

Command Center, Inc.
Form 10-K
March 22, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 28, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission file number: 000-53088

Command Center, Inc.
(Exact Name of Registrant as
Specified in its Charter)

Washington
(State of other jurisdiction of
incorporation or organization)

91-2079472
(I.R.S. Employer
Identification No.)

3901 N. Schreiber Way, Coeur d'Alene,
Idaho
(Address of Principal Executive Offices)

83854
(Zip Code)

(208) 773-7450
(Registrant's Telephone Number,
including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to
Section 12(g) of the Act: Common
Stock, par value \$0.001
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the
Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section

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15(d) of the Act. Yes No

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "Accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the price at which the common equity was last sold, as of the last business day of the second fiscal quarter, June 29, 2012, was approximately \$15,813,000.

As of March 21, 2013, there were 59,611,242 shares of the registrant's common stock outstanding.

The following document is incorporated by reference into Parts I, II, III, and IV of this report: None.

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Special Note Regarding Forward-Looking Statements

This Form 10-K may contain forward-looking statements. These statements relate to our expectations for future events and future financial performance. Generally, the words “intend”, “expect”, “anticipate”, “estimate”, or “continue” and similar expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements. These statements are only predictions. Factors which could affect our financial results are described in Item 7 of Part II of this Form 10-K. Readers are cautioned not to place undue reliance on these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We do not, nor have we authorized any other person to, assume responsibility for the accuracy and completeness of the forward-looking statements. We undertake no duty to update any of the forward-looking statements after the date of this report.

PART I

ITEM 1. BUSINESS

Introduction and General Background

Command Center, Inc. (“Command Center,” the “Company,” “we,” “us,” “our”) was organized as Command Staffing, LLC on December 26, 2002 and commenced income in 2003 as a franchisor of on-demand labor businesses. On November 9, 2005, the assets of Command Staffing, LLC and Harborview Software, Inc., an affiliated company that owned the software used in the operation of our on-demand labor stores, were acquired by Temporary Financial Services, Inc., a public company. The transaction was accounted for as if Command Staffing, LLC was the accounting acquirer. On November 16, 2005, we changed our name to Command Center, Inc.

Prior to April 2006, we generated revenues primarily from franchise fees. On May 12, 2006, we acquired 48 on-demand labor stores from certain former franchisees, and shifted our business focus from franchisor to operator. We currently generate all of our revenue from on-demand labor store operations and related activities.

As of December 28, 2012, we owned and operated 59 on-demand labor stores in 24 states. We operate as Command Center, Inc., Bakken Staffing, and through our wholly owned subsidiary, Disaster Recovery Services, Inc. We have also created a separate, dormant entity, ComStaff, Inc., that is not active. All financial information is consolidated and reported in Command Center Inc.'s consolidated financial statements. Our corporate headquarters is located in Coeur d'Alene, Idaho.

Industry Overview

The on-demand labor industry developed based on the business need for flexible staffing options. Many businesses operate in a cyclical production environment and find it difficult to staff according to their changing production cycles. Companies also desire a way to temporarily replace full-time employees when absent due to illness, vacation, or unplanned termination. On-demand labor offers employers the opportunity to immediately respond to changes in staffing needs, reduce the costs associated with recruitment and interviewing, eliminate unemployment and workers' compensation exposure, and draw from a larger employment pool.

The on-demand labor industry continues to develop specialized market segments that reflect the diverse needs of the businesses it serves. Technical skills, prior work history, duration of assignment, and background check requirements vary among industries and employers. We operate primarily within the short-term, semi-skilled and unskilled segments of the on-demand labor industry. We oversee the operation of multiple locations from a single corporate

office. We endeavor to customize our services according to the unique opportunities and assets presented by each of our locations while leveraging our overall size. This approach reduces our overhead costs, improves economies of scale, establishes procedural uniformity and internal controls, and creates a predictable internal environment for our temporary staff members, referred to as Field Team Members.

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Business

Strategic Growth Opportunities: For the past few years, we have been involved in major relief efforts following hurricanes, tornadoes, floods, oil spills and other disasters. In January 2012, through our wholly-owned and newly formed subsidiary Disaster Recovery Services, Inc. (“DRS”), we entered into an asset purchase agreement (“APA”), with DR Services of Louisiana, LLC, and Environmental Resource Group, LLC, (collectively “DRS, LLC”). Under the terms of the APA, we acquired substantially all of DRS, LLC’s assets. With this acquisition, we will be better able to staff disaster recovery projects anywhere in the country on short notice.

We remain committed to our long term goal of building a national network of on-demand labor stores. In 2012, we opened eight new branch offices as we focused on growing revenue by allocating our available resources to areas with growth potential. In 2013, we will continue to carefully balance our store expansion goals against prudent return on investment analysis. In doing so, we expect to concentrate our revenue growth efforts primarily in same store sales growth within our existing branch structure, while opening new branches in limited situations believed by management to present exceptional opportunities. In all of our growth opportunities, we continue to emphasize the fundamentals of our business: product quality, customer service, sales process, and people.

On-demand Labor Store Operations: In 2012, we employed over 35,000 temporary employees and serviced approximately 3,400 clients. Our stores are located in 24 states, with 46 stores located in urban areas and 13 stores located in suburban areas. Our stores are often located in proximity to concentrated commercial and industrial areas. Our locations are typically accessible to public transportation and other services that are important to Field Team Members. We have developed a store demographic model that is used to identify and qualify future possible store locations.

In 2012, we closed only one under-performing branch. While contrary to our overall goal of expansion, this closure will allow our team to focus specifically on achieving greater profitability at stores that are meeting or exceeding expectations.

We manage our field operations using in-store personnel, store managers, area managers, and corporate management personnel. Where appropriate, we also include business development specialists to help drive business to our stores. The intention and structure of our compensation plans for store managers, area managers, and business development specialists has been designed to aid in securing and retaining the qualified personnel needed to meet our business, financial, and growth objectives. Our personnel practices are designed to support our need to attract, screen, hire, train, support and retain qualified personnel at all levels of our business.

Our Temporary Staff (Field Team Members or FTMs): Field Team Members are our product and our key asset. Our success is based on our ability to attract, train, motivate, and reward these important constituents. We have invested in many proprietary programs designed to create a long term relationship with top-performing FTMs. Some of these programs include health insurance coverage, bonus programs, safety rewards, longevity programs, training programs, and career services. As a matter of corporate policy, we know our FTMs by name and show appreciation for the value they bring to our organization and to our client’s workplace.

The pool of available FTMs is sufficient and diverse enough to meet current client needs. However, we continue to seek additional FTMs through internet postings, newspaper advertisement, printed flyers, store displays, career fairs, and word-of-mouth. We issued approximately 35,000 W-2 forms in 2012, an increase of approximately 2,000 from 2011.

Our Customers: In 2012, we serviced approximately 3,400 small to medium sized clients in a variety of industries. Our 10 largest customers accounted for approximately 22% of our revenue in 2012. The top six industries we served

were services, manufacturing, construction, retail trade, transportation, and wholesale (trade).

Our Marketing Strategy: We recognize that our clients are too busy to have time taken by a traditional sales person, but rather are looking for a consultant that provides smart solutions to their current challenges. Our unique sales process starts by learning about potential clients and facilitating conversations with them where we offer support and contribute to a growing relationship. Together, we create an action plan that draws on our core competencies and solves our potential client's needs. Once we have resolved one need, we consistently strive to meet future needs, and what started as a business prospect becomes a repeat client.

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As we expand our national network of on-demand labor stores, we are finding that we serve our existing customers from multiple stores, across multiple cities, and in many cases, across multiple states. We have tailored programs to specifically address the needs of these national accounts and plan to continue our efforts with respect to national accounts in the year ahead.

Our Growth: Our primary growth objective is to increase revenues generated by our existing network of branch offices. However, we do look to strategically open new offices and grow our national network. We also carefully monitor employment trends throughout the country and position ourselves as first responders to employment shortages.

Our Workers' Compensation Coverage: We provide our temporary and permanent workers with workers' compensation insurance. Currently, we are covered under a large deductible policy where we have primary responsibility for claims under the policy. Under our current policy, we are responsible for covered losses and expenses up to \$350,000 "per incident." Amounts in excess of \$350,000 are the responsibility of our current workers' compensation insurance provider. Our policy between April 1, 2011 and March 31, 2012 was a guaranteed cost policy where we were fully insured on all claims occurring in covered states. Our policies before April 1, 2011 were large deductible policies similar to our current coverage. Under these prior policies, we still have a primary responsibility for all claims occurring before April 1, 2011 up to our deductible of \$250,000 on a "per claim" basis. Amounts in excess of \$250,000 are the responsibility of our previous workers' compensation insurance providers.

For workers' compensation claims originating in Washington and North Dakota, we pay workers' compensation insurance premiums and obtain full coverage under mandatory government administered programs. We have no liability associated with claims in these jurisdictions.

Our Safety Program: To protect our workforce and help control workers' compensation insurance rates, we maintain several company-wide safety programs aimed at increasing awareness of safety issues. We provide safety training through videos, employee safety manuals, and safety testing. Managers conduct job site safety inspections on new jobs to ensure that customers utilizing our FTMs are doing so in a safe environment. We encourage safe work behavior through an incentive program that rewards our FTM's for working accident free. We also encourage our FTMs to report unsafe working conditions.

Our Seasonality: Some of the industries we operate in are subject to seasonal fluctuation. Many of the jobs filled by FTMs are outdoor jobs that are generally performed during the warmer months of the year. As a result, activity increases in the spring and continues at higher levels through the summer, then begins to taper off during the fall and through the winter. Seasonal fluctuations are typically less in the western and southwestern parts of the United States where many of our stores are located. These fluctuations in seasonal business will affect financial performance from period to period.

Our Competition: The short-term manual labor sector of the on-demand labor industry in which we operate is largely fragmented and highly competitive, with low barriers to entry. Our competitors range in size from small, local or regional operators with five or fewer locations to large, multi-national operations with hundreds of locations.

The primary competitive factors in our market segment include price, the ability to timely provide the requested workers, and overall quality of service. Secondary factors include worker quality and performance, efficiency, the ability to meet the business-to-business vendor requirements, name recognition, established reputation, and customer relationships. While barriers to entry are low, businesses operating in this sector of the on-demand labor industry do require access to significant working capital, particularly in the spring and summer when seasonal staffing requirements are higher. Lack of working capital can be a significant impediment to growth for small, local, and regional on-demand labor providers.

Our Trademarks and Trade Names: We have registered “Command,” “Command Center,” “Command Staffing,” “Command Labor,” “Bakken Staffing,” “Disaster Recovery Services,” “Apply Today, Daily Pay,” “A Different Kind of Labor Place,” and “Labor Commander,” as service marks with the U.S. Patent and Trademark Office. Other applications for registration are pending. Several registrations have also been granted in Australia, Canada, and the European Economic Community.

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Our Intellectual Property: We have software systems in place to handle most aspects of our operations, including temporary staff dispatch activities, invoicing, accounts receivable, accounts payable, and payroll. Our software systems also provide internal control over our operations, as well as producing internal management reports necessary to track the financial performance of individual stores. We utilize a dashboard-type system to provide management with critical information and we refine our systems and processes by focusing on what actually works in the real world. We take best practices information from our higher performing stores and propagate this information across all operating groups to produce consistent execution and improvements in company-wide performance averages. We have invested in proper off-site back-up and storage systems that protect our electronic information systems against breakdowns and other disruptions that may be beyond our control.

Our Real Property: We lease the facilities of all of our store locations and our corporate office. All of these facilities are leased at market rates that vary depending on location. Each store is between 1,000 and 5,000 square feet, depending on locations and market conditions. We believe that our corporate office and each of the store locations are adequate for our current needs.

Our Employees: We currently employ a staff of approximately 30 at our corporate headquarters in Coeur d'Alene, Idaho. The number of employees at the corporate headquarters is not expected to increase significantly over the next year. We also employ approximately 180 field operations staff located at the various on-demand labor stores, and area and regional operations centers. During the fiscal year, we employed approximately 35,000 temporary workers. As described above, in most jurisdictions, we, as the employer of our temporary and contract workers or as otherwise required by applicable law, are responsible for employment administration. This administration includes collection of withholding taxes, employer contributions for social security, unemployment tax, workers' compensation and fidelity and liability insurance, and other governmental requirements imposed on employers.

Access to Company Information: We make available, free of charge, through our Internet website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports. These reports are available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Our website address is: www.commandonline.com. The information contained on our website, or on other websites linked to our website, is not part of this report.

ITEM 1A. RISK FACTORS

Our common stock value and our business, results of operations, cash flows and financial condition are subject to various risks, including, but not limited to those set forth below. If any of the following risks actually occurs, our common stock, business, results of operations, cash flows and financial condition could be materially adversely affected. These risk factors should be carefully considered together with the other information in this Annual Report on Form 10-K, including the risks and uncertainties described under the heading "Special Note Regarding Forward-Looking Statements." If any of the events described in the risk factors below actually occur, our business, financial condition or results of operations could suffer significantly. In such case, the value of your investment could decline and you may lose all or part of the money you paid to buy our common stock.

Business Risks

We have a history of net losses. As of December 28, 2012, we had an accumulated deficit of approximately \$51,686,000. We have incurred net losses in most of our fiscal years since inception. We may continue to incur additional operating losses. We make no assurance that our revenue will increase or that we will be profitable in any future period.

Our business is impacted by fluctuations in the general economy. The staffing needs of our customers vary greatly with the overall condition of the economy. While general economic conditions appear to be improving, the changes are gradual, and many customers are limiting and may continue to limit their spending on the services which we provide, which could limit our growth or cause a reduction in our sales, thereby having a material adverse effect on our financial and operating performance. Deterioration of general economic conditions would have an adverse material effect on our business, financial condition and results of operations.

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We will require additional working capital to implement our current and future business plans. We will require more working capital to fund customer accounts receivable and continue to expand our operations. We may require more capital in 2013 to meet our operating expenses and make timely payments to our vendors, and refine and improve the efficiency of our business systems and processes. We will need more capital to increase our marketing efforts and expand our network of stores through acquisition and opening of new stores. We cannot assure that such additional capital will be available when we need it on terms acceptable to us, if at all. If we are unsuccessful in securing needed capital, our business may be materially and adversely affected and the viability of our business operations may be threatened. Furthermore, the sale of additional equity or debt securities may result in dilution to existing shareholders, and incurring debt may hinder our operational flexibility. If sufficient additional funds are not available, we may be required to delay, reduce the scope of or eliminate material parts of our business strategy.

If our goodwill is impaired, we will record an additional non-cash charge to our results of operations and the amount of the charge may be material. At least annually, or whenever events or circumstances arise indicating impairment may exist, we review goodwill for impairment as required by generally accepted accounting principles in the United States (GAAP). For the fiscal years 2012 and 2011, we did not take any non-cash goodwill impairment charge. The estimated fair value of \$3.3 million could change if there are future changes in our capital structure, cost of debt, interest rates, capital expenditure levels, ability to perform at levels that were forecasted or a permanent change to our market capitalization. In the future, we may need to further reduce the carrying amount of goodwill by taking an additional non-cash charge to our results of operations. Such a charge would have the effect of reducing goodwill with a corresponding impairment expense and may have a material effect upon our reported results. The additional expense may reduce our reported profitability or increase our reported losses in future periods and could negatively affect the market for our securities, our ability to obtain other sources of capital, and may generally have a negative effect on our future operations.

Loss of key personnel could negatively affect our business. The loss of any key executive could have a material adverse effect on our business, financial condition, and results of operations. Our future performance also depends on our ability to identify, recruit, motivate, and retain key management personnel including area vice presidents, regional vice presidents, and other personnel. The failure to attract and retain key management personnel could have a material adverse effect on our business, financial condition, and results of operations.

Our inability to attract, develop and retain qualified store managers and business development specialists may negatively affect our business. We rely significantly on the performance and productivity of our branch managers and our staff of business development specialists to help drive new business to our growing number of stores. Each store manager has primary responsibility for managing the operations of the individual on-demand labor store, including recruiting workers, daily dispatch of personnel, and collection of accounts receivable. In addition, each store manager has responsibility for customer service. To combat a typically high turnover rate for store managers in the on-demand labor industry, we have developed and continue to develop and refine training and compensation plans directed at employee retention. There can be no assurance that our training and compensation plans will reduce turnover in this position.

Increased employee expenses could adversely affect our operations. We are required to comply with all applicable federal and state laws and regulations relating to employment, including verification of eligibility for employment, occupational safety and health provisions, wage and hour requirements, employment insurance and laws relating to equal opportunity employment. Costs and expenses related to these requirements are a significant operating expense and may increase as a result of, among other things, changes in federal or state laws or regulations requiring employers to provide specified benefits to employees (such as medical insurance), increases in the minimum wage or the level of existing benefits, or the lengthening of periods for which unemployment benefits are available. We cannot assure that we will be able to increase fees charged to our customers to offset any increased costs and expenses, and higher costs will have a material adverse effect on our business, financial condition, and results of operations.

We are dependent upon the availability of workers' compensation insurance coverage. We maintain workers' compensation insurance as required by state laws. Very few insurance carriers are willing to provide workers' compensation coverage for staffing companies in the manual labor market. We expect the insurance market to tighten even further in the future. We cannot be certain that we will be able to obtain adequate levels of insurance in the future with acceptable terms, coverages, deductibles and collateral requirements, or at all. In most of the states in which we operate, we could not engage in business without workers' compensation insurance.

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If we do not manage our workers' compensation claims well, increased premiums could negatively affect operating results. Workers' compensation expenses and the related liability accrual are based on our actual claims experience. Currently, and prior to April 2011, we maintain(ed) large deductible workers' compensation insurance policies with large deductible limits. Our current workers' compensation policy has a deductible limit of \$350,000 per incident and our workers' compensation policies prior to April 2011 have a deductible limit of \$250,000 per claim. As a result, we are substantially self-insured. Our management training and safety programs attempt to minimize both the frequency and severity of workers' compensation insurance claims, but a large number of claims or a small number of significant claims could require payment of substantial benefits. In Washington and North Dakota where private insurance is not allowed or not available, we purchase our insurance through state workers' compensation funds and our liability in those monopolistic states is limited to payment of the insurance premiums. We can provide no assurance that we will be able to successfully limit the frequency and severity of our workers' compensation claims or that our insurance premiums and costs will not increase substantially. Higher costs for workers' compensation coverage, if incurred, will have a material adverse effect on our business, financial condition, and results of operations.

We face competition from companies that have greater resources than we do and we may not be able to effectively compete against these companies. The temporary staffing industry is largely fragmented and highly competitive, with low barriers to entry. A large percentage of on-demand labor companies are small local or regional operations with fewer than five locations. Within local or regional markets, these companies actively compete with us for customers and temporary personnel. There are also several very large full-service and specialized temporary labor companies competing in national, regional and local markets. Many of these competitors have substantially greater financial and marketing resources than we have. Price competition in the staffing industry is intense and we expect this level of competition to remain high and even increase in the future. Competition could have a material adverse effect on our business, financial condition, and results of operations. There is also a risk that competitors, perceiving our lack of capital resources, may undercut our prices or increase promotional expenditures in our strongest markets in an effort to force us out of business.

We may not be able to increase customer pricing to offset increased costs, and may lose volume as a result of price increases we are able to implement. We expect to raise prices for our services in amounts sufficient to offset increased costs of services, operating costs, and cost increases due to inflation and to improve our return on invested capital. However, competitive factors may require us to absorb cost increases, which would have a negative effect on our operating margins. Even if we are able to increase costs as desired, we may lose volume to competitors willing to service customers at a lower price.

Improper disclosure of employee and customer data could result in liabilities. In the course of our business, we collect, store, use, and transmit information about our employees and customers. Protecting the privacy of this information is critical to our business. The regulations relating to the security and privacy of information are increasingly prevalent and demanding. The failure to adequately protect private information could expose us to claims from employees and customers and to regulatory actions, could harm our reputation, and could have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to employment-related claims and costs from temporary workers, clients, or third parties that could materially adversely affect our business, financial condition and results of operations. We are in the business of employing people and placing them in the workplaces of other businesses. As the employer, we are at risk for claims brought by our temporary workers, such as wage and hour claims, discrimination and harassment actions and workers' compensation claims. We are also at risk for liabilities alleged to have been caused by our temporary personnel (such as claims relating to personal injuries, property damage, immigration status, misappropriation of funds or property, violation of environmental laws, or criminal activity). Significant instances of these types of issues will impact our customers' perception of us and may have a negative effect on our results of operations. The risk is heightened because we do not have control over our customers' workplace or direct supervision of our temporary workers. If we are found

liable for the actions or omissions of our temporary workers or our customers, and adequate insurance coverage is not available, our business, financial condition, and results of operations could be materially and adversely affected.

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We may incur additional costs and regulatory risks relating to new laws regulating the hiring of undocumented workers'. In addition to federal laws, the statutes of several states now regulate employer practices relating to the identification and eligibility to work of new hires. We have implemented procedures intended to meet all of these requirements. In some cases, the penalties for noncompliance are punitive. For example, under Arizona law, penalties assessed against employers that hire undocumented workers may include suspension or revocation of all business licenses held by the employer in Arizona that are necessary to conduct its business. If other states adopt similar laws, it could increase our operating costs and materially affect our operating results. Although we believe that we are in compliance and we will be able to maintain appropriate procedures, we cannot assure that our compliance will not be flawed or delayed because of the large number of temporary personnel that we employ. If we are not able to maintain appropriate compliance procedures, our operations would be materially and adversely affected.

We will incur additional costs and regulatory risks relating to the impact of health care reform upon our business and failure to comply with such rules and regulations could materially harm our business. The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Reform Laws") include various health-related provisions to take effect through 2014, including requiring most individuals to have health insurance and establishing new regulations on health plans. Although the Health Care Reform Laws do not mandate that employers offer health insurance, beginning in 2014 tax penalties will be assessed on large employers who do not offer health insurance that meet certain affordability or benefit requirements. Unless modified by regulations or subsequent legislation, providing such additional health insurance benefits to our temporary workers, or the payment of tax penalties if such coverage is not provided, will increase our costs. If we are unable to raise the rates we charge our customers to cover these costs, such increases in costs could materially harm our business.

We are exposed to substantial pressure on working capital due to the delay between the time we pay our temporary workers and the time we collect from our customers, which requires aggressive management of our credit risk. Temporary personnel are typically paid on the same day the services are performed, while customers are generally billed on a weekly basis. This requires that we manage the resulting credit risk. The magnitude of the risk varies with general economic conditions. We believe that write-offs for doubtful accounts can be maintained at commercially acceptable levels without the need to resort to credit management practices that are unduly intrusive for our customers and interfere with customer acquisition and retention. Nevertheless, there can be no assurance that our ability to achieve and sustain profitable operations will not be adversely affected by losses from doubtful accounts or customer relations problems arising from our efforts to manage credit risk.

Our customer contracts contain termination provisions that could decrease our future revenues and earnings. Most of our customer contracts can be terminated by the customer on short notice without penalty. Our customers are, therefore, not contractually obligated to continue to do business with us in the future. This creates uncertainty with respect to the revenues and earnings we may recognize with respect to our customer contracts.

If we are unable to find a reliable pool of temporary personnel, we may be unable to meet customer demand and our business may be adversely affected. All on-demand labor companies must continually attract reliable temporary workers to meet customer needs. We compete for such workers with other temporary labor businesses, as well as actual and potential customers, some of which seek to fill positions directly with either regular or temporary employees. In addition, our temporary workers sometimes become regular employees of our customers. From time to time, during peak periods and/or in certain geographic regions, we may experience shortages of available temporary workers. Unavailability of reliable temporary workers will have a negative effect on our results of operations. Use of temporary employees also is affected by other factors beyond our control that may increase the cost of temporary personnel, such as increases in mandated levels of benefits and wages payable to temporary employees. These economic and other factors could reduce demand for our services and lead to lower revenues.

Seasonal fluctuations in demand for the services of our temporary workers in certain markets may adversely affect our revenue and financial performance in the fall and winter months. Revenues generated from stores in markets subject to seasonal fluctuations will be less stable and may be lower than in other markets. Locating stores in highly seasonal markets involves higher risks. To the extent that we consider the opening of new offices, we intend to select store locations with a view to maximizing total long-term return on our investment in stores, personnel, marketing and other fixed and sunk costs. However, there can be no assurance that our profitability will not be adversely affected by low returns on investment in certain highly seasonal markets.

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Our directors, officers and current principal shareholders own a large percentage of our common stock and could limit your influence over corporate decisions. Our directors, officers and current shareholders holding more than 5% of our common stock collectively beneficially own, in the aggregate, approximately 47.4% of our outstanding common stock. As a result, these shareholders, if they act together, may be able to control most matters requiring shareholder approval, including the election of directors and approval of mergers or other significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control. The interests of these shareholders may not always coincide with our corporate interests or the interests of our other shareholders, and they may act in a manner with which you may not agree or that may not be in the best interests of our other shareholders.

We will likely be party, from time to time, to various legal proceedings, lawsuits and other claims arising in the ordinary course of our business. We anticipate that, based upon our business plan, disputes will arise in the future relating to contract, employment, labor relations, and other matters that could result in litigation or require arbitration to resolve, which could divert the attention of our management team and could result in costly or unfavorable outcomes for us. Any such litigation could result in substantial expense, could reduce our profits and harm our reputation and could have a materially adverse impact on our business and financial condition. These expenses and diversion of managerial resources could have a material adverse effect on our business, prospects, financial condition, and results of operations. See Item 3 “Legal Proceedings”.

We have material weaknesses in our internal controls which may result in us not being able to prevent or detect a material misstatement of our consolidated financial statements, which could harm our business and result in regulatory scrutiny. Pursuant to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”), we determined that there continues to be material weaknesses affecting our internal control over financial reporting and, we have not maintained effective controls to ensure complete documentation of proper accounting procedures and communication of such policies to employees, as well as verification of third party deposits. Due to these weaknesses and absence of sufficient mitigating controls, we determined that this control deficiency resulted in a more than remote likelihood that material misstatement or lack of disclosure within the annual or interim consolidated financial statements will not be prevented or detected. Avenues for mitigating our internal control weaknesses have been evaluated, but mitigating controls have been deemed to be impractical and prohibitively costly due to the size of our organization at the current time. The material weaknesses in our internal controls may subject us to regulatory scrutiny with undetermined consequences.

We may have additional tax liabilities that exceed our estimates. We are subject to federal taxes and a multitude of state and local taxes in the United States. In the ordinary course of our business, there are transactions and calculations where the ultimate tax determination is uncertain. We are regularly subject to audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical tax provisions and accruals. The results of an audit or litigation could materially harm our business.

The market for our common stock is limited and our shareholders may have difficulty reselling their shares when desired or at attractive market prices. Our stock price and our listing may make it more difficult for our shareholders to resell shares when desired or at attractive prices. Our Company stock trades on the “over-the-counter” market and is listed on OTCQB tier of the OTC Markets bulletin board. Our common stock has continued to trade in low volumes and at low prices. Some investors view low-priced stocks as unduly speculative and therefore not appropriate candidates for investment. Many brokerage firms and institutional investors have internal policies prohibiting the purchase or maintenance of positions in low-priced stocks.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable to smaller reporting companies.

ITEM 2. DESCRIPTION OF PROPERTIES

We presently lease office space for our corporate headquarters in Coeur d'Alene, Idaho. In August 2012, we executed the lease on this facility for a three year term, expiring September 14, 2015, with an option to renew for an additional three years. We pay approximately \$4,000 per month for use of the building. Pursuant to the lease, as the sole occupant of the property we are responsible for payment of typical triple net charges for property taxes, insurance and maintenance.

We also lease the facilities for all of our store locations. All of these facilities are leased at market rates that vary in amount depending on location. Each store is between 1,000 and 5,000 square feet, depending on location and market conditions.

Operating leases: We lease store facilities, vehicles, and equipment. Most of our store leases have terms that extend over three to five years. Some of the leases have cancellation provisions that allow us to cancel with 90 days' notice. Other leases have been in existence long enough that the term has expired and we are currently occupying the premises on month-to-month tenancies. Minimum lease obligations for the next five years as of December 28, 2012 are:

Year	Operating Lease Obligation
2013	\$ 545,619
2014	358,388
2015	253,999
2016	136,163
2017	10,052
Total	\$ 1,304,221

All of our current facilities are considered adequate for their intended uses.

ITEM 3. LEGAL PROCEEDINGS

From time to time we are involved in various routine legal proceedings. We believe that the outcome of these proceedings, even if determined adversely, would not have a material adverse effect on our business, financial condition and results of operations.

On August 3, 2012, Trident Seafoods Corporation and Liberty Mutual filed a lawsuit against Command Center, Inc., in the United States District Court, Western District of Washington, for declaratory judgment, breach of contract and violation of the Consumer Protection Act. This action is the result of a previous decision of the administrative law judge for the U.S. Department of Labor, wherein it was determined that a former employee of Command Center was, in fact, an employee of Trident Seafoods, for purposes of the U.S. Longshore and Harbor Workers' Compensation Act. Trident Seafoods alleges Command Center has a contractual duty to pay workers' compensation benefits for the injured "borrowed" employee. Command Center believes the claims asserted by Trident are unfounded and intends to vigorously defend this case.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock, par value \$0.001 per share, is quoted on the OTCQB tier of the OTC Markets bulletin board under the symbol "CCNI." The OTCQB is a network of security dealers who buy and sell stock. The dealers are connected by a computer network which provides information on current "bids" and "asks" as well as volume information. The OTCQB is not considered a "national exchange."

The following table shows the high and low bid information for the common stock for the quarterly period indicated for the last two (2) fiscal years ended December 28, 2012 and December 30, 2011.

Quarter Ended	Price (1)	
	High	Low
April 01, 2011	\$ 0.56	\$ 0.35
July 01, 2011	\$ 0.52	\$ 0.29
September 30, 2011	\$ 0.39	\$ 0.19
December 30, 2011	\$ 0.30	\$ 0.17
March 30, 2012	\$ 0.45	\$ 0.23
June 29, 2012	\$ 0.49	\$ 0.22
September 28, 2012	\$ 0.35	\$ 0.23
December 28, 2012	\$ 0.30	\$ 0.19

The above data was compiled from information obtained from the OTC Bulletin Board quotation service.

- (1) The above quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not necessarily represent actual transactions. The closing price for our common stock on the OTC QB was \$0.18 on March 21, 2013.

Holders of the Corporation's Capital Stock

At March 21, 2013, we had approximately 130 stockholders of record. This figure does not reflect persons or entities that hold their stock in nominee or "street" name through various brokerage firms.

Dividends

No cash dividends have been declared on our common stock to date and we do not anticipate paying a cash dividend on our common stock in the foreseeable future. Our business is highly capital intensive and we expect to retain available working capital for operations and growth.

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Transfer Agent and Registrar

Our transfer agent is Columba Stock Transfer Company, located at 601 East Seltice Way, Suite 202, Post Falls, Idaho, 83854.

Recent Issuances of Unregistered Securities

The following issuances of unregistered securities occurred in 2012 and through the dates of this filing:

In 2012, we issued 1,711,874 shares of common stock relating to the purchase of Disaster Recovery Services, LLC.

In 2012, we issued 153,000 shares of common stock to our investor relations firm as partial payment for their fees. Expenses relating to the issuance of these shares amounted to approximately \$47,000. We issued 36,000 shares in March 2012, 36,000 shares in June 2012, 36,000 shares in September 2012, and 45,000 shares in December 2012. The average price of the shares issued was \$0.23. The shares were recorded as an expense when earned and issuable.

In December 2012, we issued 140,000 shares to outside members of our Board of Directors as partial payment for their services. Expenses relating to the issuance of these shares amounted to approximately \$36,000.

The following issuances of unregistered securities occurred in 2011:

In 2011, we issued 2,750,000 shares upon the exercise of warrants at \$0.08 per share. We issued 2,125,000 shares in March 2011, 312,500 shares in April 2011, and 312,500 shares in May 2011.

In 2011, we issued 192,000 shares of common stock to our investor relations firm as partial payment for their fees. Expenses relating to the issuance of these shares amounted to approximately \$72,000. We issued 60,000 shares in February 2011, 60,000 shares in July 2011, 36,000 shares in September 2011, and 36,000 shares in December 2011. The average price of the shares issued was \$0.37. The shares were recorded as an expense when earned and issuable.

In May 2011, we issued 40,000 shares of common stock to two employees for services valued at \$15,600. The services were valued based on our closing stock price on the date the shares were authorized to be issued

In all instances above, the shares were issued in reliance on an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the "Act") and Rule 506 of Regulation D adopted under the Act. The securities were issued to individuals in private transactions for investment purposes only and the certificates issued included restrictive legends preventing transfer without registration or availability of an exemption from the registration requirements of the Act.

Securities authorized for issuance under equity compensation plans.

We currently have two equity compensation plans, namely the Command Center, Inc. 2008 Employee Stock Incentive Plan, and the Command Center, Inc. 2008 Employee Stock Purchase Plan, which have been approved by shareholders. The following table provides information as of December 28, 2012 regarding our existing compensation plans and arrangements:

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Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders (1)	4,083,000	\$ 0.27	2,317,000
Equity compensation plans approved by security holders (2)	-	-	1,000,000
Equity compensation plans not approved by security holders	-	-	-
Total	4,083,000	0.27	3,317,000

(1) Consists of 6,400,000 shares issuable under the Command Center, Inc. 2008 Employee Stock Incentive Plan. This Plan was adopted by our Board of Directors on October 24, 2008 and approved by our stockholders at the 2009 Annual Meeting of Stockholders on January 20, 2009.

(2) Consists of 1,000,000 shares issuable under the Command Center, Inc. Employee Stock Purchase Plan. This Plan was adopted by our Board of Directors on October 24, 2008 and approved by our stockholders at the 2009 Annual Meeting of Stockholders on January 20, 2009.

ITEM 6. SELECTED FINANCIAL DATA

Command Center is a “smaller reporting company” as defined by Regulation S-K and as such, is not providing the information contained in this item pursuant to Regulation S-K.

ITEM 7. MANagements’ DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following management's discussion and analysis reviews significant factors with respect to our financial condition at December 28, 2012 and December 30, 2011, and results of operations for the fiscal years ended December 28, 2012 and December 30, 2011. This discussion should be read in conjunction with the consolidated financial statements, notes, tables, and selected financial data presented elsewhere in this report.

Our discussion and analysis contains forward-looking statements that are provided to assist in the understanding of anticipated future financial performance. However, such performance involves risks and uncertainties that may cause actual results to differ materially from those discussed in such forward-looking statements. A cautionary statement regarding forward-looking statements is set forth under the caption “Special Note Regarding Forward-Looking Statements” in Item 1 of this Annual Report on Form 10-K. This discussion and analysis should be considered in light of such cautionary statements and the risk factors disclosed elsewhere in this report.

Overview

Our mission is to be the preferred provider of choice for all on-demand employment solutions by placing the right people in the right jobs every time. With the acquisition of the on-demand labor stores, we have consolidated operations, established and implemented corporate operating policies and procedures, and developed a unified branding strategy for all of our stores.

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The Temporary Labor Market: The temporary labor industry is competitive and highly fragmented. In the United States, approximately 100 companies operate nationally, and approximately 10,000 smaller companies compete in varying degrees at local levels. Demand for temporary services is highly dependent on the overall strength of labor markets. In periods of economic growth, demand for temporary services generally increases, and the need to recruit, screen, train, retain and manage a labor pool matching the skills required by particular customers becomes critical. Conversely, during an economic downturn, competitive pricing pressures can pose a threat to retaining a qualified temporary workforce. Accordingly, the slow recovery from recession in the U.S. has impacted all staffing firms over the last several years. We believe the on-demand temporary labor market creates a unique competitive niche for us.

On-demand Labor Store Operations: At December 28, 2012, we operated 59 on-demand labor stores serving approximately 3,400 customers and employing over 35,000 temporary employees.

As the economic environment continues to improve, we plan to grow through acquiring and opening new locations. Our target markets will include locations that we believe are underserved by competitors, areas where there is growing demand for on demand services, and where we can increase business from current national accounts. Additional sales growth may result from the continued increase in same store sales and selected acquisition opportunities, as well as the development of new national accounts, and by providing services in new business sectors.

As we continue to grow, we are able to leverage our existing cost structure over increased revenue. This will enable us to further reduce our operating costs as a percentage of revenue. Increasing our selling efforts and developing our business by targeting new customer development remains one of our top priorities

The following table reflects operating results in 2012 compared to 2011 (in thousands, except per share amounts and percentages). Percentages indicate line items as a percentage of total revenue and the year over year change column compares percentages of revenue between years. The table serves as the basis for the narrative discussion that follows.

	Fifty-two Weeks Ended					
	December 28, 2012			December 30, 2011		
Total Operating Revenue	\$ 98,432			\$ 81,921		
Cost of Staffing Services	73,539	74.7	%	63,279	77.2	%
Gross profit	24,893	25.3	%	18,642	22.8	%
Selling, general and administrative expenses	22,043	22.4	%	17,684	21.6	%
Depreciation and amortization	371	0.4	%	441	0.5	%
Income from operations	2,479	2.5	%	517	0.6	%
Interest expense and other financing expense	(804)	-0.8	%	(755)	-0.9	%
Change in fair value of warrant liability	842	0.9	%	179	0.2	%
Net income (loss) before income taxes	2,517	2.6	%	(58)	-0.1	%
Benefit (provision) for income taxes	(958)	-1.0	%	912	1.1	%
Net income	\$ 1,559	1.6	%	\$ 854	1.0	%
Non-GAAP Data						
EBITDA-D	\$ 2,850	2.9	%	\$ 959	1.2	%

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Earnings before interest, taxes, depreciation and amortization, and the change in fair value of our derivative liabilities (“EBITDA-D”) is a non-GAAP measure that represents net income (loss) attributable to CCNI before interest expense, income tax benefit (expense), depreciation and amortization, and the change in fair value of our derivative liabilities. We utilize EBITDA-D as a financial measure as management believes investors find it a useful tool to perform more meaningful comparisons of past, present and future operating results and as a means to evaluate our results operations. We believe it is a complement to net income and other financial performance measures. EBITDA-D is not intended to represent net income as defined by GAAP, and such information should not be considered as an alternative to net income or any other measure of performance prescribed by GAAP.

We use EBITDA-D to measure our financial performance because we believe interest, taxes, depreciation and amortization, and the change in fair value of our derivative liabilities bear little or no relationship to our operating performance. By excluding interest expense, EBITDA-D measures our financial performance irrespective of our capital structure or how we finance our operations. By excluding taxes on income, we believe EBITDA-D provides a basis for measuring the financial performance of our operations excluding factors that our branches cannot control. By excluding depreciation and amortization expense, EBITDA-D measures the financial performance of our operations without regard to their historical cost. By excluding the change in fair value of our derivative liabilities, EBITDA-D provides a basis for measuring the financial performance of our operations excluding factors that are beyond our control. For all of these reasons, we believe that EBITDA-D provides us and investors with information that is relevant and useful in evaluating our business.

However, because EBITDA-D excludes depreciation and amortization, it does not measure the capital we require to maintain or preserve our fixed assets. In addition, because EBITDA-D does not reflect interest expense, it does not take into account the total amount of interest we pay on outstanding debt nor does it show trends in interest costs due to changes in our financing or changes in interest rates. EBITDA-D, as defined by us, may not be comparable to EBITDA-D as reported by other companies that do not define EBITDA-D exactly as we define the term. Because we use EBITDA-D to evaluate our financial performance, we reconcile it to net income, which is the most comparable financial measure calculated and presented in accordance with GAAP.

The following is a reconciliation of EBITDA-D to net income for the periods presented:

	Fifty-two Weeks Ended	
	December 28, 2012	December 30, 2011
EBITDA-D	\$ 2,850	\$ 959
Interest expense and other financing expense	(804)	(755)
Depreciation and amortization	(371)	(441)
Change in fair value of warrant liability	842	179
Benefit (provision) for income taxes	(958)	912
Net income	\$ 1,559	\$ 854

Results of Operations

52 Weeks Ended December 28, 2012

Operations Summary: Revenue increased by approximately 20.2% in the fiscal year ended December 28, 2012 to \$98.4 million from \$81.9 million in 2011. The increase is due to the acquisition of DRS, increased restoration work, increased activity relating to our national accounts, and organic growth at the branch level.

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We experienced a decrease in our workers' compensation expense of 0.9% relative to revenue. This decrease is attributable to the more efficient claims handling and increased training and experience of internal staff.

Store Operations: At the beginning of 2012, we operated 51 stores. During the year, we closed one store and opened nine (including DRS), ending the year with 59 stores operating in 24 states. Same store revenues increased approximately 6% to \$83.1 million in 2012 compared to \$78.8 million in 2011. The increase in same store sales is primarily attributable to the continued overall improvement in general economic conditions, as well as our focus on attracting new clients, strengthening existing client relationships, and encouraging existing client growth.

Cost of Staffing Services: Our cost of staffing services decreased to 74.7% of revenue in 2012 from 77.2% in 2011. This decrease is due primarily to decreased wages and related payroll taxes paid to our FTM's. This relative decrease was caused by management's focus on improving gross margin. In 2013, we will continue to focus on increasing our gross margin and increasing profitability.

Worker's compensation costs for the fiscal year ended December 28, 2012 decreased to 4.2% of revenue, compared to 5.1% of revenue in 2011. This is attributable to the change in the nature of our workers' compensation coverage, an increased emphasis on safety policies and procedures, and improved claims handling.

Our workers' compensation costs as a percentage of revenue quarter by quarter for the last two years were as follows:

2012				2011			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
3.4 %	5.1 %	4.3 %	3.7 %	6.9 %	4.5 %	4.9 %	4.5 %

Gross Margin: The factors affecting gross margin in 2012 are discussed under the cost of staffing services above. In the aggregate, cost of staffing services decreased to 74.7% of revenue in 2012 compared to 77.2% of revenue in 2011 yielding gross margins of 25.3% and 22.8%, respectively.

Selling, General and Administrative Expenses (SG&A): SG&A expenses increased to 22.4% in 2012 compared to 21.6 % in 2011. This increase is due primarily to an increase in internal staff costs and the related payroll taxes. We also experienced an increase in travel and travel related expenses, primarily due to increased disaster recovery work. We have already taken steps in 2013 in an effort to reduce these expenses to a more desirable level and expect to see improvements in 2013.

Liquidity and Capital Resources

As of December 28, 2012, our current assets exceeded our current liabilities by \$2.2 million. We had total current assets of \$17.0 million and current liabilities of \$14.8 million. Included in current assets are cash of \$1.6 million and trade accounts receivable of \$13.7 million, net of allowance for bad debts of \$519,000 and a current portion of workers' compensation deposits of \$1.2 million.

Included in current liabilities is our factoring liability of \$9.1 million, accrued wages and benefits of \$1.7 million and a current portion of workers' compensation premiums and claims liability of \$2.0 million.

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The factoring liability of \$9.1 million is used to fund operating needs. The current financing agreement is an account purchase agreement with Wells Fargo Bank, N.A. which allows us to sell eligible accounts receivable for 90% of the invoiced amount on a full recourse basis up to the facility maximum, \$15 million on December 28, 2012 and \$10 million on December 30, 2011. When the account is paid by our customers, the remaining 10% is paid to us, less applicable fees and interest. Eligible accounts receivable are generally defined to include accounts that are not more than ninety days past due. Prior to November 13, 2012, eligible accounts receivable were generally defined to include accounts that were not more than sixty days past due.

Net accounts receivable sold pursuant to this agreement at December 28, 2012 and December 30, 2011 were approximately \$9.1 million and \$6.1 million, respectively. The term of the current agreement is for the period ending April, 2014. The current agreement bears interest at the greater of the prime rate plus 2.5%, or the London Interbank Offered Rate (LIBOR) plus 5.5%, with a floor of 6.25% per annum. At December 28, 2012 the effective interest rate was 6.25%. Interest is payable on the actual amount advanced or \$3 million, whichever is greater. Additional charges include an annual facility fee equal to one percent of the facility threshold in place, a monthly monitoring fee of \$5,000, and lockbox fees. As collateral for repayment of any and all obligations, we granted Wells Fargo Bank, N.A. a security interest in our all of our property including, but not limited to, accounts, intangible assets, contract rights, investment property, deposit accounts, and other such assets.

The agreement contains a covenant that requires the sum of the excess available advances, plus or minus our cash balance at month end, must at all times be greater than accrued payroll and accrued payroll taxes. At December 28, 2012 and December 30, 2011, we were in compliance with this covenant.

Operating Activities: Net cash used by operating activities totaled \$1.8 million in 2012, an increase of \$.8 million from \$1.0 million in 2011. Accounts receivable net of allowance for doubtful accounts increased \$5.4 million, primarily driven by higher sales in the fourth quarter 2012 as compared to fourth quarter 2011. This was largely attributed to the increase in revenues from disaster recovery work related to hurricane activity that occurred in the gulf coast and northeast regions of the country during the fourth quarter. In 2012, workers' compensation premiums and net claims liability increased \$1.2 million due to the change in the nature of our coverage, and accrued wages and benefits increased \$927,000 due in part to an increase in accrued payroll incentive earnings.

Investing Activities: Net cash used by investing activities totaled \$488,000 in 2012, a \$360,000 increase from \$129,000 in 2011. This increase was primarily related to cash consideration of \$150,000 given related to the acquisition of DRS.

Financing Activities: Net cash provided by financing activities totaled \$2.8 million in 2012 compared to \$594,000 in 2011. During 2012, we borrowed an additional \$2.9 million from Wells Fargo Bank, N.A. through the purchasing agreement that we have with them. Proceeds were used to fund our working capital requirements. In addition, we paid off a note in the amount of \$150,000 in connection with the acquisition of Disaster Recovery Services.

Leases on closed stores: During 2008 and 2009, we closed a number of stores in response to economic conditions and a general downturn in business opportunities in certain markets. Management continued to evaluate opportunities in those markets and held out hope for a recovery that would allow us to reopen the closed stores. During the first quarter of 2009, management assessed the likelihood of reopening the closed stores in the next twelve months as remote. As a result, we began negotiating with landlords for termination of the closed store leases. With the determination that store re-openings were unlikely, we recorded a reserve for closed store leases. This amount represents Management's best estimate of the amounts we are likely to pay in settlement of the outstanding lease obligations on the closed stores. Management concluded that total lease obligations on closed stores as of December 28, 2012 and December 30, 2011 are approximately \$-0- and \$83,000, respectively (See Note 10).

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations provides a narrative discussion of our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America.

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Management believes the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Basis of Presentation: In January 2012 we organized Disaster Recovery Services, Inc. (“DRS”) as a wholly owned subsidiary (see Note 2) and during the quarter ended September 28, 2012, we incurred expenses in ComStaff Transport, Inc. (“ComStaff”), a previously dormant, wholly owned entity. Accordingly, the consolidated financial statements include the accounts of Command Center, DRS, and ComStaff. Command Center operations are one reportable segment. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year End: Our consolidated financial statements are presented on a 52/53-week fiscal year end basis, with the last day of the fiscal year being the last Friday of each calendar year. In fiscal years consisting of 53 weeks, the final quarter will consist of 14 weeks. Fiscal years 2012 and 2011 both consisted of 52 weeks.

Revenue Recognition: We generate revenues primarily from providing on-demand labor services. Revenue from services is recognized at the time the service is performed and is net of adjustments related to customer credits. Revenues are reported net of customer credits and taxes collected from customers that are remitted to taxing authorities.

Cost of Staffing Services: Cost of services includes the wages of temporary employees, related payroll taxes, workers’ compensation expenses, and other direct costs of services.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable are carried at their estimated recoverable amount, net of allowances. We regularly review our accounts receivable for collectability. The allowance for doubtful accounts is determined based on historical write-off experience, age of receivable, other qualitative factors and extenuating circumstances, and current economic data and represents our best estimate of the amount of probable losses on our accounts receivable. The allowance for doubtful accounts is reviewed monthly. Generally, we refer overdue balances to a collection agency at 120 days and the collection agent typically pursues collection for another 60 or more days. All balances over 180 days past due are either written off as bad debt or fully reserved. At December 28, 2012 and December 30, 2011, our allowance for doubtful accounts was approximately \$519,000 and \$232,000, respectively.

Workers’ Compensation Reserves: In accordance with the terms of our workers’ compensation liability insurance policy, we maintain reserves for workers’ compensation claims to cover our cost of all claims. We use third party actuarial estimates of the future costs of the claims and related expenses discounted by a 3% present value interest rate to determine the amount of our reserves. We evaluate the reserves regularly throughout the year and make adjustments as needed. If the actual cost of the claims incurred and related expenses exceed the amounts estimated, additional reserves may be required. In monopolistic states, we utilize the state funds for our workers’ compensation insurance and pay our premiums in accordance with the state plans.

Goodwill and Other Intangible Assets: Goodwill represents the excess purchase price over the fair value of identifiable assets received attributable to business acquisitions and combinations. Goodwill and other intangible

assets are measured for impairment at least annually and/or whenever events and circumstances arise that indicate impairment may exist, such as a significant adverse change in the business climate. In assessing the value of goodwill, assets and liabilities are assigned to the reporting units and the appropriate valuation methodologies are used to determine fair value at the reporting unit level. Identified intangible assets are amortized using the straight-line method over their estimated useful lives which are estimated to be between three and seven years.

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Fair Value of Financial Instruments: We carry financial instruments on the consolidated balance sheet at the fair value of the instruments as of the consolidated balance sheet date. At the end of each period, management assesses the fair value of each instrument and adjusts the carrying value to reflect its assessment. At December 28, 2012 and December 30, 2011, the carrying values of accounts receivable and accounts payable approximated their fair values.

Derivatives: From time to time, we enter into transactions which contain conversion privileges, the settlement of which may entitle the holder or us to settle the obligation(s) by issuance of Company securities. When we enter into transactions which allow us to settle obligations by the issuance of Company securities, fair value is estimated each reporting period.

Income Taxes: We account for income taxes under the liability method, whereby deferred income tax liabilities or assets at the end of each period are determined using the tax rate expected to be in effect when the taxes are actually paid or recovered. A valuation allowance is recognized on deferred tax assets when it is more likely than not that some or all of these deferred tax assets will not be realized. Our policy is to prescribe a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. We have analyzed our filing positions in all jurisdictions where we are required to file returns, and found no positions that would require a liability for unrecognized income tax positions to be recognized. We are subject to tax examinations. In the event that we are assessed penalties and or interest, penalties will be charged to other financing expense and interest will be charged to interest expense. See Note 9 for further discussion.

Share-Based Compensation: Periodically, we issue common shares or options to purchase our common shares to our officers, directors, employees, or other parties. Compensation expense for these equity awards are recognized over the vesting period, based on the fair value on the grant date. We recognize compensation expense for only the portion of options that are expected to vest, rather than record forfeitures when they occur. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in the future periods. We determine the fair value of equity awards using the Black-Scholes valuation model.

Long-lived asset impairment: Long-lived assets include property and equipment and definite-lived intangible assets. Definite-lived intangible assets consist of customer relationships, trade names and non-compete agreements. Long-lived assets are measured for impairment at least annually and/or whenever events and circumstances arise that indicate that the carrying value of the assets may not be recoverable.

Business Combinations: We account for business combinations using the purchase method of accounting to recognize and measure the identifiable assets and goodwill acquired in business combinations. Identifiable assets are recorded at fair value at the acquisition date. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Command Center is a “smaller reporting company” as defined by Regulation S-K and as such, is not providing the information contained in this item pursuant to Regulation S-K.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders' of Command Center

We have audited the accompanying consolidated balance sheet of Command Center, Inc. as of fiscal year December 28, 2012, and the related statements of income, stockholders' equity, and cash flows for the fiscal year in the one year period ended December 28, 2012. Command Center, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Command Center, Inc. as of December 28, 2012, and the results of its operations and its cash flows for the year in the one year period ended December 28, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ PMB Helin Donovan

Spokane, WA
March 21, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Command Center, Inc.

We have audited the accompanying balance sheet of Command Center, Inc. as of December 30, 2011, and the related statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 30, 2011. Command Center, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Command Center, Inc. as of December 30, 2011, and the results of its operations and its cash flows for the year ended December 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

MartinelliMick PLLC
Spokane, WA

April 5, 2012

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Consolidated Balance Sheets

	December 28, 2012	December 30, 2011
ASSETS		
Current Assets		
Cash	\$1,632,993	\$1,131,296
Restricted cash	21,295	-
Accounts receivable, net of allowance for doubtful accounts	13,701,396	8,282,737
Prepaid expenses, deposits and other	409,547	396,908
Prepaid workers' compensation	22,852	27,632
Other receivables	17,618	11,028
Current portion of workers' compensation deposits	1,200,000	798,000
Deferred tax asset	-	912,195
Total Current Assets	17,005,701	11,559,796
Property and equipment - net	609,772	383,014
Workers' compensation risk pool deposit, less current portion	506,196	130,834
Goodwill	3,306,786	2,500,000
Intangible assets - net	522,535	46,834
Total Assets	\$21,950,990	\$14,620,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$722,150	\$900,174
Checks issued and payable	511,105	169,738
Factoring liability	9,051,999	6,122,665
Other current liabilities	507,122	558,821
Contingent liability	322,874	-
Accrued wages and benefits	1,713,480	785,665
Current portion of workers' compensation premiums and claims liability	2,005,579	1,186,661
Total Current Liabilities	14,834,309	9,723,724
Long-term liabilities		
Warrant liabilities	599,473	983,415
Workers' compensation claims liability, less current portion	2,510,687	2,148,675
Total Liabilities	17,944,469	12,855,814
Commitments and contingencies		
Stockholders' Equity		
Preferred stock - \$0.01 par value, 5,000,000 shares authorized; none issued	-	-
Common stock - 100,000,000 shares, \$0.001 par value, authorized; 59,611,242 and 57,606,368 shares issued and outstanding, respectively	59,611	57,606
Additional paid-in capital	55,633,377	54,952,802
Accumulated deficit	(51,686,467)	(53,245,744)
Total Stockholders' Equity	4,006,521	1,764,664
Total Liabilities and Stockholders' Equity	\$21,950,990	\$14,620,478

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Command Center, Inc.
Consolidated Statements of Income

	Fifty-two Weeks Ended	
	December 28, 2012	December 30, 2011
Revenue	\$98,432,059	\$81,920,997
Cost of staffing services	73,538,819	63,279,203
Gross profit	24,893,240	18,641,794
Selling, general and administrative expenses	22,043,268	17,683,607
Depreciation and amortization	370,768	441,087
Income from operations	2,479,204	517,100
Interest expense and other financing expense	(804,036)	(754,761)
Change in fair value of derivative liabilities	842,256	179,369
Net income (loss) before income taxes	2,517,424	(58,292)
(Provision) benefit for income taxes	(958,147)	912,195
Net income	\$1,559,277	\$853,903
Earnings per share:		
Basic	\$0.03	\$0.02
Diluted	\$0.02	\$0.01
Weighted average shares outstanding:		
Basic	59,235,990	56,859,426
Diluted	63,124,705	61,367,518

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Command Center, Inc.
Consolidated Statement of Changes in Stockholders' Equity

	Preferred Stock		Common Stock			Accumulated	Total
	Shares	Par Value	Shares	Par Value	APIC	Deficit	Stockholders' Equity
Balance, December 31, 2010	-	-	54,624,368	\$ 54,624	\$ 53,868,105	\$ (54,099,647)	\$ (176,918)
Common stock issued relating to the exercise of warrants	-	-	2,750,000	2,750	892,250	-	895,000
Common stock issued for services	-	-	192,000	192	71,768	-	71,960
Common stock issued for compensation	-	-	40,000	40	15,560	-	15,600
Stock based compensation expense	-	-	-	-	105,119	-	105,119
Net income for the year	-	-	-	-	-	853,903	853,903
Balance, December 30, 2011	-	-	57,606,368	57,606	54,952,802	(53,245,744)	1,764,664
Common shares issued for the acquisition of DRS, LLC	-	-	1,500,000	1,500	388,500	-	390,000
Common shares issued for contingent liability	-	-	211,874	212	70,328	-	70,540
Common stock issued for services	-	-	293,000	293	83,147	-	83,440
Stock based compensation expense	-	-	-	-	138,600	-	138,600
Net income for the year	-	-	-	-	-	1,559,277	1,559,277
Balance, December 28, 2012	-	-	59,611,242	\$ 59,611	\$ 55,633,377	\$ (51,686,467)	\$ 4,006,521

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Command Center, Inc.
Consolidated Statements of Cash Flows

	Fifty-two Weeks Ended	
	December 28, 2012	December 30, 2011
Cash flows from operating activities		
Net income	\$1,559,277	\$853,903
Adjustments to reconcile net income to net cash used by operations:		
Depreciation and amortization	370,768	431,425
Change in allowance for doubtful accounts	287,116	(7,000)
Change in fair value of derivative liabilities	(842,256)	(179,369)
Common stock issued for services	83,440	65,360
Stock based compensation	138,600	105,119
Gain on sale of property	-	(7,500)
Changes in assets and liabilities:		
Accounts receivable	(5,750,776)	(640,499)
Restricted cash	(21,295)	-
Prepaid workers' compensation	4,780	204,208
Other receivables	(6,590)	(4,361)
Prepaid expenses, deposits and other	(12,638)	(37,752)
Deferred tax asset	912,195	(912,195)
Workers' compensation risk pool deposits	(777,361)	986,090
Accounts payable	(178,024)	(646,818)
Checks issued and payable	341,367	100,978
Other current liabilities	(51,699)	(1,612)
Accrued wages and benefits	927,815	(95,976)
Workers' compensation premiums and claims liability	1,180,929	(1,215,176)
Net cash used by operating activities	(1,834,352)	(1,001,175)
Cash flows from investing activities		
Purchase of property and equipment	(293,285)	(278,664)
Cash paid for acquisition of subsidiary	(150,000)	-
Cash released by lender	-	150,000
Net cash used by investing activities	(443,285)	(128,664)
Cash flows from financing activities		
Net proceeds from factoring agreement	2,929,334	373,854
Payments on notes payable	(150,000)	-
Proceeds from exercise of common stock warrants	-	220,000
Net cash provided by financing activities	2,779,334	593,854
Net increase (decrease) in cash	501,697	(535,985)
Cash, beginning of period	1,131,296	1,667,281
Cash, end of period	\$1,632,993	\$1,131,296
Non-cash investing and financing activities		
Common stock issued for subsidiary	\$390,000	\$-
Contingent consideration recorded in acquisition of subsidiary	\$851,171	\$-
Common shares issued for contingent consideration	\$70,540	
Note payable issued for subsidiary	\$150,000	\$-
Equipment received in exchange for accounts receivable	\$45,000	\$-

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Supplemental disclosure of cash flow information

Interest paid	\$571,144	\$532,899
Income taxes paid	\$45,951	\$-

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Command Center, Inc.
Notes to Consolidated Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: Command Center, Inc. ("Command Center", the "Company," "we", "us", or "our") is a Washington corporation initially organized in 2002. We reorganized in 2005 and 2006 and now provide on-demand employees for manual labor, light industrial, and skilled trade's applications. Our customers are primarily small to mid-sized businesses in the restoration, wholesale trades, manufacturing, hospitality, construction and retail industries. We currently operate 59 stores located in 24 states. Our largest 10 customers represent approximately 22% of our revenue. We operate as: Command Center, Inc., Disaster Recovery Services, Inc., and as Bakken Staffing, a dba utilized in North Dakota.

Basis of Presentation: In January 2012 we organized Disaster Recovery Services, Inc. ("DRS") as a wholly owned subsidiary (see Note 2) and during the quarter ended September 28, 2012, we incurred expenses in ComStaff Transport, Inc. ("ComStaff"), a previously dormant, wholly owned entity. Accordingly, the consolidated financial statements include the accounts of Command Center, DRS, and ComStaff. Command Center operations are one reportable segment. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year End: Our consolidated financial statements are presented on a 52/53-week fiscal year end basis, with the last day of the fiscal year being the last Friday of each calendar year. In fiscal years consisting of 53 weeks, the final quarter will consist of 14 weeks. Fiscal years 2012 and 2011 both consisted of 52 weeks.

Reclassifications: Certain amounts in the consolidated financial statements for 2011 have been reclassified to conform to the 2012 presentation. These reclassifications have no effect on net income, earnings per share, or stockholders' equity as previously reported.

Revenue Recognition: We generate revenues primarily from providing on-demand labor services. Revenue from services is recognized at the time the service is performed and is net of adjustments related to customer credits. Revenues are reported net of customer credits and taxes collected from customers that are remitted to taxing authorities.

Cost of Staffing Services: Cost of services includes the wages of temporary employees, related payroll taxes, workers' compensation expenses, and other direct costs of services.

Cash and Cash Equivalents: Cash and cash equivalents consists of demand deposits, including interest-bearing accounts with original maturities of three months or less, held in banking institutions and a trust account. These accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At December 28, 2012, we held deposits in excess of FDIC insured limits of approximately \$705,000.

Restricted Cash: We maintained a cash balance that is held on deposit as a requirement of our workers' compensation insurance provider.

Accounts Receivable and Allowance for Doubtful Accounts: Accounts receivable are carried at their estimated recoverable amount, net of allowances. We regularly review our accounts receivable for collectability. The allowance for doubtful accounts is determined based on historical write-off experience, age of receivable, other qualitative factors and extenuating circumstances, and current economic data and represents our best estimate of the amount of probable losses on our accounts receivable. The allowance for doubtful accounts is reviewed monthly. Generally, we refer overdue balances to a collection agency at 120 days and the collection agent typically pursues collection for another 60 or more days. All balances over 180 days past due are either written off as bad debt or fully reserved. At December 28, 2012 and December 30, 2011, our allowance for doubtful accounts was approximately \$519,000 and \$232,000, respectively.

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Property and Equipment: Property and equipment are recorded at cost. We compute depreciation using the straight-line method over the estimated useful lives, typically three to five years. Leasehold improvements are capitalized and amortized over the shorter of the non-cancelable lease term or their useful lives. Repairs and maintenance are expensed as incurred. When assets are sold or retired, cost and accumulated depreciation are eliminated from the consolidated balance sheet and gain or loss is reflected in the consolidated statement of income.

Capitalized Software Development Costs: We expense costs incurred in the preliminary project stage of developing or acquiring internal use software. Once the preliminary assessment is complete, management authorizes the project. When it is probable that the project will be completed, will result in new software or added functionality of existing software, and the software will be used for the function intended, we capitalize subsequent software development costs. The capitalized costs are amortized on a straight-line basis over the estimated useful life of the software which ranges from three to seven years.

Workers' Compensation Reserves: In accordance with the terms of our workers' compensation liability insurance policy, we maintain reserves for workers' compensation claims to cover our cost of all claims. We use third party actuarial estimates of the future costs of the claims and related expenses discounted by a 3% present value interest rate to determine the amount of our reserves. We evaluate the reserves regularly throughout the year and make adjustments as needed. If the actual cost of the claims incurred and related expenses exceed the amounts estimated, additional reserves may be required. In monopolistic states, we utilize the state funds for our workers' compensation insurance and pay our premiums in accordance with the state plans.

Goodwill and Other Intangible Assets: Goodwill represents the excess purchase price over the fair value of identifiable assets received attributable to business acquisitions and combinations. Goodwill and other intangible assets are measured for impairment at least annually and/or whenever events and circumstances arise that indicate impairment may exist, such as a significant adverse change in the business climate. In assessing the value of goodwill, assets and liabilities are assigned to the reporting units and the appropriate valuation methodologies are used to determine fair value at the reporting unit level. Identified intangible assets are amortized using the straight-line method over their estimated useful lives which are estimated to be between three and seven years.

Fair Value of Financial Instruments: We carry financial instruments on the consolidated balance sheet at the fair value of the instruments as of the consolidated balance sheet date. At the end of each period, management assesses the fair value of each instrument and adjusts the carrying value to reflect its assessment. At December 28, 2012 and December 30, 2011, the carrying values of accounts receivable and accounts payable approximated their fair values.

Derivatives: From time to time, we enter into transactions which contain conversion privileges, the settlement of which may entitle the holder or us to settle the obligation(s) by issuance of Company securities. When we enter into transactions which allow us to settle obligations by the issuance of Company securities, fair value is estimated each reporting period.

Income Taxes: We account for income taxes under the liability method, whereby deferred income tax liabilities or assets at the end of each period are determined using the tax rate expected to be in effect when the taxes are actually paid or recovered. A valuation allowance is recognized on deferred tax assets when it is more likely than not that some or all of these deferred tax assets will not be realized. Our policy is to prescribe a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. We have analyzed our filing positions in all jurisdictions where we are required to file returns, and found no positions that would require a liability for unrecognized income tax positions to be recognized. We are subject to tax examinations. In the event that we are assessed penalties and or interest, penalties will be charged to other financing expense and interest will be charged to interest expense.

Earnings per Share: We follow financial accounting standards which require the calculation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income or loss available to common stockholders by the weighted average number of common shares outstanding, and does not include the impact of any potentially dilutive common stock equivalents. Diluted earnings per share reflect the potential dilution of securities that could share in our earnings through the conversion of common shares issuable via outstanding stock warrants, and/or stock options. We had common stock equivalents outstanding to purchase 13,835,053 and 13,577,053 shares of common stock at December 28, 2012 and December 30, 2011, respectively. If we incur losses in the periods presented, or if conversion into common shares is anti-dilutive, basic and dilutive earnings per share are equal. At December 28, 2012 and December 30, 2011, we had 3,888,715 and 4,508,092 dilutive shares relating to vested stock options and warrants, respectively.

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Share-Based Compensation: Periodically, we issue common shares or options to purchase our common shares to our officers, directors, employees, or other parties. Compensation expense for these equity awards are recognized over the vesting period, based on the fair value on the grant date. We recognize compensation expense for only the portion of options that are expected to vest, rather than record forfeitures when they occur. If the actual number of forfeitures differs from those estimated by management, additional adjustments to compensation expense may be required in the future periods. We determine the fair value of equity awards using the Black-Scholes valuation model.

Advertising Costs: Advertising costs consist primarily of print and other promotional activities. We expense advertisements as incurred. During the years ended December 28, 2012 and December 30, 2011, advertising cost were included in selling, general and administrative expenses were approximately \$62,000 and \$160,000, respectively.

Concentrations: At December 28, 2012, we had a concentration in accounts payable where 10.9% of total balance was due to a single vendor. A reduction or loss of service from this vendor could have a material adverse effect on our results of operations and financial condition. There were no concentrations at December 30, 2011.

Long-lived asset impairment: Long-lived assets include property and equipment and definite-lived intangible assets. Definite-lived intangible assets consist of customer relationships, trade names and non-compete agreements. Long-lived assets are measured for impairment at least annually and/or whenever events and circumstances arise that indicate that the carrying value of the assets may not be recoverable.

Business Combinations: We account for business combinations using the purchase method of accounting to recognize and measure the identifiable assets and goodwill acquired in business combinations. Identifiable assets are recorded at fair value at the acquisition date. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Checks Issued and Outstanding: When checks drafted at a financial institution are in excess of funds on deposit at that financial institution, determined on an entity by entity level, they are presented as a current liability on the consolidated balance sheet.

Fair Value Measures: Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in the principal or most advantageous market for the asset or liability in an ordinary transaction between market participants on the measurement date. Our policy on fair value measures requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The policy establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The policy prioritizes the inputs into three levels that may be used to measure fair value:

Level 1: Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2: Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Our financial instruments consist principally of stock warrants and a contingent liability.

The following table sets forth our assets and liabilities measured at fair value, whether recurring or non-recurring, at December 28, 2012 and December 30, 2011, and the fair value calculation input hierarchy level that we have determined applies to each asset and liability category.

	2012	2011	Input Hierarchy Level
Recurring:			
Stock Warrant liability	\$ 599,473	\$ 983,415	Level 2
Contingent liability	322,874	-	Level 2

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Recent Accounting Pronouncements: Other accounting standards that have been issued by the FASB or other standards-setting bodies are not expected to have a material impact on our financial position, results of operations and cash flows. In fiscal year 2012, the adoption of other accounting standards had no material impact on our financial positions, results of operations or cash flows.

Recent Accounting Pronouncements not yet Adopted: In July 2012, the Financial Accounting Standards Board issued guidance on testing indefinite-lived intangibles for impairment. The new guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of its indefinite-lived intangible assets are less than their carrying amounts. If an entity determines that it is more likely than not that the fair value of each asset exceeds its carrying amount, it would not need to calculate the fair value of the asset in that year. If the entity concludes otherwise, it is required to perform an impairment test comparing the carrying value of the intangible asset with its fair value and recognize an impairment loss if necessary. The new guidance will be effective for us beginning in our fiscal year 2013.

NOTE 2– ACQUISITIONS

On January 4, 2012 (effective January 1, 2012), through our wholly-owned and newly formed subsidiary DRS, we entered into an asset purchase agreement (the “Agreement”), with DR Services of Louisiana, LLC, a Louisiana limited liability company, and Environmental Resource Group, LLC, a Louisiana limited liability company (collectively “DRS, LLC”). Under the terms of the Agreement, we acquired substantially all of DRS, LLC’s assets.

The following tables summarize the consideration transferred and the recognized amounts of assets acquired:

Consideration Transferred:	
Cash	\$ 150,000
Note payable	150,000
Equity instruments (1.5 million shares of restricted common stock)	390,000
Contingent consideration (Up to an additional 1.5 million shares of restricted common stock)	851,727
	\$ 1,541,727
 Identifiable Assets and Goodwill Acquired:	
Customer list	\$ 608,096
Trade name	36,830
Vehicles and machinery	79,852
Other tangible property	10,163
Goodwill	806,786
	\$ 1,541,727

The number of shares to be issued pursuant to the contingent consideration is based on the sum of two calculations performed each quarter for the 8 quarters following the acquisition. The first calculation takes 9% of net revenue divided by the greater of our current stock price or \$0.50 divided by 2. The second calculation takes 9% of actual net revenue less the prior year’s quarterly revenue, stepped up by 5% each quarter (i.e., 5% increase in the first of eight quarters and a 40% increase in the eighth of eight quarters) with the increase, if any, divided by the greater of our current stock price or \$0.50.

The fair value of the 1.5 million shares issued was determined based on the closing price of our common stock on the date of issuance.

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The fair value of the contingent shares to be issued was determined based upon a binomial model where we estimated our future stock price and the future revenue growth of DRS over the 8 quarters following the acquisition. The assumptions used to calculate the fair value of the contingent liability are as follows:

Command Center, Inc. future stock price	\$0.50 - \$2.10
DRSI quarterly revenue growth	10.0% - 40.0 %

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The change in fair value amounted to approximately \$458,000 for the fiscal year ended December 28, 2012, and is included in the line item change in fair value of derivative liabilities in our consolidated statement of income. This gain was primarily related to the accelerated earning of the contingent consideration and an actual per share price that was lower than originally estimated by management. The original estimate assumed the contingent consideration would be earned over eight quarters where our stock price was anticipated to steadily increase over that time period. Actual results show the contingent liability was earned over four quarters, over a period where our stock price remained relatively constant. As of December 28, 2012, we have issued 211,874 shares of common stock valued at \$70,540 in relation to the contingent liability.

At December 28, 2012, there were approximately 1.3 million shares issuable to the owners of DRS, LLC valued at approximately \$323,000 related to contingent consideration earned and due.

As part of the agreement, the owners of DRS, LLC entered into employment agreements with us with a term of one year in which we agreed to pay them an annual salary, and a vehicle allowance. Also as part of the agreement, the owners of DRS, LLC entered into non-compete agreements with a term of two years.

Our consolidated financial statements for fiscal year 2012 reflect all DRS transactions for the entire period. Accordingly, no pro forma information for 2012 is being presented. Pro forma results of operations for the period ended December 30, 2011, as if the acquisition date of DRS, LLC had been January 1, 2011 (the first day of our 2011 fiscal year), are as follows:

	Fifty-two Weeks Ended December 30, 2011			
	Command Center, Inc.	Disaster Recovery Services, Inc.	Adjustments	Pro-forma
Revenue	\$81,920,997	\$4,990,161	\$ 378,419	\$87,289,577
Cost of staffing services	63,279,203	4,041,961	322,541	67,643,705
Gross profit	18,641,794	948,200	55,878	19,645,872
Selling, general and administrative expenses	17,683,607	601,703	8,960	18,294,270
Depreciation and amortization	441,087	10,036	-	451,123
Income from operations	517,100	336,461	46,918	900,479
Interest expense and other financing expenses	(754,761)	-	-	(754,761)
Change in fair value of warrant liability	179,369	-	-	179,369
Net income (loss) before income taxes	(58,292)	336,461	46,918	325,087
Provision for income taxes	912,195	-	-	912,195
Net income	\$853,903	\$336,461	\$ 46,918	\$1,237,282
Earnings per share				
Basic	\$0.02	\$0.22		\$0.02
Diluted	\$0.01	\$0.22		\$0.02
Weighted average shares outstanding				
Basic	56,859,426	1,500,000		58,359,426
Diluted	61,367,518	1,500,000		62,867,518

The owners of DRS, LLC ran certain contracts through Environmental Resources Group, LLC. Amounts in the adjustments column relate to these contracts.

Prior to the agreement, DRS, LLC had subcontracted with us to provide temporary employment services in various disaster relief projects, such as flood recovery work, in several states.

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NOTE 3– PROPERTY AND EQUIPMENT

The following table summarizes the book value of the assets and accumulated depreciation and amortization at December 28, 2012 and December 30, 2011:

	2012	2011
Leasehold improvements	\$ 1,217,027	\$ 1,110,634
Vehicles and machinery	224,361	-
Furniture and fixtures	298,753	283,831
Computer hardware and licensed software	290,262	218,970
Accumulated depreciation	(1,476,757)	(1,330,210)
	553,646	283,225
Software development costs	606,848	600,465
Accumulated amortization	(550,722)	(500,676)
	56,126	99,789
Total property and equipment, net	\$ 609,772	\$ 383,014

During the fiscal year ended December 28, 2012 and December 30, 2011, we recognized approximately \$197,000 and \$300,000, respectively, of depreciation and amortization expense related to property and equipment.

NOTE 4– GOODWILL AND INTANGIBLE ASSETS

In 2012, we recorded an increase in goodwill of approximately \$807,000 related to the acquisition of DRS (see Note 2).

At least annually, or whenever events or circumstances arise indicating an impairment may exist, we review goodwill for impairment. We are a single reporting unit consisting of purchased on-demand labor stores, thus the analysis was conducted for the Company as a whole. Our goodwill represents the consideration given for acquisitions in excess of the fair value of identifiable assets received. We did not record an impairment of goodwill in fiscal years 2012 or 2011 as the estimated fair value of the reporting unit exceeded its carrying value.

The following table presents our purchased intangible assets, other than goodwill, for the fiscal years ended December 28, 2012 and December 30, 2011:

	2012	2011
Customer relationships	\$ 1,545,096	\$ 937,000
Trade names and other	41,780	-
Accumulated amortization	(1,064,341)	(890,166)
Intangible asset, net	\$ 522,535	\$ 46,834

During the fiscal year ended December 28, 2012 and December 30, 2011, we recognized approximately \$174,000 and \$141,000, respectively, of amortization expense related to intangible assets.

We obtained our amortizable intangible asset as a result of the acquisition of DRS in 2012 (see Note 2) and the acquisition of on-demand labor stores in 2006 and 2007.

NOTE 5– FACTORING AGREEMENT & LINE OF CREDIT FACILITY

Our current financing agreement is an account purchase agreement which allows us to sell eligible accounts receivable for 90% of the invoiced amount on a full recourse basis up to the facility maximum, \$15 million on December 28, 2012 and \$14 million on December 30, 2011. When the account is paid by our customers, the remaining 10% is paid to us, less applicable fees and interest. Eligible accounts receivable are generally defined to include accounts that are not more than ninety days past due. Prior to November 13, 2012, eligible accounts receivable were generally defined to include accounts that were not more than sixty days past due.

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Net accounts receivable sold pursuant to this agreement at December 28, 2012 and December 30, 2011 were approximately \$9.1 million and \$6.1 million, respectively. The term of the current agreement is for the period ending April, 2014. The current agreement bears interest at the greater of the prime rate plus 2.5%, or the London Interbank Offered Rate (LIBOR) plus 5.5%, with a floor of 6.25% per annum. At December 28, 2012 the effective interest rate was 6.25%. Interest is payable on the actual amount advanced or \$3 million, whichever is greater. Additional charges include an annual facility fee equal to one percent of the facility threshold in place, a monthly monitoring fee of \$5,000, and lockbox fees. As collateral for repayment of any and all obligations, we granted Wells Fargo Bank, N.A. a security interest in our all of our property including, but not limited to, accounts receivable, intangible assets, contract rights, deposit accounts, and other such assets.

The agreement contains a covenant that requires the sum of the excess available advances, plus or minus our cash balance at month end, must at all times be greater than accrued payroll and accrued payroll taxes. At December 28, 2012 and December 30, 2011, we were in compliance with this covenant.

NOTE 6– WORKERS’ COMPENSATION INSURANCE AND RESERVES

On April 1, 2012 we changed our workers’ compensation carrier to Dallas National in all states in which we operate other than Washington, North Dakota and New York. The Dallas National coverage is a large deductible policy where we have primary responsibility for claims under the policy. Dallas National provides insurance for covered losses and expenses in excess of \$350,000 per incident. Per our contractual agreements with Dallas National, we made payments into, and maintain a balance of, \$900,000 in a non-depleting deposit account to cover claims within our self-insured layer. For workers' compensation claims originating in the monopolistic jurisdictions of Washington and North Dakota we pay workers' compensation insurance premiums and obtain full coverage under state government administered programs. We also obtain full coverage in New York under a policy issued by the State Fund of New York. Accordingly, our consolidated financial statements reflect only the mandated workers' compensation insurance premium liability for workers' compensation claims in these jurisdictions.

From April 1, 2011 to March 31, 2012 our workers’ compensation coverage was obtained through Zurich American Insurance Company (“Zurich”). The policy with Zurich was a guaranteed cost plan, which is in contrast to our current and previous coverage where we are and were substantially self-insured through a large deductible policy. Zurich provided workers’ compensation coverage in all states in which we operate other than Washington and North Dakota.

Our previous workers’ compensation coverage was a large deductible policy where we had primary responsibility for claims under the policy. Our previous workers’ compensation carriers provide insurance for covered losses and expenses in excess of \$250,000 per claim.

Workers' compensation expense for temporary workers is recorded as a component of our cost of services and totaled approximately \$4.1 million and \$4.2 million for the years ended December 28, 2012 and December 30, 2011, respectively.

Prior to Zurich, we maintained workers' compensation policies through AMS Staff Leasing II (“AMS”) for coverage in the non-monopolistic jurisdictions in which we operated. The AMS coverage was a large deductible policy where we have primary responsibility for claims under the policy. Under this policy, AMS provides re-insurance for covered losses and expenses in excess of \$250,000 per claim, which results in us being substantially self-insured on claims originating under AMS.

Under the AMS policies, we make payments into a risk pool fund to cover claims within our self-insured layer. Per our contractual agreements for this coverage, we were originally required to maintain a deposit in the amount of \$715,000. When we transitioned to Zurich, we negotiated an arrangement where we now remit payments to the

insurer in the amount of \$25,000 each week to maintain a sufficient deposit with them. At December 28, 2012, our deposit with this previous insurer was approximately \$422,000.

For the two year period prior to May 13, 2008, our workers' compensation coverage was obtained through policies issued by AIG. In 2011 we received notice from AIG requesting additional collateral based upon initial contractual agreements in the amount of approximately \$3.1 million relating to prior policy years. Using third party actuarial analyses and considering the adjustments referenced above, we estimate that we may be under-collateralized with AIG by up to \$500,000. At December 28, 2012, our risk pool deposit with AIG was approximately \$379,000. All liabilities associated with these claims are fully reserved on our consolidated balance sheet.

Expected losses will extend over the life of the longest lived claim which may be outstanding for many years. Our current actuarial analysis is based largely on industry averages which may not be applicable to us. If our average claims period is longer than industry average, our actual claims losses could exceed our current estimates. Conversely, if our average claims period is shorter than industry average, our actual claims could be less than current reserves.

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Workers' compensation expense for temporary workers is recorded as a component of our cost of services and consists of the following components: changes in our self-insurance reserves, net of the discount; actual claims paid; insurance premiums and administrative fees; and premiums paid in monopolistic jurisdictions. Workers' compensation expense for our temporary workers totaled approximately \$4.1 million and \$4.2 million in the fiscal years ended December 28, 2012 and December 30, 2011, respectively.

	2012	2011
Workers' Compensation Deposits		
Workers' compensation deposits available at the beginning of the period	\$ 928,834	\$ 1,914,924
Additional workers' compensation deposits made during the period	1,850,000	879,238
Deposits applied to payment of claims during the period	(1,072,639)	(1,805,328)
Refunds received	-	(60,000)
Deposits available for future claims at the end of the period	\$ 1,706,195	\$ 928,834
Workers' Compensation Claims Liability		
Estimated future claims liabilities at the beginning of the period	\$ 2,946,675	\$ 4,099,000
Claims paid during the period	(1,626,182)	(1,311,158)
Additional future claims liabilities recorded during the period	2,390,432	158,833
Estimated future claims liabilities at the end of the period	\$ 3,710,925	\$ 2,946,675

The workers' compensation risk pool deposits are classified as current and non-current assets on the consolidated balance sheet based upon management's estimate of when the related claims liabilities will be paid. The deposits have not been discounted to present value in the accompanying consolidated financial statements.

NOTE 7– STOCKHOLDERS' EQUITY

Issuance of Common Stock: In the fiscal year ending December 28, 2012, we issued 1,711,874 shares of common stock in relation to the acquisition of DRS (see Note 2).

We issued 153,000 shares of common stock valued at approximately \$47,000 to our investor relations firm as partial payment for their investor relations fees. The average price of the shares issued was \$0.31. The shares were recorded as an expense when earned and issuable.

We issued 140,000 shares of common stock valued at approximately \$36,000 to the outside members of our Board of Directors for partial payment of their services.

In the fiscal year ending December 30, 2011, we issued 2,750,000 shares of common stock for the exercise of warrant at a price of \$0.08 per share.

We issued 192,000 shares of common stock valued at approximately \$72,000 to our investor relations firm as partial payment for their investor relations fees. The average price of the shares issued was \$0.37. The shares were recorded as an expense when earned and issuable.

We issued 40,000 shares of common stock to two employees for compensation valued at \$15,600.

In the fiscal year ended December 31, 2010, we issued 5,250,000 shares of common stock in a private placement at a price of \$0.08 per unit. Units consisted of one share of common stock and one-half of one common stock purchase

warrant. Our former CEO purchased 2,750,000 of those units. A detail of the warrant term and exercise price follows:

Exercise Price	Ending Period of Exercise Price
\$ 0.08	March 15, 2011
\$ 0.16	March 15, 2012
\$ 0.32	March 15, 2013
\$ 0.50	March 15, 2014
\$ 1.00	March 15, 2015

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The following warrants for our common stock were issued and outstanding on December 28, 2012 and December 30, 2011, respectively:

	2012	2011
Warrants outstanding at beginning of year	12,137,803	14,887,803
Issued	-	-
Exercised	-	(2,750,000)
Cancelled	(250,000)	-
Warrants outstanding at end of year	11,887,803	12,137,803

A detail of warrants outstanding at December 28, 2012 is as follows:

	Number	Expiration Date
Exercisable at \$1.25 per share	6,312,803	6/20/2013
Exercisable at \$0.08 per share	4,200,000	4/1/2014
Exercisable at between \$0.32 and \$1.00 per share	1,375,000	4/15/13 to 4/15/15
	11,887,803	

Of the warrants outstanding, 4.2 million are defined as a derivative instrument and the fair value of these warrants are estimated each period using the Black-Scholes pricing model. The assumptions used to calculate the fair values are as follows:

	December 28, 2012	December 30, 2011
Expected term (years)	1.3	2.3
Expected volatility	95.2 %	106.2 %
Dividend yield	0.0 %	0.0 %
Risk-free rate	0.2 %	0.3 %

The change in fair value amounted to approximately \$384,000 and \$179,000 for the year ended December 28, 2012 and December 30, 2011, respectively. These changes are included in the line item change in fair value of derivative liabilities in our consolidated statement of income.

NOTE 8– STOCK BASED COMPENSATION

Employee Stock Incentive Plan: We approved an option plan in 2008 permitting the grant of 6.4 million stock options to employees for the purpose of attracting and motivating employees, officers, directors, as well as advancing our own interests.

During 2012, we granted 1,875,000 stock options to employees, officers and directors exercisable at \$0.41, which expire on May 9, 2017. In 2011, we granted 3,677,000 stock options to employees, officers and directors exercisable at a price between \$0.17 and \$0.40, which expire between October 5, 2013 and May 5, 2015. Options granted in 2011 have terms of three to five years from the date of grant. Options granted in 2012 vest over a period of four years, with 25% vesting on the first anniversary of the date of grant and 25% vesting each anniversary thereafter for the following three years. The vesting schedule varied on options granted during fiscal year 2011 with 625,000 options being fully

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vested upon grant and 3,052,000 options vesting over a period of four years, with 25% vesting on the first anniversary of the date of grant and 25% vesting each anniversary thereafter for the following three years.

The following table reflects the summary of stock options outstanding at December 31, 2010 and changes during the fiscal years ended December 30, 2011 and December 28, 2012:

	Number of Shares Under Options	Weighted Average Exercise Price Per Share	Weighted Average Fair Value Per Share	Aggregate Intrinsic Value
Outstanding, December 31, 2010	3,258,000	\$ 0.20	\$ 0.17	\$ 1,068,870
Forfeited	(166,000)	0.17	0.15	(54,060)
Outstanding, December 30, 2011	3,092,000	0.20	0.17	1,014,810
Granted	1,875,000	0.41	0.33	768,750
Forfeited	(281,750)	0.28	0.24	(6,010)
Expired	(602,250)	0.30	0.22	(3,090)
Outstanding, December 28, 2012	4,083,000	0.20	0.17	\$ 1,774,460

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The fair value of each option award is estimated on the date of grant using the Black-Scholes pricing model. Expected volatility is based on historical annualized volatility of our stock. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate is based upon the U.S. Treasury yield curve in effect at the time of grant. Currently we do not foresee the payment of dividends in the near term. The assumptions used to calculate the fair value are as follows:

	December 28, 2012	
Expected term (years)	5.0	
Expected volatility	116.9	%
Dividend yield	0.0	%
Risk-free rate	0.8	%

Under the fair value recognition provisions of the Accounting Standards Codification, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as an expense over the vesting period using the straight-line method of amortization. The expected post vesting exercise rate was determined based on an estimated annual turnover percentage of 15% with an estimated 90% of vested options expected to be exercised. Options granted to certain key employees were not taken into consideration when determining the post vesting effects due to turnover. During the fiscal year ended December 28, 2012 and December 30, 2011, we recognized share-based compensation expense of approximately \$139,000 and \$105,000 relating to the issuance of stock options, respectively.

The following table reflects a summary of our nonvested stock options outstanding at December 31, 2010 and changes during the fiscal years ended December 30, 2011 and December 28, 2012:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Nonvested, December 31, 2010	2,633,000	\$ 0.17	\$ 0.15	\$ 1,026,870
Vested	(814,250)	0.17	0.15	(212,278)
Forfeited	(166,000)	0.17	0.15	(75,810)
Nonvested, December 30, 2011	1,652,750	0.17	0.15	738,782
Granted	1,875,000	0.41	0.33	768,750
Vested	(510,250)	0.17	0.15	(17,910)
Forfeited	(281,750)	0.28	0.24	(6,010)
Nonvested, December 28, 2012	2,735,750	0.17	0.15	\$ 1,483,612

As of December 28, 2012, there was unrecognized share-based compensation expense totaling approximately \$433,000 relating to non-vested options that will be recognized over the next 2.36 years.

The following summarizes information about the stock options outstanding at December 28, 2012:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
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Outstanding	4,083,000	\$ 0.28	3.15	\$ 608,603
Exercisable	1,347,250	0.18	2.23	44,890

Employee Stock Purchase Plan: We approved an employee stock purchase plan in 2008 permitting the grant of 1.0 million shares of common stock to employees. No options or shares have been issued pursuant to this plan.

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NOTE 9– INCOME TAX

The provision for deferred income taxes is comprised of the follows:

	December 28, 2012	December 30, 2011
Deferred tax assets		
Workers' compensation claims liability	\$ 1,444,000	\$ 1,178,000
Other assets	79,000	124,000
Net operating loss	5,460,000	5,953,000
Store closure reserve	-	49,000
AMT credit	39,000	-
Property, plant, equipment and intangibles	238,000	233,000
Bad debt reserve	202,000	93,000
Total deferred tax assets	\$ 7,462,000	\$ 7,630,000
Deferred tax liabilities		
Total Liabilities	-	-
Net deferred tax asset	\$ 7,462,000	\$ 7,630,000
Valuation allowance	(7,462,000)	(6,717,805)
Total deferred tax asset net of valuation allowance	\$ -	\$ 912,195

At December 28, 2012, we revised our estimate relating to our ability to utilize our net operating losses to offset expected future income and we fully offset the deferred tax asset by a valuation allowance because of uncertainties concerning our ability to generate sufficient taxable income in future periods to realize the tax benefit. At December 30, 2011, we estimated that \$912,195 would be utilized in the coming year, and we still expect that to be the case. However, at this time, we do not have sufficient information or expectations that all of the deferred tax assets currently available can be realized. Management does not believe that information is available to support a reduction in the valuation allowance based upon the more likely than not test of future utilization of these deferred tax attributes. Based upon our future results of operations, management will review the future utilization of the deferred tax attributes annually.

Our federal and state net operating loss carryover of approximately \$14.0 million will expire in the years 2022 through 2032. Our charitable contribution carryover will expire in the years 2012 through 2018. The net change in the valuation allowance account from December 30, 2011 to December 28, 2012 was an increase of approximately \$744,000.

Management estimates that our combined federal and state tax rates will be approximately 39%. The items accounting for the difference between income taxes computed at the statutory federal income tax rate and the income taxes reported on the statements of income are as follows:

	December 28, 2012			December 30, 2011		
Income tax expense (benefit) based on statutory rate	\$856,000	34	%	\$(20,000)	35	%
Permanent differences	(202,000)	-8	%	101,000	174	%
State income taxes expense net of federal taxes	215,000	9	%	(3,000)	-5	%
Change in valuation allowance	744,000	30	%	(990,000)	-1,699	%
AMT credit	39,000	2	%	-	0	%
Other	(694,000)	-28	%	-	0	%
Total taxes (benefits) on income	\$958,000	38	%	\$(912,000)	-1,564	%

We have analyzed our filing positions in all jurisdictions where we are required to file income tax returns and found no positions that would require a liability for unrecognized income tax benefits to be recognized. We are subject to possible tax examinations for the years 2009 through 2012. We record interest and penalties as interest expense on the consolidated financial statements.

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NOTE 10– COMMITMENTS AND CONTINGENCIES

We presently lease office space for our corporate headquarters in Coeur d’Alene, Idaho. In August 2012, we executed the lease on this facility for a three year term, expiring September 14, 2015, with an option to renew for an additional three years. We pay approximately \$4,000 per month for use of the building. Pursuant to the lease, as the sole occupant of the property we are responsible for payment of typical triple net charges for property taxes, insurance and maintenance.

We also lease the facilities for all of our store locations. All of these facilities are leased at market rates that vary in amount depending on location. Each store is between 1,000 and 5,000 square feet, depending on location and market conditions.

Operating leases: We lease store facilities, vehicles, and equipment. Most of our store leases have terms that extend over three to five years. Some of the leases have cancellation provisions that allow us to cancel with 90 days' notice. Other leases have been in existence long enough that the term has expired and we are currently occupying the premises on month-to-month tenancies. Minimum lease obligations for the next five years as of December 28, 2012 are:

Year	Operating Lease Obligation
2013	\$ 545,619
2014	358,388
2015	253,999
2016	136,163
2017	10,052
Total	\$ 1,304,221

Legal Proceeding: On August 3, 2012, Trident Seafoods Corporation and Liberty Mutual filed a lawsuit against us in the United States District Court, Western District of Washington, for declaratory judgment, breach of contract and violation of the Consumer Protection Act. This action is the result of a previous decision of the administrative law judge for the U.S. Department of Labor, wherein it was determined that a former employee of ours was, in fact, an employee of Trident Seafoods, for purposes of the U.S. Longshore and Harbor Workers' Compensation Act. Trident Seafoods alleges we have a contractual duty to pay workers' compensation benefits for the injured "borrowed" employee. We believe the claims asserted by Trident are unfounded and intends to vigorously defend this case.

Leases on closed stores: During 2008 and 2009, we closed a number of stores in response to economic conditions and a general downturn in business opportunities in certain markets. Management continued to evaluate opportunities in those markets and held out hope for a recovery that would allow us to reopen the closed stores. During the first quarter of 2009, management assessed the likelihood of reopening the closed stores in the next twelve months as remote. As a result, we began negotiating with landlords for termination of the closed store leases. With the determination that store re-openings were unlikely, we recorded a reserve for closed store leases. This amount represents Management's best estimate of the amounts we are likely to pay in settlement of the outstanding lease obligations on the closed stores. Management concluded that total lease obligations on closed stores as of December 28, 2012 and December 30, 2011 are approximately \$-0- and \$83,000, respectively.

NOTE 11– SUBSEQUENT EVENTS

On February 22, 2013, our Board of Directors named Frederick Sandford as our President and Chief Executive Officer. As part of his employment agreement, Mr. Sandford was awarded 1.5 million options valued at

approximately \$241,000 which vest over a period of four years, with 25% vesting on the first anniversary of the date of grant and 25% vesting each anniversary thereafter for the following three years.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements between us and our accountants on accounting and financial disclosure, and no changes in the consolidated financial statement presentation were required by the accountants.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusions of Management Regarding Effectiveness of Disclosure Controls and Procedures

An evaluation was performed under the supervision, and with the participation of, our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that as of December 28, 2012, our disclosure controls and procedures were not effective to ensure the information required to be disclosed by an issuer in the reports it files or submits under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms relating to us, and was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our internal control over financial reporting is a process, under the supervision of the Chief Executive Officer and Chief Financial Officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

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Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. While this assessment is not formally documented, management did use it to identify a material weakness in internal control over financial reporting.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The material weakness identified is disclosed below.

Documentation of proper accounting procedures is not complete and some of the documentation that exists has not been reviewed or approved by management, or has not been properly communicated and made available to employees responsible for portions of the internal control system. Additionally, we did not have a system in place for verification of third-party deposits. Not all fully implemented fundamental elements of an effective control environment were present as of December 28, 2012, including formalized monitoring procedures.

Management determined the major factors contributing to our material weakness were related to turnover and training of accounting personnel.

These deficiencies represent a material weakness in our internal control over financial reporting given that it results in a reasonable possibility that a material misstatement to the annual or interim consolidated financial statements would not have been prevented or detected. Based on this assessment, our management concluded that our internal control over financial reporting was not effective as of December 28, 2012.

This annual report does not include an attestation report of our independent registered public accounting firm regarding the internal control over financial reporting. We were not required to have, nor have we engaged our independent registered public accounting firm, to perform an audit of internal control over financial reporting pursuant to the rules of the Securities and Exchange Commission that permits us to provide only management's report in this annual report.

Management's remediation initiatives will include efforts to remedy the material weakness in internal control through continued progress accumulating and documenting accounting procedures. Focused, on-the-job training and orientation for new staff members continues to align their performance with tasks required to produce complete and accurate financial reports on a timely basis. Management has dedicated considerable resources to spearhead remediation efforts and continues to address all noted deficiencies. The accounting and information departments are working closely to identify and address system interface issues and streamline processes and procedures. We have implemented new reconciliation procedures to ensure information is properly transferred to the accounting system.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The names and ages and positions of the directors and executive officers of the Company are listed below along with their business experience during the past five years. The business address of all executive officers of the Company is 3901 N. Schreiber Way, Coeur d'Alene, Idaho 83815. All of these individuals are citizens of the United States. Our Board of Directors currently consists of five directors. Directors are elected at the annual meeting of shareholders to serve until they resign or are removed, or are otherwise disqualified to serve, or until their successors are elected and qualified. Executive officers are appointed by the Board. No family relationships exist among any of the directors or executive officers of the Company, except that Todd Welstad is the son of Glenn Welstad, our former CEO and President (1).

Frederick Sandford, age 51	Chief Executive Officer and President
Dan Jackson, age 59	Chief Financial Officer
Todd Welstad, age 44	Chief Operating Officer, Chief Information Office, Executive Vice President, and Director
Ronald L. Junck, age 65	Executive Vice President, Secretary and General Counsel
John Schneller, age 46	Director
Jeff Wilson, age 52	Director
Ralph E. Peterson, age 79	Director
J.D. Smith, age 42	Director

(1) On February 19, 2013, Glenn Welstad submitted his resignation as President, Chief Executive Office and as a Director.

Frederick J. Sandford, 51, was appointed as President and Chief Executive Officer of Command Center, Inc. on February 22, 2013. Mr. Sandford has experience leading companies in transition and all phases of growth. Since 2005, he has served as an independent consultant to Silicon Valley venture capitalists. From 2003-2005, he led the restructuring of The Environmental Trust, a land mitigation organization with 80 holdings, resulting in significant asset protection. Earlier in his career he founded, built and grew a private security enterprise that led to a successful exit. He also founded, built and successfully sold a liquid waste company. Mr. Sandford was awarded a full fellowship and earned his MBA from Cornell University while serving as the CEO of Student Agencies, America's oldest student-run company. He is a former US Navy SEAL. He earned a BA in Psychology from the University of Massachusetts at Amherst.

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Todd Welstad, 44, is our Chief Operating Officer, Chief Information Officer, Executive Vice President, and a Director. He has served as CIO and director since 2003 and COO since May, 2009. Mr. Welstad served as Chief Information Officer of Labor Ready, Inc. from August 1993 through 2001. Before joining us, Mr. Welstad worked in the temporary labor industry as owner/operator and was employed by Harborview Software, Inc., as Vice President in the development of the software used in temporary labor store operations. Todd Welstad is the son of Glenn Welstad.

Dan Jackson, 59, is our Chief Financial Officer. Prior to joining Command Center, Mr. Jackson, served from November 2010 until August 2011 with Red Lion Hotels Corporation as Executive Vice President, Chief Financial Officer. Prior to joining Red Lion Hotels Corporation, Mr. Jackson was Executive Vice President and CFO for KinderCare Learning Centers, Inc. and its successor, Knowledge Learning Corporation from November 2002 to June 2006. Mr. Jackson held the position of Senior Vice President of Finance for KinderCare Learning Centers, Inc. from October 1999 to October 2002 having joined the company as Vice President of Financial Control and Planning in March 1997. Prior to KinderCare from September 1994 to February 1997, Mr. Jackson was Vice President and Controller for Red Lion Hotels, Inc. when it was held by Kohlberg Kravis Roberts & Co. During his 12 year tenure at Red Lion, he was responsible for the financial operations of over 50 hotels and was instrumental in that company's initial public offering and subsequent sale to Doubletree Hotels. Mr. Jackson brings over 30 years of senior level finance to Command Center.

Ronald L. Junck, 65, has been our Executive Vice President, Secretary and General Counsel since November 2006. From 1974 until 1998, Mr. Junck practiced law in Phoenix, Arizona, specializing in business law and commercial transactions, representing a wide variety of business organizations in their corporate and business affairs, as well as in court. He has lectured extensively at colleges and universities on various aspects of business law. From 1998 through 2001, Mr. Junck served as Executive Vice President and General Counsel of Labor Ready, Inc., and for several years served as a director of that company. In 2001, Mr. Junck returned to the private practice of law. Mr. Junck served as a member of our Board of Directors from November 2005 until November 2007. Mr. Junck received a Bachelor of Science in Mechanical Engineering from the University of Illinois in 1971 and a Juris Doctorate from Valparaiso University in 1974. He is admitted to practice before all of the state and federal courts in the State of Arizona, the United States Court of Appeals for the Ninth Circuit and the U.S. Court of Claim.

John Schneller, 46, was appointed to the Board on June 23, 2008. Mr. Schneller is currently a Managing Director at the investment banking firm of Grandwood Securities, LLC. Prior to joining Grandwood, Mr. Schneller served from 2002 to 2007 as an investment analyst at Knott Partners, a multi-billion dollar, value-based, New York hedge fund. Mr. Schneller's area of expertise was analysis and investing in micro-to-mid-cap securities with emphasis in the fields of intellectual property, technology, content distribution, nanotechnology, healthcare, non-bank financials, business services, brokers, asset managers and insurance companies, packaging and retail. Prior to Knott Partners, Mr. Schneller served from 2000-2001 as Executive Director and Senior Research Analyst at CIBC World Markets. Prior to CIBC, from 1997 - 2000, he served as Vice President and Senior Research Analyst at Stephens Inc., a multi-disciplined investment and merchant bank, where he focused on Business Services, IT Services and Marketing Services as well as select software applications. Mr. Schneller was an Associate Analyst at Donaldson, Lufkin & Jenrette, from 1996 - 1997, where he focused on Business Services and Photography and Electronic Imaging. Mr. Schneller received his Bachelor of Arts in History from the University of Massachusetts at Amherst, a Master's degree in Public Administration from Suffolk University and a Master's degree in Business Administration from the Johnson Graduate School of Management at Cornell University.

Jeff Wilson, 52, has been appointed as director of Command Center, Inc., effective September 21, 2010. Since March of 2013 Mr. Wilson has served as the Chief Financial Officer of Acumatica. Prior to that, Mr. Wilson has served as the Chief Financial Officer of Microvision, Inc., a publicly-traded technology company based in Redmond, Washington for six years. Prior to this appointment, he had served as Microvision's Controller and Principal Accounting Officer since August 1999. Before joining the company, Mr. Wilson had served from 1991 to 1999 in

various accounting positions for Siemens Medical Systems, Inc., a developer and manufacturer of medical imaging equipment. Prior to 1991, Mr. Wilson had served as a manager with the accounting firm, Price Waterhouse (now PricewaterhouseCoopers). Mr. Wilson is a certified public accountant and holds a B.S. in Accounting from Oklahoma State University.

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Ralph E. Peterson, 79, was appointed to the Board as an independent director in November 2007 and previously served as our Chief Financial Officer from April, 2009 to October 2010, and again in February, 2011 to May 2012. From 2002 until 2006, Mr. Peterson was a partner with a mid-sized venture capital firm. From year to year, Mr. Peterson held leadership roles with Labor Ready, Inc., where he was a member of its Board of Directors and served as its Chief Financial Officer and Executive Vice President of Corporate and Business Development. He also spent more than 20 years in the restaurant industry, first as an officer of Hardee's Food Company, operating both company owned and franchised fast food restaurants, and subsequently as the Chief Financial Officer of Rax Restaurants, Inc., a national restaurant chain also operating both company-owned and franchised restaurants. Mr. Peterson received his Master's in Business Administration from the University of North Carolina, as well as a Master of Science in Finance and Management and a Bachelor of Science in Accounting from Northern Illinois University.

J.D. Smith, 42, has been appointed as a member of the Board of Directors of Command Center, Inc., effective December 10, 2012. Mr. Smith has worked in real estate investment, construction and development since 1982. In 1990 he formed his first operating company to buy and maintain residential rental properties and obtained his real estate license. In 1993 he graduated from ASU with a Bachelors of Science degree in Real Estate. He lives in Phoenix, AZ since 1987 and has two daughters aged 16 and 18. From 1993 until 2008 he developed over two dozen projects in the Phoenix Metro Area, acting through his companies JD Investments, Inc., The High Sonoran Group, Inc. and JD Smith Development, LLC. From 2008 until 2012 he was the Director of Development for CP Financial, a venture capital firm based in Scottsdale, Arizona. Currently, Mr. Smith is the owner of Real Estate Investment Consultants, LLC, a turnkey investment service firm serving all sectors of the real estate and investment and development businesses. He serves on the Board of Directors of iMedicor, Inc., a publicly-held New York based company and provider of comprehensive healthcare communications solutions.

Committees of the Board of Directors

Our Board of Directors established three standing committees to facilitate and assist the Board in the execution of its responsibilities. The committees are the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The composition and function of each of our committees complies with the rules of the Securities and Exchange Commission that are currently applicable to us and we intend to comply with additional exchange listing requirements to the extent that they become applicable to us in the future. The Board has also adopted a charter for the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Charters for each committee are available on our website at www.commandonline.com. The charter of each committee is also available in print to any shareholder who requests it. The table below shows current membership for each of the standing Board committees.

Audit	Compensation	Nominating and Corporate Governance
Jeff Wilson (Chair)	John Schneller (Chair)	J.D. Smith (Chair)
Ralph E. Peterson	Ralph E. Peterson	Ralph E. Peterson
John Schneller	Jeff Wilson	Jeff Wilson
		John Schneller

The committees are described below.

Audit Committee: Jeff Wilson (Chairman), John Schneller and Ralph Peterson currently serve on the Audit Committee. The Meetings to review our quarterly and annual filings were held each quarter, and several remote meetings were held to discuss the December 28, 2012 audit and the preparation of the consolidated financial statements for the period then ended. The Audit Committee held four formal meetings in 2012 and five in 2011.

Our Board of Directors has determined that Mr. Wilson qualifies as an “audit committee financial expert” as defined under the Securities Exchange Act of 1934 and the applicable rules of the NASDAQ Capital Market. All the members of the Audit Committee are financially literate pursuant to the NASDAQ Marketplace Rules.

Compensation Committee: John Schneller (Chairman), Ralph Peterson and Jeff Wilson currently serve on the Compensation Committee. The Board first appointed the Compensation Committee in December 2008. The Compensation Committee met on four occasions in 2012 and five in 2011 and acted by unanimous written consent one time. The Compensation Committee is comprised of three non-employee director. The non-employee directors have been determined by the Board to be independent pursuant to Rule 10A-3 of the Exchange Act and the NASDAQ Marketplace Rules.

Nominating and Corporate Governance Committee: J.D. Smith (Chairman), Ralph Peterson, Jeff Wilson and John Schneller currently serve on the Nominating and Corporate Governance Committee. The Board first appointed members of the Nominating and Corporate Governance Committee in December 2009. The Nominating and Corporate Governance Committee met on one occasion in 2012 and once in 2011,

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Executive Officers

Each of our executive officers are appointed by our Board of Directors.

Director Independence

The Board affirmatively determines the independence of each director and nominee for election as a director in accordance with certain criteria, which include all elements of independence set forth in the related Securities and Exchange Commission Rules and Regulations and the NASDAQ Marketplace Rules. As part of the Nominating and Governance Committee meetings and as they feel necessary or appropriate at full board meetings, the independent directors meet in executive session without management or any non-independent directors present.

Based on these standards and information provided by the Director and Officers, the Board determined that John Schneller, Jeff Wilson and J.D. Smith, all non-employee directors, are independent and have no material relationship with the Company, except as directors and John Schneller and Jeff Wilson as shareholders of the Company.

In making their determinations, the Board reviewed the following transactions, relationships or arrangements which were determined to be immaterial and not to impair the independence of the respective directors.

Prior to his nomination and election to the Board, Mr. Schneller received a finder's fee of approximately \$70,000 and a warrant to purchase up to 116,435 shares of our common stock for the purchase price of \$1.25 per share in connection with a private placement transaction with MDB Capital Group, LLC. The Board has determined that the finder's fee paid does not impair Mr. Schneller's independence in accordance with the NASDAQ Marketplace Rules and Rule 10A-3 under Section 301 of the Sarbanes-Oxley Act as the value of such finder's fee was below \$100,000 and paid prior to his nomination or election as a director.

In addition, based on Securities and Exchange Commission Rules and Regulations and NASDAQ Marketplace Rules, the Board affirmatively determined that: (a) Todd Welstad is not independent because he is our Chief Information Officer and Chief Operating Officer, (b) Ralph E. Peterson is not independent because he is our former Chief Financial Officer.

Director Compensation

The following table summarized the cash, equity awards, and all other compensation earned by each of our non-employee directors during the year ended December 28, 2012.

Name	Fees Earned	Stock Award (1)	Option Award (2)	All Other	Total
Ralph E. Peterson	\$ 20,000	\$ 10,400	\$ 13,326	\$ -	\$ 43,726
Jeff Wilson	20,000	10,400	34,981	-	65,381
John Schneller	20,000	10,400	13,326	-	43,726
J.D. Smith (3)	-	5,200	-	-	5,200

(1) This column represents the grant date fair value of shares awarded to each non-employee director in 2012 in accordance with GAAP. This amount represents shares awarded for service in 2011 and 2012, except for Mr. Smith, where this amount only represents shares issued for services in 2012. The amounts were calculated using the closing price of our stock on the grant date.

(2)

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This column represents the grant date fair value of options awarded to each non-employee director in 2012 in accordance with GAAP. The amounts were calculated using the Black-Scholes pricing model. Mr. Peterson and Mr. Schneller were awarded 40,000 options and Mr. Wilson was awarded 105,000 options. Options vest at a rate of 25% each anniversary date over the next four years.

(3) On December 10, 2012, the Board appointed Mr. Smith to the Board of Directors.

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Related Person Transactions Policy and Procedures

As set forth in the written charter of the Audit Committee, any related person transaction involving a Company director or executive officer must be reviewed and approved by the Audit Committee. Any member of the Audit Committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote on the approval or ratification of the transaction. Related persons include any director or executive officer, certain shareholders and any of their “immediate family members” (as defined by SEC regulations). In addition, the Board of Directors determines on an annual basis which directors meet the definition of independent director under the Nasdaq Listing Rules and reviews any director relationship that would potentially interfere with his or her exercise of independent judgment in carrying out the responsibilities of a director.

Code of Ethics

We have prepared a Code of Ethics applicable to all directors and employees of the Company and a separate Code of Ethics applicable to our principal executive officer, principal financial officer and principal accounting officer that is designed to comply with the requirements of the Sarbanes-Oxley Act of 2002. The draft Codes of Ethics are intended to be submitted to the Board of Directors for adoption at a regular meeting.

We intend to disclose our Codes of Ethics, and any subsequent amendments thereto, (other than technical, administrative or non-substantive amendments), and any waivers of a provision of the Code of Ethics for directors or executive officers, on our website at www.commandonline.com once such Codes of Ethics are adopted.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934, as amended, requires our officers, directors, and beneficial owners of more than 10% any of our equity securities (“Reporting Persons”) to timely file certain reports regarding ownership of and transactions in our securities with the Securities and Exchange Commission. Copies of the required filings must also be furnished to us. We became subject to the requirements of Section 16(a) on February 8, 2008. Section 16(a) compliance was required during the fiscal year ended December 28, 2012. Based solely upon a review of the copies of Section 16(a) forms received by us, the Reporting Persons have not all complied on each occasion with applicable filing requirements.

Indemnification

The Company’s By-Laws address indemnification of Directors and Officers. Washington Law provides that Washington corporations may include within their Articles of Incorporation provisions eliminating or limiting the personal liability of their directors and officers in shareholder actions brought to obtain damages for alleged breaches of fiduciary duties, as long as the alleged acts or omissions did not involve intentional misconduct, fraud, a knowing violation of law or payment of dividends in violation of the Washington statutes. Washington law also allows Washington corporations to include in their Articles of Incorporation or Bylaws provisions to the effect that expenses of officers and directors incurred in defending a civil or criminal action must be paid by the corporation as they are incurred, subject to an undertaking on behalf of the officer or director that he or she will repay such expenses if it is ultimately determined by a court of competent jurisdiction that such officer or director is not entitled to be indemnified by the corporation because such officer or director did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the corporation. The Company’s Articles of Incorporation provide that a director or officer is not personally liable to the Company or its shareholders for damages for any breach of fiduciary duty as a director or officer, except for liability for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) the payment of distribution in violation of Washington Business Corporation Act.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Board of Directors and Compensation Committees responsibilities relating to the compensation of our Chief Executive Officer and other executives and directors includes (a) reviewing and reporting on the continuity of executive leadership for our Company; (b) approving the compensation structure for our CEO; and (c) reviewing the compensation structure for each of our other Named Executive Officers (NEOs) as listed under Item 11, Executive Compensation Summary Compensation Table below.

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Objectives of Our Compensation Program

In general, our objectives in structuring compensation programs for our NEOs is to attract, retain, incentivize, and reward talented executives who can contribute to our growth and success and thereby build value for our shareholders over the long term. In the past, we have focused on cash compensation in the form of base salary as the primary element of our compensation program for NEOs.

In past years, we did not have any executive compensation policies in place and our Board of Directors was responsible for annually evaluating individual executive performance. Historically, our Board of Directors reviewed and approved all of our compensation packages, and determined the appropriate level of each compensation component for each NEO based upon available compensation data. Our Board of Directors has also relied on its members' business judgment and collective experience in our industry. Although it did not benchmark our executive compensation program and practices, our Board of Directors believes that our executive compensation levels have historically been well below compensation levels for comparable executives in other companies of similar size and stage of development in similar industries and locations. During 2012 we intend to expand the elements of our executive compensation program to include the following:

- Cash compensation in the form of base salary and incentive compensation (performance-based bonuses);
- Equity-based awards;
- Deferred compensation plans; and
- Other components of compensation.

Elements of Compensation

Base Salary: The compensation received by our NEO's consists of a base salary. Base salaries for our executives are established based on the scope of their responsibilities and individual experience. Subject to any applicable employment agreements, base salaries will be reviewed annually, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience.

Annual Bonus: In addition to base salaries, NEO compensation may include annual bonuses based on satisfactory achievement of performance objectives established by the Compensation Committee prior to the beginning of each fiscal year. The Compensation Committee objectives for 2012 are based upon positive cash flow for the Company. Under these objectives, 35% of cash flow for the fiscal year comprises the bonus pool available for allocation among the NEOs, subject to a maximum limit for each NEO equal to base salary. We may increase the annual bonus paid to our NEO's at our discretion. Any annual bonuses must be approved by the Compensation Committee.

Equity and Other Compensation: We offer \$20,000 of Company paid life insurance to most employees, including officers.

Role of Executive Officers in Executive Compensation

Beginning in December 2008, we have a Compensation Committee which is charged with reviewing executive compensation and making recommendations to the Board of Directors based upon their review and analysis. There has been no review performed since the appointment of the Compensation Committee. None of our executive officers currently serves, or in the past year has served, as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving as an independent director on the Board of Directors or Compensation Committee.

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Summary Compensation Table

The following tables provide a summary of information about compensation expensed or accrued by us during the fiscal years ended December 28, 2012, and December 30, 2011 for (a) our Chief Executive Officer, (b) our Chief Financial Officers, and (c) the two other executive officers other than our CEO and CFO serving at the end of such fiscal years; (collectively, the “Named Executive Officers” or “NEOs”). Columns required by SEC rules are omitted where there is no amount to report.

Name and Principal Position	Year	Salary	Bonus	Stock awards	Option awards	Non-equity incentive		Total
						plan compensation	All other compensation	
Glenn Welstad Former Chief Executive Officer and Director (1)	2012	\$ 200,000	\$ 107,082	\$ -	\$ -	\$ -	\$ -	\$ 307,082
	2011	143,077	-	-	-	-	-	143,077
Todd Welstad Director and Chief Information Officer	2012	185,000	133,738	-	33,315	-	-	352,053
	2011	146,827	75,937	-	-	-	-	222,764
Dan Jackson (2) Chief Financial Officer	2012	130,110	93,810	-	166,575	-	8,027	398,522
	2011	-	-	-	-	-	-	-
Ron Junck Executive Vice President, General Counsel and a former Director	2012	185,000	99,050	-	-	-	-	284,050
	2011	157,250	-	-	-	-	-	157,250
Ralph E. Peterson (3) Director and former Chief Financial Officer	2012	74,000	-	-	13,326	-	-	87,326
	2011	-	-	-	-	-	-	-
Jeff R. Mitchell (4) Former Director and Chief Financial Officer	2012	-	64,904	-	-	-	77,019	141,923
	2011	185,000	155,875	-	-	-	-	340,875

(1) Glenn Welstad resigned effective February 19, 2013.

(2) Dan Jackson was appointed Chief Financial officer when Mr. Peterson resigned his employment in 2012. He did not receive any compensation in 2011 and his 2012 annual salary is \$185,000. Other compensation paid to Mr. Jackson relates to commuting expenses paid on his behalf.

(3) Ralph Peterson was appointed Chief Financial Officer when Mr. Mitchell effectively ended his employment in 2011. He did not receive any compensation in 2011 and his 2012 annual salary was \$185,000.

(4) Other compensation for Mr. Mitchell in 2012 relates to severance.

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Name	Grant Date	Option awards			
		Number of securities underlying unexercised options exercisable	Number of securities underlying unexercised options unexercisable	Option exercise price	Option expiration date
Glenn Welstad	5/6/2010	250,000	250,000	\$ 0.19	5/5/2015
Todd Welstad	5/6/2010	150,000	150,000	0.17	5/5/2015
	5/10/2012	100,000	-	0.41	5/9/2017
Dan Jackson	5/10/2012	500,000	-	0.41	5/9/2017
Ron Junck	5/6/2010	125,000	125,000	0.17	5/5/2015
Ralph E. Peterson	5/6/2010	250,000	-	0.17	5/5/2015

Option Exercises

During our fiscal year ended December 28, 2012, there were no options exercised by our NEO's or Directors.

We do not currently have a Long-Term Incentive Plan ("LTIP").

Summary of Executive Employment Agreements

There are no executive employment agreements with Glenn Welstad, former Chief Executive Officer, Todd Welstad, Executive Vice President Chief Operating Officer and Chief Information Officer, nor are there presently any executive employment agreements with Dan Jackson, Chief Financial Officer or with Ronald Junck, Executive Vice President and General Counsel. We do not anticipate entering into new executive employment agreements with Glenn Welstad, Todd Welstad, Dan Jackson and Ronald Junck.

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We do have an Employment Agreement with our new Chief Executive Officer and President. On February 22, 2013, we entered into an Employment Agreement with Frederick Sanford (the "Agreement"). The key terms of the Agreement are as follows: (i) A base salary of \$175,000, with an annual bonus opportunity under the terms and conditions of the Executive Bonus Plan. There is no guarantee of any annual bonus. (ii) We will pay certain relocation expenses, travel and expense reimbursement, professional membership expenses, education expenses, and vacation. (iii) We will make an initial grant of unvested options to acquire 1,500,000 shares of common stock. The options will vest in 4 equal annual installments of 375,000 options, effective beginning on the Vesting Commencement Date as set forth in the Notice of Stock Option Award. (iv) If there is a change in control (as defined in the Agreement), Mr. Sandford will continue to receive his Base Salary and Annual Bonus for 24 months after termination, together with vesting of all options granted pursuant to the Agreement. In the event of termination without cause (as defined in the Agreement), Mr. Sandford would continue to receive his Base Salary for the longer of: 18 months following termination or the remainder of the then current Agreement. (v) Noncompetition and confidentiality provisions are applicable under the Agreement. (vi) The effective date of the Agreement is February 22, 2013 and continues for two years unless sooner terminated (the "Employment Term"). Automatic extensions apply in certain events.

During his tenure, Glenn Welstad received a base salary of \$200,000 per year, effective September 2011, and was entitled to performance-based compensation in an amount set by our Board of Directors. Dan Jackson receives a base salary of \$185,000 per year and is entitled to performance-based compensation in an amount set by the Board. Todd Welstad and Ronald Junck each receive a base salary of \$185,000 per year, effective September 2011, plus performance based compensation as set by the Board. All our executive officers receive expense reimbursement for business travel and participation in employee benefits programs made available during the term of employment.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following tables set forth information regarding (a) the ownership of any non-management person known to us to own more than five percent of any class of our voting common stock, and (b) the number and percentage of our shares of common stock held by each director, each of the named executive officers and directors and officers as a group. Percentages of ownership have been calculated based upon 59,611,242 shares of common stock issued and outstanding as of December 28, 2012.

Security Ownership of Non-Management Owners

Name	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class
Glenn Welstad (1)	Common Stock	11,609,273	19.5 %
Jerry Smith	Common Stock	11,303,813	19.0 %

(1) Includes 9,299,795 shares held outright, 809,478 shares held indirectly, and options and warrants to purchase 1,500,000 shares. Mr. Welstad resigned as an officer and director effective February 19, 2013.

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Security Ownership of Management

Name and Address of Beneficial Owner (1)	Title of Class	Amount and Nature of Beneficial Ownership (2)	Percent of Class	
Todd Welstad (3)	Common Stock	1,639,601	2.8	%
Dan Jackson (4)	Common Stock	125,000	0.2	%
Ronald Junck (5)	Common Stock	2,571,590	4.3	%
Ralph E. Peterson (6)	Common Stock	700,000	1.2	%
John Schneller (7)	Common Stock	181,435	0.3	%
Jeff Wilson (8)	Common Stock	66,250	0.1	%
All Officers and Directors as a Group	Common Stock	5,283,876	8.9	%

(1) The address of the NEOs and Directors is: care of Command Center, Inc., 3901 N. Schreiber Way, Coeur d'Alene, ID 83815.

(2) Beneficial ownership is calculated in accordance with Rule 13-d-3(d)(1) of the Exchange Act, and includes shares held outright, shares held by entity(s) controlled by NEOs and/or Directors, and shares issuable upon exercise of options or warrants which are exercisable on or within 60 days of March 22, 2013.

(3) Includes 1,060,457 shares held outright, 329,144 shares held indirectly, and options to purchase 250,000 shares.

(4) Includes options to purchase 125,000 shares

(5) Includes 2,384,090 shares held outright and options to purchase 187,500 shares.

(6) Includes 440,000 shares held outright and options to purchase 260,000 shares.

(7) Includes 55,000 shares held outright and warrants held indirectly to purchase 126,435.

(8) Includes 40,000 shares held outright and options to purchase 26,250 shares.

Equity Compensation Plans

At the annual meeting of shareholders held on January 20, 2009, the shareholders approved the adoption of the 2008 Employee Stock Incentive Plan and the Employee Stock Purchase Plan.

Changes in Control

We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change in control of us.

Indebtedness of Management

No Director or executive officer or nominee for Director, or any member of the immediate family of such has been indebted to the Company during the past year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Our Board has previously reviewed and approved the following Related Party Transactions: None noted.

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our Board of Directors or Compensation Committee. None of the current members of our Compensation Committee, nor any of their family members, has ever been one of our employees.

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Going forward, our Audit Committee will review and report to our Board of Directors on any Related Party Transaction. From time to time, the independent members of our Board of Directors also may form an ad hoc committee to consider transactions and agreements in which a director or executive officer of Command Center has a material interest. In considering related party transactions, the members of our Audit Committee are guided by their fiduciary duties to our shareholders. Our Audit Committee does not currently have any written or oral policies or procedures regarding the review, approval and ratification of transactions with related parties.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The Board of Directors selected PMB Helin Donovan and MartinelliMick PLLC, as the independent registered public accounting firm to examine our consolidated financial statements for the fiscal years ending December 28, 2012 and December 30, 2011, respectively.

The following table summarizes the fees that PMB Helin Donovan and MartinelliMick PLLC, charged us for the listed services during 2012 and 2011:

Type of fee:	2012	2011
Audit fees (1)	\$ 140,254	\$ 84,000
Audit related fees (2)	-	-
Tax fees (3)	26,143	-
All other fees (4)	7,150	1,491
Total	\$ 173,546	\$ 85,491

- (1) Audit fees consist of fees billed for professional services provided in connection with the audit of the Company's consolidated financial statements and reviews of our quarterly consolidated financial statements.
- (2) Audit-related fees consist of assurance and related services that include, but are not limited to, internal control reviews, attest services not required by statute or regulation and consultation concerning financial accounting and reporting standards, and not reported under "Audit fees".
- (3) Tax fees consist of the aggregate fees billed for professional services for tax compliance, tax advice, and tax planning. These services include preparation of federal income tax returns.
- (4) All other fees consist of fees billed for products and services other than the services reported above.

Our Audit Committee reviewed the audit and tax services rendered by PMB Helin Donovan and MartinelliMick PLLC, and concluded that such services were compatible with maintaining the auditors' independence. All audit, non-audit, tax services, and other services performed by our independent accountants are pre-approved by our Audit Committee to assure that such services do not impair the auditors' independence from us. We do not use PMB Helin Donovan or MartinelliMick PLLC for financial information system design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements, or generates information that is significant to our financial statements, are provided internally. We do not engage PMB Helin Donovan or MartinelliMick PLLC to provide compliance outsourcing services.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Documents filed as part of this report on Form 10-K or incorporated by reference:

- (1) Our consolidated financial statements can be found in Item 8 of this report.

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(2) Consolidated Financial Statement Schedules (omitted because they are either not required, are not applicable, or the required information is disclosed in the notes to the consolidated financial statements or related notes).

(3) The following exhibits are filed with this Annual Report on Form 10-K or incorporated by reference:

Exhibit No.	Description
3.1	Articles of Incorporation: previously filed as Exhibit 3.1 to Form SB-2 dated May 7, 2001, and incorporated herein by reference.
3.2	Amendment to the articles of incorporation: previously filed as Exhibit 3.1 to Form 8-K dated November 16, 2005 and incorporated herein by reference.
3.3	Amendment to the articles of incorporation – previously filed as Exhibit 3.3 to Form S-1 dated January 14, 2008 and incorporated herein by reference.
3.4	Bylaws: Previously filed as Exhibit 3(b) to Form SB-2 dated May 7, 2001 and incorporated herein by reference.
3.5	Amendment to Bylaws: previously filed as Exhibit 3.2 to Form 8-K dated November 16, 2005 and incorporated herein by reference.
10.1	Acquisition agreement: Asset Purchase Agreement dated as of November 9, 2005 by and among Command Center, Inc. (formerly Temporary Financial Services, Inc.), Command Staffing LLC, Harborview Software, Inc., and the Operations Entities as defined herein. (Previously filed as Exhibit 10.1 to Form 8-K dated November 9, 2005 and incorporated herein by reference.)
10.2	Sale and Leaseback Agreement dated as of December 29, 2005 by and among Command Center, Inc. and John R. Coghlan. (Previously filed as Exhibit 10.1 to Form 8-K dated December 29, 2005 and incorporated herein by reference.)
10.3	Employment agreement with Glenn Welstad - previously filed as Exhibit 10.3 to Form S-1 dated January 14, 2008 and incorporated herein by reference.
10.4	Employment agreement with Tom Gilbert previously filed as Exhibit 10.4 to Form S-1 dated January 14, 2008 and incorporated herein by reference.
10.5	Employment agreement with Todd Welstad previously filed as Exhibit 10.5 to Form S-1 dated January 14, 2008 and incorporated herein by reference.
10.6	Employment agreement with Jeff R. Mitchell previously filed as Exhibit 10.6 to Form 8-K dated October 22, 2010 and incorporated herein by reference.
10.7	Resignation of Glenn Welstad previously filed as Exhibit 10.6 to Form 8-K dated February 22, 2013 and incorporated herein by reference.
10.8	Employment Agreement with Frederick Sandford previously filed as Exhibit 10.6 to Form 8-K dated February 28, 2013 and incorporated herein by reference.
<u>23.1</u>	Consent of PMB Helin Donovan
<u>23.2</u>	Consent of MartinelliMick PLLC
<u>31.1</u>	Certification of Principal Executive Officer-Section 302 Certification
<u>31.2</u>	Certification of Principal Financial and Accounting Officer-Section 302 Certification
<u>32.1</u>	Certification of Chief Executive Officer-Section 906 Certification
<u>32.2</u>	Certification of Principal Financial and Accounting Officer-Section 906 Certification
101.INS(1)	XBRL Instance Document
101.SCH(1)	XBRL Taxonomy Extension Schema Document
101.CAL(1)	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF(1)	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB(1)	XBRL Taxonomy Extension Label Linkbase Document
101.PRE(1)	XBRL Taxonomy Extension Presentation Linkbase Document

- (1) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Act of 1934 and otherwise are not subject to liability.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMAND CENTER, INC.

/s/ Frederick Sandford Signature	Chief Executive Officer Title	Frederick Sandford Printed Name	March 21, 2013 Date
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/s/ Dan Jackson Signature	Chief Financial Officer Title	Dan Jackson Printed Name	March 21, 2013 Date
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In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Todd Welstad Signature	Director Title	Todd Welstad Printed Name	March 21, 2013 Date
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/s/ Jeff Wilson Signature	Director Title	Jeff Wilson Printed Name	March 21, 2013 Date
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/s/ Ralph E. Peterson Signature	Director Title	Ralph E. Peterson Printed Name	March 21, 2013 Date
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/s/ John Schneller Signature	Director Title	John Schneller Printed Name	March 21, 2013 Date
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/s/ J.D. Smith Signature	Director Title	J.D. Smith Printed Name	March 21, 2013 Date
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