of such approval, when and whether to proceed with the approved Plan of Dissolution. The failure of Swisher Hygiene Inc. to take such actions promptly could result in a reduction in the amount of cash remaining for distribution to stockholders should the Board decide to implement the approved Plan of Dissolution.

At the closing of the Sale Transaction, Ecolab paid the closing purchase price of approximately \$40.5 million, less a \$2 million holdback to address working capital and other adjustments in accordance with the agreement governing the Sale Transaction (the "Agreement"). The closing purchase price proceeds received by the Company were reduced to pay (i) a \$2.0 million fine pursuant to the terms of the DPA; (ii) indebtedness of the Company of approximately \$5.7 million; (iii) a deposit securing letters of credit of approximately \$1.6 million; (iv) certain transaction fees of approximately \$1.2 million; and (v) other accrued and post-closing obligations that survived the transaction.

Following the closing of the Sale Transaction, the Company will use the remaining balance of proceeds from the Sale Transaction to pay ongoing corporate and administrative costs and expenses associated with winding down the Company, should the Board of Directors decide to proceed with the Plan of Dissolution, liabilities and potential liabilities relating to or arising out of pension plan obligations to employees of its predecessor, outstanding litigation matters of the Company, including but not limited to pending stockholder litigation related to the Sale Transaction, and potential liabilities relating to the Company's indemnification obligations, if any, to Ecolab pursuant to the Agreement, or to current and former officers and directors pursuant to the Company's bylaws and certificate of incorporation (collectively, the "On-going Obligations"). As a result of the On-going Obligations, if the Board of Directors determines to proceed with the Plan of Dissolution and Complete Liquidation, which plan was approved by the Company's stockholders at its Annual Meeting on October 15, 2015, the Company believes the value of its remaining assets that will ultimately be available for distribution to stockholders, if any distribution is made, will be significantly and materially less, in the aggregate, than the proceeds received in the Sale Transaction. The Company can neither estimate nor provide any assurance regarding amounts to be distributed to stockholders if the Board of Directors proceeds with the dissolution. However, if the Board of Directors determines the Dissolution is not in our best interest and the best interest of the shareholders, the Board may, in its sole discretion, abandon the Plan of Dissolution or may amend or modify the Plan of Dissolution to the extent permitted by Delaware law without the necessity of further stockholder approval.

We expect that our cash on hand, will be sufficient to meet our cash requirements for the next twelve months.

Credit Facility

On August 29, 2014, we entered into a \$20.0 million revolving credit facility, through the execution of a Loan and Security Agreement, by and among the Company, as Guarantor, and certain subsidiaries of the Company and collectively, as Borrower, and Siena Lending Group LLC, as Lender (the "Credit Facility"). The Credit Facility matures on August 29, 2017.

Interest on borrowings under the Credit Facility will accrue at the Base Rate plus 2.00% and will be payable monthly. The Base Rate is defined as the greater of (1) the Prime Rate, (2) the Federal Funds Rate plus 0.50%, or (3) 3.25%.

Borrowings and availability under the Credit Facility are subject to a borrowing base and limitations, and compliance with other terms specified in the agreement. Borrowings under the Credit Facility are secured by a first priority lien on certain of the Company's and its subsidiaries' assets. The calculated borrowing base as of September 30, 2015 was \$10.2 million, of which \$4.1 million was outstanding under letters of credit, \$3.7 million was outstanding under borrowings and \$2.5 million was unused.

The Credit Facility contains certain customary representations and warranties, and certain customary covenants on the Company's ability to, among other things, incur additional indebtedness, create liens or other encumbrances, sell or otherwise dispose of assets, and merge or consolidate with other entities or enter into a change of control transaction. The Credit Facility contains various events of default and certain cash management and reporting requirements. The Company has met all required covenants under the Credit Facility as of September 30, 2015.

In connection with the Sale Transaction, on November 2, 2015, the Company terminated the Credit Facility and paid the outstanding indebtedness and fees under the Credit Facility of approximately \$4.8 million and made a deposit securing remaining letters of credit of approximately \$1.6 million.

Off-Balance Sheet Arrangements

At September 30, 2015 other than operating leases, there are no significant off-balance sheet financing arrangements or relationships with unconsolidated entities or financial partnerships which are often referred to as "variable interest entities." Therefore, there is no exposure to any financing, liquidity, market or credit risk that could arise had we engaged in such relationships.

In connection with a distribution agreement entered into in December 2010 between the Company and a distributor of Company-owned products, we provided a guarantee that the distributor's operating cash flows associated with the agreement would not fall below certain agreed-to minimums, subject to certain pre-defined conditions, over the ten year term of the distribution agreement. If the distributor's annual operating cash flow does fall below the agreed-to annual minimums, we reimburse the distributor for any such short fall up to a pre-designated amount. No value was assigned to the fair value of this guarantee at September 30, 2015 and December 31, 2014 based on a probability assessment of the projected cash flows. Management currently does not believe that it is probable that any amounts will be paid under this provision in the agreement and thus there is no amount accrued for the guarantee in the Condensed Consolidated Financial Statements. Upon closing of the sales transaction completed on November 2, 2015, the Company no longer has this liability.

FORWARD-LOOKING STATEMENTS

Our business, financial condition, results of operations, cash flows and prospects, and the prevailing market price and performance of our common stock, may be adversely affected by a number of factors, including the matters discussed below. Certain statements and information set forth in this Form 10-Q, as well as other written or oral statements made from time to time by us or by our authorized executive officers on our behalf, constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. We intend for our forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we set forth this statement and these risk factors in order to comply with such safe harbor provisions. You should note that our forward-looking statements speak only as of the date of this Form 10-Q or when made and we undertake no duty or obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Although we believe that the expectations, plans, intentions and projections reflected in our forward-looking statements are reasonable, such statements are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The risks, uncertainties and other factors that our stockholders and prospective investors should consider include the following:

- Our stockholders will not be able to buy or sell shares of our common stock after we close our stock transfer books on the Final Record Date (as defined below).
- Following the Sale Transaction, we will have no significant remaining operating assets and we will need to significantly reduce our corporate and administrative expenses.
- We will continue to incur the expenses of complying with public company reporting requirements.

- The Board of Directors may, in its sole discretion, abandon the Plan of Dissolution or may amend or modify the Plan of Dissolution to the extent permitted by Delaware law without the necessity of further stockholder approval.
- Following the Sale Transaction, we may de-list our common stock from NASDAQ and de-register as an Exchange Act reporting company.
- We cannot predict the timing of any distributions to stockholders.
- We cannot estimate the amount of distributions, if any, to be made to our stockholders.
- The Internal Revenue Service may not treat distributions to our stockholders, if any distributions are made, as distributions in complete liquidation as such term is described in Section 346(a) of the Internal Revenue Code or may not treat a liquidating trust, if one is used, as a "liquidating trust" for U.S. federal income tax purposes.
- Our stockholders may be liable to our creditors for part or all of the amount received from us in our liquidating distributions if reserves are inadequate.
- Our independent registered public accounting firm's report for our audited financial statements for the year ended December 31, 2014 contains an explanatory paragraph that expresses substantial doubt as to our ability to continue as a going concern.
- We have identified material weaknesses in our internal control over financial reporting and we may be unable to develop, implement and maintain appropriate controls in future periods. If the material weaknesses are not remediated, then they could result in material misstatements to the financial statements.
- We are and may in the future be subject to legal proceedings, the outcome of which are uncertain, and resolutions adverse to us could negatively affect our earnings, financial condition and cash flows.
- Insurance policies may not cover all ongoing risks and a casualty loss beyond the limits of our coverage could adversely impact our cash position.
- Our stock price has been and may in the future be volatile, which could cause purchasers of our common stock to incur substantial losses.
- Provisions of Delaware law and our organizational documents may delay or prevent an acquisition of or by our Company, even if the acquisition would be beneficial to our stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks including changes in interest rates and fuel prices. Borrowings under the Credit Facility are indexed to a variable interest rate. As of September 30, 2015, there was \$3.6 million outstanding under borrowings from our Credit Facility, and we have \$4.1 million of letters of credit outstanding at a fixed fee under our Credit Facility. As of September 30, 2015, a hypothetical 10% change in our interest rate would change our results of operations by less than \$0.1 million.

We do not use financial instruments for speculative trading purposes and we do not hold derivative financial instruments that could expose us to significant market and commodity risk. We do not currently have any contract with vendors where we have exposure to the underlying commodity prices. In such event, we would consider implementing price increases and pursue cost reduction initiatives; however, we may not be able to pass on these increases in whole or in part to our customers or realize the cost savings needed to offset these increases. This discussion does not consider the effects that may have an adverse change on the overall economy, and it also does not consider actions we may take to mitigate our exposure to these changes. We cannot guarantee that the action we take to mitigate these exposures will be successful.

Fuel costs represent a significant operating expense. To date, we have not entered into any contracts or employed any strategies to mitigate our exposure to fuel costs. Historically, we have made limited use of fuel surcharges or delivery fees to help offset rises in fuel costs. Such potential charges have not been in the past, and we believe will not be going forward, applicable to all customers. Consequently, an increase in fuel costs normally results in a decrease in our operating margin percentage. At our consumption level at September 30, 2015, a \$0.50 per gallon change in the price of fuel changes our fuel costs by approximately \$0.6 million on an annual basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and, include controls and procedures designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this quarterly report, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2015. Based upon that evaluation, management concluded that the deficiencies in our internal control over financial reporting identified in the 2014 Form 10-K continue to exist, and as such our disclosure controls and procedures were not effective as of September 30, 2015 for the following reasons:

- We did not maintain an effective control environment as we lacked sufficient oversight of activities related to our internal control over financial reporting. In addition, we did not have a sufficient structure in place to identify and evaluate gaps in the knowledge and technical experience of the accounting personnel responsible for the implementation and execution of our control environment.
- We did not maintain effective controls over certain control activities. Specifically, the following individual material weaknesses were identified in connection with our control activities:
 - We did not implement effective controls to properly account for the sale, disposal and movement of dish machines at customer locations and our own facilities, which resulted in substantial post-closing journal entries that our review process failed to identify.
 - We did not implement effective controls to accurately and completely evaluate and calculate our allowance for doubtful accounts. Additionally, our review process was not sufficient to detect material errors in the methodology and calculations of the allowance resulting in material post-closing adjustments.
 - We did not implement effective controls to properly identify, analyze and account for non-routine transactions reflected in the financial statements.
 - We did not develop and implement an overall financial reporting review process that encompassed all significant financial statement accounts or contained an appropriate level of precision. This review process did not identify the issues surrounding the accounting and recording for our dish machines, allowance for doubtful accounts, and non-routine transactions.
 - We did not design, implement and maintain effective controls over the corporate review of significant journal entries processed at our field-level locations, which represents a significant portion of our business, to ensure that these entries were appropriate in nature and correct.
- We did not maintain effective controls over user security and program change management for the information technology systems and accounting software at the field-level locations.

- We did not maintain effective controls to ensure the timely preparation of financial records sufficient to allow management adequate time to prevent or detect and correct material misstatements and to fulfill its other control activity responsibilities.
- We did not maintain effective information and communication controls to generate relevant and quality information for use in the financial reporting close process. These control failures contributed to the transactions involving our dish machines and to information generated relating to the allowance for doubtful accounts.
- We did not maintain effective information and communication controls with external parties due to delays in our financial statement close process as evidenced by the untimely filing of our Annual Report on form 10-K for the year ended December 31, 2014, and our failure to identify and timely disclose control deficiencies in previous filings.
- We did not maintain effective monitoring controls sufficient to ascertain whether key components of internal control were present and functioning, as evidenced by our incorrect initial assessment of the effectiveness of our internal controls over financial reporting.
- We did not maintain effective monitoring controls to communicate the deficiencies in our internal control over financial reporting to our board of directors in sufficient time to allow them to take corrective action.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on its evaluation of internal control over financial reporting, management has determined that the control deficiencies identified above should be considered material weaknesses in our internal control over financial reporting.

As set forth below, management has taken steps to remediate the control deficiencies identified above. Notwithstanding the control deficiencies identified above, management concludes that the financial statements included in this report fairly represent, in all material aspects, our financial condition, results of operations and cash flows for the periods presented.

Management's Remediation Plan

As reported in the Annual Report on Form 10-K for the year ended December 31, 2014, we are engaged in remedial actions in response to the deficiencies discussed above, and we plan to continue the following efforts to improve internal control over financial reporting:

- The Company will continue to focus on training programs, emphasizing financial reporting responsibilities and accountability for implementing and maintaining effective internal control over financial reporting.
- The Company will continue to put in place controls to properly identify, analyze and account for non-routine transactions and will use the appropriate level of oversight to ensure the transactions are reflected accurately and timely in the financial statements.
- The Company will perform a comprehensive review to re-evaluate our activities related to internal control over financial reporting, including monitoring controls related to the operating effectiveness, timeliness and communication of certain control activities.

During the third quarter of 2015, management focused on the Sale Transaction and as a result suspended remediation efforts relating to operations since, following the Sale Transaction, the Company will have no significant operating assets remaining and no material revenue producing businesses or operations.

While the Company will closely monitor the implementation of these remediation plans, there is no assurance that the aforementioned plans will be sufficient to fully remediate the deficiencies identified above and that additional remediation steps may be necessary.

Changes in Internal Control over Financial Reporting

Other than the changes noted above there have been no adverse changes in our internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We may be involved in litigation from time to time in the ordinary course of business. We do not believe that the ultimate resolution of these matters will have a material adverse effect on our business, financial condition or results of operations. However, the results of these matters cannot be predicted with certainty and no assurance can be given that the ultimate resolution of any legal or administrative proceedings or disputes will not have a material adverse effect on our business, financial condition and results of operations.

Securities Litigation

On May 21, 2012, a stockholder derivative action was brought against the Company's former CEO and former CFO and the Company's then directors for alleged breaches of fiduciary duty by a purported Company stockholder in the United States District Court for the Southern District of New York. In this derivative action, captioned *Arsenault v. Berrard, et al.*, 1:12-cv-4028, the plaintiff seeks to recover for the Company damages arising out of the Company's March 28, 2012 announcement regarding the Board of Director's conclusion that the Company's previously issued interim financial statements for the quarterly periods ended March 31, 2011, June 30, 2011 and September 30, 2011, and the other financial information in the Company's quarterly reports on Form 10-Q for the periods then ended, should no longer be relied upon and that an internal review by the Company's Audit Committee primarily relating to possible adjustments to the Company's financial statements was ongoing.

On August 13, 2012, the Arsenault derivative action, along with a related putative securities class action pending in the Southern District of New York, was transferred to the United States District Court for the Western District of North Carolina where other related putative securities class actions were pending. All actions were consolidated under the caption *In re Swisher Hygiene, Inc. Securities and Derivative Litigation*, MDL No. 2384. On August 21, 2012, the Western District of North Carolina issued an order governing the practice and procedure in the actions transferred to the Western District of North Carolina as well as the actions originally filed there. On October 18, 2012, the Western District of North Carolina held an Initial Pretrial Conference at which it appointed lead counsel and lead plaintiffs for the securities class actions, and set a schedule for the filing of a consolidated class action complaint and defendants' time to answer or otherwise respond to the consolidated class action complaint. The Western District of North Carolina stayed the Arsenault derivative action, pending the outcome of the securities class actions.

On August 6, 2014, following a hearing, the Western District of North Carolina approved a settlement of the securities class actions, and issued an Order and Final Judgment that, among other things, dismissed the securities class actions pending in the United States with prejudice and provided for full and complete releases to defendants. The Arsenault derivative action is still pending.

On June 11, 2013, an individual action was filed in the United States District Court for the Southern District of Florida captioned *Miller, et al. v. Swisher Hygiene, Inc., et al.*, No. 0:13-CV-61292-JAL, against the Company, its former CEO and former CFO, and a former Company director, bringing state and federal claims founded on the allegations that in deciding to sell their company to the Company, plaintiffs relied on defendants' statements about such things as the Company's accounting and internal controls, which, in light of the Company's restatement of its financial statements, were false. On July 17, 2013, the Company notified the United States Judicial Panel on Multidistrict Litigation ("MDL Panel") of this action, and requested that it be transferred and centralized in the Western District of North Carolina with the other actions pending there. On July 23, 2013, the MDL Panel issued a Conditional Transfer Order (the "Miller CTO"), conditionally transferring the case to the Western District of North Carolina. On July 29, 2013, plaintiffs notified the MDL Panel that they would seek to vacate the Miller CTO. In light of the proceedings in the MDL Panel, defendants requested that the Southern District of Florida stay all proceedings pending the MDL Panel's ruling. On August 6, 2013, the Southern District of Florida issued a stay of all proceedings pending a ruling by the MDL Panel. On October 2, 2013, following briefing on the issue of whether the Miller CTO should be vacated, the MDL Panel issued an order transferring the action to the Western District of North Carolina. The Company and the individual defendants filed motions to dismiss the complaint on March 20, 2014. Briefing on the motions to dismiss was completed on May 12, 2014. On June 2, 2014, plaintiffs filed a motion with the Western District of North Carolina seeking a suggestion for remand from that court to the MDL Panel. Briefing on that motion was completed on June 26, 2014. Oral argument on the motions to dismiss and motion for suggestion for remand were heard on July 22, 2014. On August 5, 2014, the Western District of North Carolina denied plaintiffs' motion for suggestion for remand. On October 22, 2014, the Company filed a notice of supplemental authority in support of its motion to dismiss the complaint. On November 4, 2014, plaintiffs filed a response to the notice of supplemental authority. On July 8, 2015, the Western District of North Carolina ruled on the motions to dismiss. The Western District of North Carolina dismissed plaintiffs' federal securities claims and certain of their state law claims. All claims against the former CFO were dismissed. After issuing its ruling, the Western District of North Carolina recommended by letter to the MDL Panel that the action be transferred back to the Southern District of Florida. On July 16, 2015, the Western District of North Carolina issued an order staying all proceedings in the action pending a determination by the MDL Panel on its recommendation. Thereafter, the MDL Panel issued a Conditional Remand Order, remanding the action to the Southern District of Florida, which was finalized and filed on July 28, 2015. On September 4, 2015, as requested by the Southern District of Florida, the parties submitted a Joint Status Report. On September 9, 2015, the Southern District of Florida issued an Order to Show Cause as to why the remaining state law claims should not be dismissed without prejudice pursuant to 28 U.S.C. § 1367(c)(3). On September 18, 2015, the parties filed their respective responses to the Order to Show Cause. On September 21, 2015, the Southern District of Florida issued an order dismissing the remaining state law claims in the action without prejudice on subject matter jurisdiction grounds pursuant to 28 U.S.C. § 1367(c)(3). On November 6, 2015, the parties reached a settlement of the matter. The terms of the settlement are confidential. The Company's financial obligation under the settlement will be covered by insurance and accordingly, the terms of the settlement did not have a material effect on the Company's financial position.

On September 8, 2015, a lawsuit seeking to be certified as a class action (*Paul Berger v. Swisher Hygiene Inc., et al., Case No. 2015 CH 13325 (Ill. Cir. Ct. Cook Co.)*) was filed in the Circuit Court of Cook County, Illinois County Department, Chancery Division by Paul Berger, on behalf of himself and all others similarly situated, against Swisher Hygiene Inc., the members of Swisher Hygiene Inc.'s board of directors, individually, and Ecolab in connection with the Sale Transaction. The plaintiff has alleged that (i) faced with an ongoing investigation by the Securities and Exchange Commission and the USAO, the individual defendants embarked upon a self-interested scheme to sell off Swisher International, Inc.'s assets and to liquidate Swisher Hygiene Inc., (ii) the individual defendants, through an alleged insufficient process, caused Swisher Hygiene Inc. to agree to sell substantially all of its assets for insufficient consideration, (iii) each member of Swisher Hygiene Inc.'s Board of Directors is interested in the Sale Transaction and the plan of dissolution, and (iv) the proxy statement was materially misleading and/or incomplete. The causes of action set forth in the complaint are (i) a claim for breaches of the fiduciary duties of good faith, loyalty, fair dealing and due care, (ii) a claim for failure to disclose, and (iii) a claim for aiding and abetting breaches of fiduciary duty. The plaintiff primarily seeks to enjoin the consummation of the Sale Transaction unless and until defendants provide all material facts in the proxy statement, and the plaintiff also seeks compensatory and/or rescissory damages as allowed by law for the plaintiff. This summary is qualified by reference to the full text of the complaint as filed with the Court. The Company believes the claims alleged by the plaintiff are without merit and it intends to vigorously defend against them.

On September 11, 2015, a derivative lawsuit (*Malka Raul v. Swisher Hygiene Inc. et al., Case No. 15-CVS-16703 (Superior Court, Mecklenburg County, North Carolina)*) seeking to be certified as a class was filed in the General Court of Justice, Superior Court Division, Mecklenburg County, North Carolina by Malka Raul, derivatively on behalf of Swisher Hygiene Inc., and individually and on behalf of all others similarly situated, against Swisher Hygiene Inc., the members of Swisher Hygiene, Inc.'s board of directors, individually, and Ecolab in connection with the Sale Transaction. The plaintiff has alleged that (i) the sale of Swisher International, Inc. to Ecolab contemplated by the purchase agreement is unfair and inequitable to the Swisher Hygiene Inc's stockholders and constitutes a breach of the fiduciary duties of the directors in the sale of Swisher International, Inc. (ii) defendants have exacerbated their breaches of fiduciary duty by agreeing to lock up the Sale Transaction with deal protection devices that preclude other bidders from making a successful competing offer for Swisher International, Inc. and preclude stockholders from voting against the Sale Transaction, (iii) the Sale Transaction will divest the Swisher Hygiene Inc's stockholders of their ownership interest in Swisher International, Inc. for inadequate consideration; (iv) each of the defendants violated and continues to violate applicable law by directly breaching and/or aiding and abetting the defendants' breaches of fiduciary duties of loyalty, due care, independence, good faith and fair dealings, (v) the Sale Transaction is the product of a flawed process that was designed to sell Swisher International, Inc. to Ecolab on terms detrimental to plaintiff and the other Swisher Hygiene Inc's stockholders, (vi) the proxy statement fails to provide Swisher Hygiene Inc's stockholders with material information and/or provides them with materially misleading information and (vii) the proxy statement fails to provide Swisher Hygiene Inc.'s stockholders with all material information concerning the financial analysis of Cassel Salpeter & Co., LLC. The causes of action set forth in the complaint are (i) a claim for breach of fiduciary duty against the individual defendants, (ii) a claim for aiding and abetting breaches of fiduciary duty against Ecolab, (iii) a derivative claim for breach of fiduciary duties against the individual defendants, and (iv) a derivative claim for unjust enrichment against the individual defendants. The plaintiff primarily seeks to (i) enjoin defendants from consummating the Sale Transaction unless and until the individual defendants adopt and implement a fair procedure or process to sell Swisher International, Inc., (ii) direct the individual defendants to exercise their fiduciary duties to obtain a transaction which is in the best interests of Swisher Hygiene Inc. and its stockholders and (iii) rescinding, to the extent already implemented, the purchase agreement or any of the terms thereof. The plaintiff also seeks costs and disbursements, including reasonable attorneys' and experts fees, and such other equitable and/or injunctive relief as the Court may deem just and proper. This summary is qualified by reference to the full text of the complaint as filed with the Court. The Company believes the claims alleged by the plaintiff are without merit and it intends to vigorously defend against them.

Other Matters

On October 7, 2015, the Company entered into a Deferred Prosecution Agreement (the "DPA") with the United States Attorney's Office for the Western District of North Carolina ("USAO") relating to the USAO's investigation of the Company's accounting practices. Under the terms of the DPA, the USAO filed, but deferred prosecution of, a criminal information charging Swisher Hygiene Inc. with conspiracy to commit securities fraud and other charges relating to the Company's accounting and financial reporting practices reflected in the Company's originally filed Quarterly Reports on Form 10-Q for the periods ended March 31, 2011, June 30, 2011, and September 30, 2011. Pursuant to the DPA, the Company agreed to pay a \$2 million fine to the USAO payable in four annual installments of \$500,000 each if the Company is financially able to do so. Pursuant to the terms of the DPA, the fine became immediately due and payable in full on November 2, 2015 upon a change in control of the Company. As a result, the fine was paid in full upon the closing of the Sale Transaction, and was accrued at September 30, 2015 in other expenses.

The Company has been contacted by the staff of the Atlanta Regional Office of the SEC after the Company's March 28, 2012 public announcement of the Audit Committee's internal review and the delays in filing its periodic reports. The Company has been asked to make certain individuals available and to provide certain information about these matters to the SEC. The Company is fully cooperating with the SEC. Any action by the SEC or other government agency could result in fines and/or criminal or civil sanctions against the Company and/or certain of its current or former officers, directors or employees.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014 which could materially affect our business, financial condition, or future results. There have been no material changes to the risk factors previously disclosed in our 2014 Form 10-K, except as set forth below.

Our stockholders will not be able to buy or sell shares of our common stock after we close our stock transfer books on the Final Record Date (as defined below).

At the Company's Annual Meeting of Stockholders held on October 15, 2015, the Company's stockholders approved a proposal to dissolve the Company (the "Dissolution"), which provided the Board of Directors discretion to determine, within twelve months of such approval, when and whether to proceed with the approved Plan of Dissolution. If the Board of Directors determines to proceed with the Dissolution, we intend to close our stock transfer books and discontinue recording transfers of our common stock on the date on which we file our Certificate of Dissolution with the Delaware Secretary of State (the "Final Record Date"). After we close our stock transfer books, we will not record any further transfers of our common stock on our books except by will, intestate succession or operation of law. Therefore, shares of our common stock will not be freely transferable after the Final Record Date. All liquidating distributions from a liquidating trust, if any, or from us after the Final Record Date will be made to our stockholders pro rata according to their respective holdings of common stock as of the Final Record Date.

Following the Sale Transaction, we will have no significant remaining operating assets and we will need to significantly reduce our corporate and administrative expenses.

Following the Sale Transaction, the Company will have no significant operating assets remaining and no material revenue producing business or operations. We intend to retain only those employees required to maintain our corporate existence. As such, it is important that we take immediate steps to reduce costs and expenses in order to preserve cash. The failure of the Company to take such steps promptly could result in a reduction in the amount of cash remaining for distribution to stockholders in connection with the proposed Dissolution.

We will continue to incur the expenses of complying with public company reporting requirements.

After the Sale Transaction, we will still have an obligation to comply with the applicable rules and regulations of NASDAQ and the SEC, including reporting requirements under the Exchange Act. Following the Sale Transaction, our Board of Directors will consider options to reduce or eliminate such costs such as de-listing our common stock from NASDAQ, de-registering as an Exchange Act reporting company by way of a reverse stock split or otherwise in an effort to reduce expenses and retain cash that may be available for future distributions to our stockholders, if any distributions are made. We can provide no assurance that any such actions will be taken or, if taken, will have the intended effect.

Following the Sale Transaction, we may de-list our common stock from NASDAQ and de-register as an Exchange Act reporting company.

Following the Sale Transaction, our Board of Directors will consider options to reduce or eliminate costs including: (i) de-listing our common stock from Nasdaq or (ii) de-registering as an Exchange reporting company by way of a reverse stock split or otherwise, in an effort to reduce expenses and retain cash that may be available for future distributions to our stockholders, if any distributions are made. We can provide no assurance that any such action will be taken or, if taken, will have the intended effect. Also, following the Sale Transaction, we must meet NASDAQ's continued listing standards in order to maintain our listing. A failure to meet these standards, including as a result of selling substantially all of our operating assets in the Sale Transaction, could result in our common stock being delisted, which could adversely affect the market liquidity of our common stock, impair the value of your investment, and harm our business. We can provide no assurance that we will continue to satisfy NASDAQ's continued listing standards and maintain our listing on Nasdaq.

We cannot predict the timing of any distributions to stockholders.

Our current intention is that the Dissolution would take place within one year following stockholder approval of the Dissolution, which approval was obtained on October 15, 2015; however, the decision of whether or not to proceed with the Dissolution and when to proceed will be made by the Board of Directors in its sole discretion. No further stockholder approval would be required to effect the Dissolution, provided that under the Plan of Dissolution, the Certificate of Dissolution must be filed by the one-year anniversary of stockholder approval of the Dissolution. However, if the Board of Directors determines that the Dissolution is not in our best interest and the best interest of our stockholders, the Board of Directors may, in its sole discretion, abandon the Plan of Dissolution or may amend or modify the Plan of Dissolution to the extent permitted by Delaware law without the necessity of further stockholder approval.

Under Delaware law, before a dissolved corporation may make any distributions to its stockholders, it must pay or make reasonable provision to pay all of its claims and obligations, including all contingent, conditional or unmatured claims known to the corporation. We cannot predict the settlement amounts, fines or penalties, if any, that we might incur as a result of our ongoing litigation and regulatory matters, and therefore we are unable to make a reasonable provision to pay any such claims. Furthermore, we may be subject to potential liabilities relating to indemnification obligations, if any, to Ecolab or to current and former officers and directors. It might take several years to resolve these matters, and as a result we are unable to predict the timing for distributions, if any are made, to our stockholders.

We cannot estimate the amount of distributions, if any, to be made to our stockholders.

We believe the value of our remaining assets that will ultimately be available for distribution to our stockholders, if any distribution is made, will be significantly and materially less, in the aggregate, than the consideration to be received in the Sale Transaction. We cannot estimate amounts to be distributed to our stockholders if the Board of Directors proceeds with the Dissolution.

Proceeds from the Sale Transaction will be used to pay off the Company's outstanding debts and liabilities, including the retained liabilities, outstanding service provider and vendor bills, and outstanding professional fees relating to the costs of being a public company.

The balance of the proceeds will be retained to pay ongoing corporate and administrative costs and expenses associated with winding down the Company, liabilities and potential liabilities relating to or arising out of our outstanding litigation and regulatory matters, fines or penalties, and potential liabilities relating to our indemnification obligations, if any, to Ecolab or to current and former officers and directors.

The Board of Directors will determine, in its sole discretion, the timing of the distribution of the remaining amounts, if any, to our stockholders in the Dissolution. We can provide no assurance as to if or when any such distribution will be made, and we cannot provide an estimate as to the amount to be paid to stockholders in any such distribution, if one is made. However, we expect the amount of any such distribution, if one is made, to be significantly and materially less, in the aggregate, than the consideration received in the Sale Transaction.

The Internal Revenue Service may not treat distributions to our stockholders, if any distributions are made, as distributions in complete liquidation as such term is described in Section 346(a) of the Internal Revenue Code or may not treat a liquidating trust, if one is used, as a "liquidating trust" for U.S. federal income tax purposes.

The term “complete liquidation” is not defined in the Internal Revenue Code. The approval of the Sale Transaction and the Dissolution by the Company's stockholders does not ensure that any liquidating distributions we make will be treated as distributions in “complete liquidation” by the Internal Revenue Service. The Company intends to accomplish the Dissolution of the Company in a manner that will qualify it as a “complete liquidation” within the meaning of Section 346(a) of the Code, but there can be no assurance that its efforts to do so will be successful. If distributions do not so qualify, they will be treated as dividends to our shareholders to the extent of our earnings and profits.

The Company will also endeavor to ensure that any liquidating trust, if formed, to be the transferee of certain of the assets of the Company will be treated for tax purposes as a liquidating trust for Federal income tax purposes. However, there can be no assurance that any liquidating trust, if created, will be treated as a liquidating trust for federal income tax purposes. If the liquidating trust is not treated as a trust, as the case may be, but instead is treated as a continuation of the existing corporation for U.S. federal income tax purposes, the liquidating distributions would likely not be treated as distributions in complete liquidation for tax purposes and would likely be treated as taxable dividends to the extent of the Company's earnings and profits.

Our stockholders may be liable to our creditors for part or all of the amount received from us in our liquidating distributions if reserves are inadequate.

If the Dissolution becomes effective, we may establish a contingency reserve designed to satisfy any additional claims and obligations that may arise. Any contingency reserve may not be adequate to cover all of our claims and obligations. Under the General Corporation Law of the State of Delaware, if we fail to create an adequate contingency reserve for payment of our claims and obligations during the three-year period after we file the Certificate of Dissolution with the Delaware Secretary of State, each stockholder could be held liable for payment to our creditors of the lesser of (i) such stockholder's pro rata share of amounts owed to creditors in excess of the contingency reserve and (ii) the amounts previously received by such stockholder in dissolution from us and from any liquidating trust or trusts. Accordingly, in such event, a stockholder could be required to return part or all of the distributions previously made to such stockholder, and a stockholder could receive nothing from us under the Plan of Dissolution. Moreover, if a stockholder has paid taxes on amounts previously received, a repayment of all or a portion of such amount could result in a situation in which a stockholder may incur a net tax cost if the repayment of the amount previously distributed does not cause a commensurate reduction in taxes payable in an amount equal to the amount of the taxes paid on amounts previously distributed.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1	Stock Purchase Agreement, dated August 12, 2015, by and between Swisher Hygiene Inc. and Ecolab Inc. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the SEC on August 13, 2015, and incorporated herein by reference).
31.1	Section 302 Certification of Chief Executive Officer.
31.2	Section 302 Certification of Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.

* Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SWISHER HYGIENE INC.

Dated: November 9, 2015

By: /s/William M. Pierce

William M. Pierce
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 9, 2015

By: /s/William T. Nanovsky

William T. Nanovsky
Senior Vice President, Chief Financial Officer and
Secretary
(Principal Financial Officer and Principal Accounting
Officer)