

Command Center, Inc.
Form 10-Q
November 16, 2015

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 25, 2015

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission file number: 000-53088

COMMAND CENTER, INC.
(Exact Name of Registrant as Specified in its Charter)

Washington 91-2079472
(State of other (I.R.S. Employer
jurisdiction of Identification No.)
incorporation or
organization)

3609 S. Wadsworth Suite
250 Lakewood, Co. 80235
(Address of Principal (Zip
Executive Offices) Code)

(866) 464-5844
(Registrant's Telephone Number, including Area Code).

3901 N. Schreiber Way,
Coeur d'Alene, Id 83815
(Address of Principal (Zip
Executive Offices) Code)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark 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

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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 (§232.405 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 check mark whether the Registrant is a large accelerated filer , an accelerated filer , a non-accelerated filer , or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Number of shares of issuer's common stock outstanding at November 6, 2015: 63,892,934

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Command Center, Inc.
Consolidated Condensed Balance Sheets

	September 25, 2015	December 26, 2014
ASSETS		
Current Assets		
Cash	\$5,779,322	\$8,600,249
Accounts receivable, net of allowance for doubtful accounts	10,138,443	9,029,347
Notes Receivable	175,000	-
Prepaid expenses, deposits and other	532,087	260,242
Prepaid workers' compensation	1,096,541	581,355
Other receivables	59,865	7,949
Current portion of deferred tax asset	910,000	1,760,000
Current portion of workers' compensation deposits	980,000	1,114,000
Total Current Assets	19,671,258	21,353,143
Property and equipment - net	370,834	430,987
Deferred tax asset, less current portion	2,158,410	2,126,000
Workers' compensation risk pool deposit, less current portion	1,712,241	1,790,633
Goodwill	2,500,000	2,500,000
Total Assets	\$26,412,742	\$28,200,763
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$414,977	\$546,247
Checks issued and payable	403,810	255,532
Account purchase agreement facility	369,395	2,900,104
Other current liabilities	406,634	249,445
Accrued wages and benefits	1,642,765	1,665,697
Current portion of workers' compensation premiums and claims liability	1,575,115	1,305,248
Total Current Liabilities	4,812,696	6,922,273
Long-Term Liabilities		
Workers' compensation claims liability, less current portion	2,280,159	2,514,302
Total Liabilities	7,092,854	9,436,575
Commitments and contingencies		
	-	-
Stockholders' Equity		
Preferred stock - \$0.001 par value, 5,000,000 shares authorized; none issued	-	-
Common stock - 100,000,000 shares, \$0.001 par value, authorized; 64,106,530 and 65,632,868 shares issued and outstanding, respectively	64,106	65,633
Additional paid-in capital	57,712,092	58,318,396
Accumulated deficit	(38,456,311)	(39,619,842)
Total Stockholders' Equity	19,319,888	18,764,188
Total Liabilities and Stockholders' Equity	\$26,412,742	\$28,200,763

See accompanying notes to consolidated condensed financial statements.

Command Center, Inc.
Consolidated Condensed Statements of Income
(unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September 25, 2015	September 26, 2014	September 25, 2015	September 26, 2014
Revenue	\$24,856,000	\$27,698,843	\$66,639,061	\$67,819,186
Cost of staffing services	18,364,794	20,020,317	48,590,540	49,424,797
Gross profit	6,491,206	7,678,526	18,048,521	18,394,389
Selling, general and administrative expenses	5,059,098	4,767,840	15,408,104	13,117,834
Depreciation and amortization	42,611	364,809	128,904	498,614
Income from operations	1,389,497	2,545,877	2,511,513	4,777,941
Interest expense and other financing expense	(36,083)	(46,237)	(149,018)	(209,592)
Impairment of goodwill	-	(806,786)	-	(806,786)
Change in fair value of derivative liabilities	-	-	-	87
Net income before income taxes	1,353,414	1,692,854	2,362,495	3,761,650
Provision for income taxes	(533,071)	4,307,642	(930,549)	4,245,611
Net income	\$820,343	\$6,000,496	\$1,431,946	\$8,007,261
Earnings per share:				
Basic	\$0.01	\$0.09	\$0.02	\$0.13
Diluted	\$0.01	\$0.09	\$0.02	\$0.12
Weighted average shares outstanding:				
Basic	64,995,420	65,365,148	65,546,464	63,282,191
Diluted	66,342,868	67,101,779	66,871,177	64,895,172

See accompanying notes to consolidated condensed financial statements.

Command Center, Inc.
Consolidated Condensed Statements of Cash Flows
(unaudited)

	Thirty-nine Weeks Ended	
	September 25, 2015	September 25, 2014
Cash flows from operating activities		
Net income	\$1,431,946	\$8,007,261
Adjustments to reconcile net income to net cash used by operations:		
Depreciation and amortization	128,904	498,614
Change in allowance for doubtful accounts	23,720	(203,849)
Change in fair value of derivative liabilities	-	(87)
Stock based compensation	493,351	121,863
Impairment of Goodwill		806,787
Reserve on note receivable	175,000	-
Deferred tax asset	817,590	(4,317,000)
Changes in assets and liabilities:		
Accounts receivable - trade	(1,132,817)	(946,018)
Restricted cash	-	(23,525)
Prepaid workers' compensation	(515,185)	(785,067)
Other receivables	(51,916)	26,383
Prepaid expenses, deposits and other	(271,844)	(19,251)
Loss on disposition of property and equipment	(2,271)	11,698
Workers' compensation risk pool deposits	212,392	(13,173)
Accounts payable	(131,270)	29,225
Checks issued and payable	148,278	205,549
Other current liabilities	(17,811)	(42,319)
Accrued wages and benefits	(22,931)	182,949
Workers' compensation premiums and claims liability	35,723	(102,947)
Net cash provided by operating activities	1,320,858	3,437,092
Cash flows from investing activities		
Purchase of property and equipment	(39,648)	(232,164)
Purchase of note receivable	(175,000)	
Proceeds from the sale of property and equipment	2,500	-
Net cash used in investing activities	(212,148)	(232,164)
Cash flows from financing activities		
Net proceeds from account purchase agreement facility	(2,530,709)	(3,379,864)
Purchase of treasury stock	(1,411,168)	-
Proceeds from the conversion of stock options	12,240	336,000
Proceeds from the exercise of common stock warrants	-	54,835
Net cash used in financing activities	(3,929,638)	(2,989,029)
Net increase (decrease) in cash	(2,820,928)	215,899
Cash, beginning of period	8,600,249	5,820,309
Cash, end of period	\$5,779,322	\$6,036,208
Non-cash investing and financing activities		
Common stock issued for services	\$73,000	\$-
Cashless exercise of stock options	\$42,500	\$-

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Supplemental disclosure of cash flow information

Interest paid	\$54,693	\$107,488
Income taxes paid	\$103,878	\$164,951

See accompanying notes to consolidated condensed financial statements.

Command Center, Inc.
Notes to Consolidated Condensed Financial Statements

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated condensed financial statements have been prepared by Command Center, Inc. (“Command,” “us,” “we,” or “our”) in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting and rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. In the opinion of our management, all adjustments, consisting of only normal recurring accruals, necessary for a fair presentation of the financial position, results of operations, and cash flows for the fiscal periods presented have been included.

These financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report filed on Form 10-K for the year ended December 26, 2014. The results of operations for the thirty-nine weeks ended September 25, 2015 are not necessarily indicative of the results expected for the full fiscal year, or for any other fiscal period.

Consolidation: The consolidated condensed financial statements include the accounts of Command and all of our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Reclassifications: Certain financial statement amounts for the prior period have been reclassified to conform to the current period presentation. These reclassifications had no effect on the net income or accumulated deficit as previously reported.

Cash and Cash Equivalents: Cash and cash equivalents consist 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. As of September 25, 2015 and December 26, 2014, we held deposits in excess of FDIC insured limits of approximately \$5.2 million and \$8.3 million, respectively.

Concentrations: At December 26, 2014, 23.2% of accounts payable was due to a single vendor.

Recent Accounting Pronouncements: Other accounting standards that have been issued by the Financial Accounting Standards Board or other standards-setting bodies are not expected to have a material impact on our financial position, results of operations and cash flows. For period ended September 25, 2015, the adoption of other accounting standards had no material impact on our financial positions, results of operations, or cash flows.

NOTE 2 – 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 options and stock warrants, except where their inclusion would be anti-dilutive. Total outstanding common stock equivalents at September 25, 2015 and September 26, 2014 were 3,728,500 and 4,995,000 respectively.

Diluted common shares outstanding were calculated using the Treasury Stock Method and are as follows:

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	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September	September	September	September
	25, 2015	26, 2014	25, 2015	26, 2014
Weighted average number of common shares used in basic net income per common share	64,995,420	65,365,148	65,546,464	63,282,191
Dilutive effects of stock options	1,347,448	1,736,631	1,324,713	1,612,981
Weighted average number of common shares used in diluted net income per common share	66,342,868	67,101,779	66,871,177	64,895,172

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NOTE 3 – ACCOUNT PURCHASE AGREEMENT

We have an account purchase agreement in place 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, at September 25, 2015. When the receivable is collected, the remaining 10% is paid to us, less applicable fees and interest. Net outstanding accounts receivable sold pursuant to this agreement at September 25, 2015 were approximately \$410,000. The term of the agreement is through April 7, 2016. The agreement bears interest at the London Interbank Offered Rate (LIBOR) plus 3.0% per annum. At September 25, 2015, the effective interest rate was 3.19%. Interest is payable on the actual amount advanced. Additional charges include an annual facility fee equal to 0.75% of the facility threshold in place and lockbox fees. As collateral for repayment of any and all obligations, we granted Wells Fargo Bank, N.A. a security interest in all of our property including, but not limited to, accounts receivable, intangible assets, contract rights, investment property, deposit accounts, and other such assets.

At September 25, 2015, we had an outstanding letter of credit in the amount of \$5.7 million issued under this agreement which we use as a collateral deposit with our workers' compensation insurance provider. The letter of credit reduces the amount of funds available under this agreement.

The agreement requires that the sum of our unrestricted cash plus net accounts receivable must at all times be greater than the sum of the amount outstanding under the agreement plus accrued payroll and accrued payroll taxes. At September 25, 2015, we were in compliance with this covenant.

NOTE 4 – NOTE RECEIVABLE

On May 22, 2015, we purchased a 10% Original Issue Discount Convertible Note originally issued by Labor Smart, Inc., a Nevada corporation, to Gemini Master Fund, Ltd., a Cayman Islands corporation (the "Note"). The Note was issued by Labor Smart on March 27, 2014 in the principal amount of \$220,000, bearing a 10% annual interest rate and with a maturity date of January 1, 2015.

At the option of the Holder, the Note, together with any unpaid accrued interest, is convertible into shares of common stock of Labor Smart at a variable conversion price calculated at 65% of the market price based on the average of the lowest volume weighted average price during the twenty trading day period ending prior to the Conversion Date.

On May 26, 2015, we provided to Labor Smart a notice of default and demand for payment of \$305,429 under the terms of the Note. We have filed suit in New York to collect all unpaid principal, interest, penalties and collection costs. We plan to pursue all means available to collect amounts due under the Note.

At the present time, we do not own any shares of stock of Labor Smart, Inc. and have no present intent to convert all or any part of the amount due under the Note to common stock of Labor Smart.

Based on its most recent financial statements available, there is substantial reason to doubt the ability of Labor Smart to repay the note. In its most recent Form 10-Q filed on August 17, 2015, Labor Smart has reported negative working capital of approximately \$4.9 million, an accumulated deficit of approximately \$10.3 million, and 2015 year to date net loss of approximately \$2.0 million. Based on Labor Smart's financial condition we have concluded that it is not probable the note will be repaid and we reduced the carrying value of the note to zero in the second quarter.

NOTE 4 – WORKERS' COMPENSATION INSURANCE AND RESERVES

On April 1, 2014, we changed our workers' compensation carrier to ACE American Insurance Company ("ACE") in all states in which we operate other than Washington and North Dakota. The ACE insurance policy is a large deductible

policy where we have primary responsibility for all claims made. ACE provides insurance for covered losses and expenses in excess of \$500,000 per incident. Under this high deductible program, we are largely self-insured. Per our contractual agreements with ACE, we must provide a collateral deposit of \$5.7 million, which is accomplished through a letter of credit under our account purchase agreement.

As part of our large deductible workers' compensation programs, our carriers require that we collateralize a portion of our future workers' compensation obligations in order to secure future payments made on our behalf. This collateral is typically in the form of cash and cash equivalents. At September 25, 2015 and December 26, 2014, we had cash collateral deposits of approximately \$2.7 million. With the addition of the \$5.7 million letter of credit, our cash and non-cash collateral totaled approximately \$8.4 million at September 25, 2015.

Workers' compensation expense for temporary workers is recorded as a component of our cost of staffing services and totaled approximately \$2.1 and \$2.8 million for the thirty-nine week periods ended September 25, 2015 and September 26, 2014, respectively.

NOTE 5 – STOCKHOLDERS EQUITY

Issuance of Common Stock: In the first quarter of 2015, we issued 100,000 shares of common stock valued at \$73,000 to members of our Board of Directors as partial payment for their services.

Stock Warrants: The following warrants for our common stock were issued and outstanding at September 25, 2015 and December 26, 2014, respectively:

	September 25, 2015	December 26, 2014
Warrants outstanding at beginning of period	1,375,000	5,575,000
Expired	(1,375,000)	-
Exercised	-	(4,200,000)
Warrants outstanding at end of period	-	1,375,000

All of the warrants outstanding at December 26, 2014 had an exercise price of \$1.00 and expired, unexercised, on April 15, 2015.

NOTE 6 – STOCK BASED COMPENSATION

Our 2008 Stock Incentive Plan permits the grant of up to 6.4 million stock options in order to motivate, attract and retain the services of employees, officers and directors, and to provide an incentive for outstanding performance. Pursuant to awards under this plan, there were 1,400,000 and 1,728,375 options vested at September 25, 2015 and September 26, 2014, respectively.

The following table summarizes our stock options outstanding at December 26, 2014 and changes during the period ended September 25, 2015:

	Number of Shares Under Options	Weighted Average Exercise Price per Share	Weighted Average Grant Date Fair Value
Outstanding, December 26, 2014	4,266,500	\$0.38	\$0.25
Forfeited	(34,000)	0.41	0.33
Granted	300,000	0.70	0.31
Expired	(53,000)	0.31	0.26
Exercised	(751,000)	0.17	0.15
Outstanding, September 25, 2015	3,728,500	0.45	0.28

The following table summarizes our non-vested stock options outstanding at December 26, 2014, and changes during the period ended September 25, 2015:

Number of Options	Weighted Average	Weighted Average
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		Exercise Price per Share	Grant Date Fair Value
Non-vested, December 26, 2014	2,666,125	\$0.46	\$0.28
Granted	300,000	\$0.70	\$0.31
Vested	(492,500)	\$0.25	\$0.16
Forfeited	(34,000)	0.41	0.33
Non-vested, March 27, 2015	2,439,625	0.53	0.30

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The following table summarizes information about our stock options outstanding, and reflects the intrinsic value recalculated based on the closing price of our common stock at September 25, 2015:

	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value
Outstanding	3,738,500	\$0.45	3.82	\$2,119,600
Exercisable	1,400,000	0.31	2.80	561,900

We recognized share-based compensation expense relating to the vesting of issued stock options of approximately \$420,000 and \$86,000 for the thirty nine week periods ended September 25, 2015 and September 26, 2014, respectively. At September 25, 2015, there was unrecognized share-based compensation expense totaling approximately \$624,000 relating to non-vested options that will be recognized over the next 3.5 years.

Stock Repurchase: In April 2015 the Board of Directors authorized a \$5.0 million three year repurchase of our common stock. During the third quarter and we have purchased 1,515,997 shares of common stock at an aggregate price of approximately \$916,000 resulting in an average price of \$0.61 per share under the plan. These share were then retired. We have approximately \$3.8 million remaining under the plan. The table below summarizes our common stock purchases during the third quarter of 2015.

	Total Shares Purchased	Average Price Per Share	Total number of share purchased as part of publicly announced plan	Approximate dollar value of shares that may yet be purchased under the plan
July (June 27, 2015 to July 24, 2015)	259,214	\$0.65	632,527	\$ 4,570,000
August (July 25, 2015 to August 21, 2015)	452,500	\$0.62	1,085,027	\$ 4,290,000
September (August 22, 2015 to September 25, 2015)	804,283	\$0.58	1,889,310	\$ 3,824,781
Total	1,515,997	\$0.61	1,889,310	\$ 3,824,781

The Board of Directors authorized the purchase of 429,000 shares of common stock issuable to non-executive employees under stock options granted with an exercise price of \$0.17 per share, as awarded on May 7, 2010. On March 27, 2015, we purchased the shares at the closing market price of \$0.72 per share for an aggregate purchase price of \$235,950. These shares were retired.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings: From time to time we are involved in various legal proceedings. We believe that the outcome of these proceedings, even if determined adversely, will not have a material adverse effect on our business, financial condition or results of operations. There have been no material changes in our legal proceedings since December 26, 2014.

Collateral:

For the two-year period prior to April 1, 2014, our workers' compensation insurance coverage was provided by Dallas National Insurance under a high deductible policy in which we are responsible for the first \$350,000 per incident. During this time period, Dallas National changed its corporate name to Freestone Insurance Company. Under the terms of the policy we were required to provide cash collateral of \$900,000 per year for a total of \$1.8 million, as a non-depleting fund to secure our payment of anticipated claims up to the policy deductible. We are responsible for paying costs of claims that occur during the term of the policy, up to the deductible amount. In January 2014, Freestone Insurance confirmed to us that it continued to hold \$1.8 million of Command funds as collateral. In April 2014, the State of Delaware placed Freestone Insurance in receivership due to concerns about its financial condition. On August 15, 2014, the receivership was converted to a liquidation proceeding. The Receiver distributed pending Freestone claims to the state guaranty funds ("SGFs") for administration. In many cases, the SGFs have made payments directly to the claimants. In other situations we have continued to pay claims that are below the deductible level and we are not aware of any pending claims from this time period that exceed or are likely to exceed our deductible.

During the second quarter of 2015, the Receiver requested court authorization to disburse funds to the SGFs. We and other depositors of collateral with Freestone objected and asked the court to block the disbursements until a full accounting of the assets and liabilities of Freestone is provided. Distribution of funds by the Receiver to the SGFs is now on hold, pending an accounting of Freestones' assets and liabilities. As a result of these developments, during the second quarter of 2015 we recorded a reserve of \$250,000 on the deposit balance. We believe that our claim to the return of our collateral is a priority claim in the liquidation proceeding and that our collateral should be returned to us. However, if it is ultimately determined that our claim is not a priority claim or if there are insufficient assets in the liquidation to satisfy the priority claims, we may not receive any or all of our collateral.

Moreton Litigation: In 2010, AdvantEdge Insurance Group, LLC filed suit against us in Denver District Court, alleging that it was entitled to receive unpaid insurance commissions from us. We counterclaimed against AdvantEdge and others, alleging retention of unauthorized and undisclosed fees and other breaches of duty in the placement of insurance coverage for Command. Ultimately, AdvantEdge's initial claim was dismissed and we became the plaintiff in the pursuit of our remaining claims against AdvantEdge and others. In October 2014, the jury returned a verdict in favor of the defendants and against us. In May we reached a settlement and were released of all future claims in the case and paid \$164, 000 to the defendants.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements: This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding industry trends, our future financial position and performance, business strategy, revenues and expenses in future periods, projected levels of growth and other matters that do not relate strictly to historical facts. These statements are often identified by words such as "may," "will," "seeks," "anticipates," "believes," "estimates," "expects," "plans," "intends," "continue," "could," "should" or similar expressions or variations. These statements are based on the beliefs and expectations of our management based on information currently available. Such forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated by forward-looking statements. Important factors currently known to our management that could cause or contribute to such differences include, but are not limited to, those referenced in our Annual Report on Form 10-K for the year ended December 26, 2014 under Item 1A "Risk Factors." We undertake no obligation to update any forward-looking statements as a result of new information, future events or otherwise.

Overview

Command Center, Inc. ("Command," "us," "we," or "our") is a staffing company operating primarily in the manual labor segment of the staffing industry. Our customers range in size from small businesses to large corporations. All of our temporary workers are employed by us. Most of our work assignments are short term, and many are filled on little notice from our customers. In addition to short and longer term temporary work assignments, we recruit and place workers in temp-to-hire positions.

At September 25, 2015, we owned and operated 57 on-demand labor stores in 22 states.

Results of Operations

The following table reflects operating results for the thirteen and thirty-nine week periods ended September 25, 2015 compared to the thirty-nine week periods ended September 26, 2014 (in thousands, except per share amounts and percentages) and serves as the basis for the narrative that follows. Percentages indicate line items as a percentage of total revenue.

	Thirteen Weeks Ended						Thirty-nine Weeks Ended					
	September 25, 2015			September 26, 2014			September 25, 2015			September 25, 2014		
Total Operating Revenue	\$24,856			\$27,699			\$66,639			\$67,819		
Cost of Staffing Services	18,365	73.9	%	20,020	72.3	%	48,591	72.9	%	49,425	72.9	%
Gross profit	6,491	26.1	%	7,679	27.7	%	18,049	27.1	%	18,394	27.1	%
Selling, general and administrative expenses	5,059	20.4	%	4,768	17.2	%	15,408	23.1	%	13,118	19.3	%
Depreciation and amortization	43	0.2	%	365	1.3	%	129	0.2	%	499	0.7	%
Income from operations	1,389	5.6	%	2,546	9.2	%	2,512	3.8	%	4,778	7.0	%
Interest expense and other financing	(36)	-0.1	%	(46)	-0.2	%	(149)	-0.2	%	(210)	-0.3	%

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expense												
Impairment of goodwill	-	0.0	%	(807)	-2.9	%	-	0.0	%	(807)	-1.2	%
Change in fair value of warrant liability	-	0.0	%	-	0.0	%	-	0.0	%	0	0.0	%
Net income before income taxes	1,353	5.4	%	1,693	6.1	%	2,362	3.5	%	3,762	5.5	%
Provision for income taxes	(533)	-2.1	%	4,308	15.6	%	(931)	-1.4	%	4,246	6.3	%
Net income	\$820	3.3	%	\$6,000	21.7	%	\$1,432	2.1	%	\$8,007	11.8	%
Non-GAAP Data												
EBITDA-D	\$1,595	6.4	%	\$2,947	10.6	%	\$3,061	4.6	%	\$5,398	8.0	%

Earnings before interest, taxes, depreciation and amortization, and non-cash compensation (EBITDA) is a non-GAAP measure that represents net income attributable to Command before interest expense, income tax benefit (expense), depreciation and amortization, and non-cash compensation. We utilize EBITDA 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 of operations. We believe it is a complement to net income and other financial performance measures. EBITDA is not intended to represent net income as defined by U.S. generally accepted accounting principles (“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 to measure our financial performance because we believe interest, taxes, depreciation and amortization, and non-cash compensation bear little or no relationship to our operating performance. By excluding interest expense, EBITDA measures our financial performance irrespective of our capital structure or how we finance our operations. By excluding taxes on income, we believe EBITDA 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 measures the financial performance of our operations without regard to their historical cost. By excluding stock based compensation, EBITDA provides a basis for measuring the financial performance of our operations. For all of these reasons, we believe that EBITDA provides us and investors with information that is relevant and useful in evaluating our business. However, because EBITDA excludes depreciation and amortization, it does not measure the capital we require to maintain or preserve our fixed assets. In addition, because EBITDA 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, as defined by us, may not be comparable to EBITDA as reported by other companies that do not define EBITDA exactly as we define the term. Because we use EBITDA 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 to net income for the periods presented:

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	September	September	September	September
	25, 2015	26, 2014	25, 2015	26, 2014
EBITDA-D	\$1,595	\$2,947	\$3,061	\$5,398
Interest expense and other financing expense	(36)	(46)	(149)	(210)
Depreciation and amortization	(43)	(1,172)	(129)	(1,305)
Provision for income taxes	(533)	4,308	(931)	4,246
Non-cash compensation	(162)	(36)	(420)	(122)
Net income (loss)	\$820	\$6,000	\$1,432	\$8,007

Thirteen Weeks Ended September 25, 2015

Summary of Operations: Revenue for the thirteen weeks ended September 25, 2015 was \$24.9 million, a decrease of approximately \$2.8 million or 10.3%, when compared to the third quarter of 2014. This decrease in revenue is due to the decline in demand for temporary staffing services in North Dakota. Revenue from our branches in this region fell \$4.2 million or 47.3% compared to the third quarter of 2014. The third quarter of 2014 was the peak of the oil and gas activity in this region as worldwide crude oil prices began to decline in the fourth quarter of 2014. Revenue from our remaining branches increased by approximately 6.5% from the third quarter 2014. Improving same store sales has been an operating objective for us as a way to increase revenue and profitability without incurring the costs associated with opening additional branches.

Our branches serve a wide variety of clients and industries across 22 states. Our individual branch revenue can fluctuate significantly on both a quarter over quarter and year over year basis depending on the local economic conditions and need for temporary labor services in the local economy. One of our goals is to increase the diversity of clients and industries we service at both the branch and the company level. We believe this will reduce the potential negative impact of an economic downturn in any one industry or region.

Cost of Staffing Services: Cost of staffing services was 73.9% and 72.3% of revenue for the thirteen weeks ended September 25, 2015 and September 26, 2014, respectively. The increase is primarily a result from a reduction in higher margin revenue from the North Dakota region. In addition workers compensation expense increased slightly to 4.4% of revenue for the thirteen weeks ended September 25, 2015 compared to 4.0% a year ago. There can be

fluctuations in the quarterly workers compensation expense as a result of changes to the mix of work performed during the quarter, changes in our claims history and changes in actuarial assumptions. Overall our workers compensation expense continues to trend lower.

Selling, General and Administrative Expenses (“SG&A”): SG&A expenses were 20.4% and 17.2% of revenue for the thirteen weeks ended September 25, 2015 and September 26, 2014, respectively. We continue to aggressively manage our SG&A costs. The increase in SG&A is a result of increased hiring and training of employees to support future planned growth. During the third quarter of 2015 we moved our corporate headquarters from Coeur d’Alene, Idaho to Lakewood, Colorado. There was additional costs associated with the hiring and training of new employees incurred during the quarter. In addition, our non-cash compensation increased \$59,000 from the prior year as we expanded our equity based compensation program to include all regular employees. We believe these programs will enhance job performance and employee retention leading to increased profitability.

Thirty-nine Weeks Ended September 25, 2015

Summary of Operations: Revenue for the thirty-nine weeks ended September 25, 2015 was \$66.6 million, a decrease of approximately \$1.2 million, or 1.7%, when compared to the same period in 2014. For the first thirty-nine weeks of 2015, our revenue from branches located in North Dakota was down 36.6% compared to 2014. The decline in revenue from branches located in North Dakota was partially offset by an 11.4% increase in revenue from our remaining branches.

Cost of Staffing Services: Cost of staffing services was 72.9% of revenue for both the thirty-nine weeks ended September 25, 2015 and September 26, 2014. Cost of staffing services decreased due to a reduction in our workers’ compensation expense. This was offset by a relative increase in temporary workers wages and related payroll taxes, primarily in North Dakota.

Workers' compensation expense was 3.1% and 4.1% of revenue for the thirty-nine weeks ended September 25, 2015 and September 26, 2014, respectively.

Selling, General and Administrative Expenses ("SG&A"): SG&A expenses were 23.1% and 19.3% of revenue for the thirty-nine weeks ended September 25, 2015 and September 26, 2014, respectively. Included in 2015 year to date SG&A costs are two non-recurring charges. The first charge is a \$250,000 valuation allowance on \$1.8 million in deposits we placed with our former workers' compensation insurance carrier, Freestone Insurance (formerly Dallas National Insurance Company). Freestone insurance was placed in receivership by the state of Delaware in 2014. We continue to believe we have a priority claim. However, we have not received information from the receiver regarding the amount of funds available for distribution to insureds in the same position as the company. The second is a \$175,000 reserve for a note issued by Labor Smart, Inc. We purchased the note from a creditor of Labor Smart and issued Labor Smart a notice of default. We then filed suit to collect on the full value of the note, and Labor Smart has similarly filed suit against us seeking to halt collection efforts. The litigation is proceeding in the United States District Court for the Southern District of New York. Labor Smart's operating losses and negative working capital and shareholders' equity, affected our valuation of the note

Additionally, SG&A increased as a result of hiring and training of employees to support future planned growth. During the third quarter of 2015 we moved our corporate headquarters from Coeur d'Alene, Idaho to Lakewood, Colorado. There was additional costs associated with the hiring and training of new employees incurred during the quarter. Our non-cash compensation increased approximately \$370,000 from the prior year as we expanded our equity based compensation program to include all regular employees. We believe these programs will enhance job performance and employee retention leading to increased profitability.

Liquidity and Capital Resources

Cash provided by operating activities totaled approximately \$1.3 million during the thirty-nine weeks ended September 25, 2015, as compared to approximately \$3.4 million in 2014. The significant changes in working capital include approximately a \$1.1 million increase in accounts receivable during the thirty-nine week period ended September 25, 2015 compared to a \$0.9 million decrease in 2014.

Cash used by investing activities totaled approximately \$212,000 for the period ended September 25, 2015 compared to \$232,000 in 2014. In both periods cash was used to purchase additional property and equipment.

Cash used by financing activities totaled approximately \$3.9 million and approximately \$3.0 million during the first thirty-nine weeks of 2015 and 2014, respectively, and in both periods these uses of cash relate to a reduction in the amount outstanding in our account purchase agreement with Wells Fargo. In addition, we purchased and retired approximately \$1.2 million in treasury stock in 2015.

In April 2015 the Board of Directors authorized a \$5.0 million three year repurchase of our common stock. The plan was implemented during the second quarter and we purchased 1,889,310 shares of common stock at an aggregate price of approximately \$1.1 resulting in an average price of \$0.61 per share during the third quarter. These share were then retired. We have approximately \$3.8 million remaining under the plan. The Board of Directors also authorized the purchase of 429,000 shares of common stock issuable to non-executive employees under stock options granted with an exercise price of \$0.17 per share, as awarded on May 7, 2010. On March 27, 2015, we purchased the shares at the closing market price of \$0.72 per share for an aggregate purchase price of approximately \$236,000. All of these repurchased shares were retired.

Accounts Receivable: At September 25, 2015 we had total current assets of approximately \$19.6 million. Included in current assets are trade accounts receivable of approximately \$10.1 million (net of allowance for bad debts of

approximately \$574,000). Weighted average aging on our trade accounts receivable at September 25, 2015 was 37 days. Bad debt expense was approximately \$322,000 for the thirty-nine weeks ended September 25, 2015 compared to approximately \$108,000 during the same time period in 2014.

Financing: We have an account purchase agreement in place 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. When the receivable is collected, the remaining 10% is paid to us, less applicable fees and interest. Net outstanding accounts receivable sold pursuant to this agreement at September 25, 2015 were approximately \$410,000. The term of the agreement is through April 7, 2016. The agreement bears interest at the London Interbank Offered Rate (LIBOR) plus 3.0% per annum. At September 25, 2015, the effective interest rate was 3.19%. Interest is payable on the actual amount advanced. Additional charges include an annual facility fee equal to 0.75% of the facility threshold in place and lockbox fees. As collateral for repayment of any and all obligations, we granted Wells Fargo Bank, N.A. a security interest in all of our property including, but not limited to, accounts receivable, intangible assets, contract rights, investment property, deposit accounts, and other such asset. We also have an outstanding letter of credit under this agreement in the amount of \$5.7 million which reduces the amount of funds otherwise made available to us under this agreement.

Workers' Compensation: Our workers' compensation carrier is ACE American Insurance Company ("ACE") in all states in which we operate other than Washington and North Dakota. The ACE insurance policy is a large deductible policy where we have primary responsibility for all claims made. ACE provides insurance for covered losses and expenses in excess of \$500,000 per incident. Under this high deductible policy, we are largely self-insured. Per our contractual agreements with ACE, we must provide a collateral deposit of \$5.7 million, which is accomplished through a letter of credit under our account purchase agreement.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There is no established market for trading our common stock. The market for our common stock is limited, and as such, shareholders may have difficulty reselling their shares when desired or at attractive market prices. The common stock is not regularly quoted in the automated quotation system of a registered securities system or association. Our common stock, par value \$0.001 per share, is quoted on the OTC Markets Group QB (OTCQB) 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 "over-the-counter" quotations do not reflect inter-dealer prices, retail mark-ups, commissions or actual transactions. 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 institutional investors have internal policies prohibiting the purchase or maintenance of positions in low-priced stocks.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of the end of the period covered by this report and, based on this evaluation, our principal executive officer and principal financial officer have concluded that these disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the Risk Factors we previously disclosed in our Annual Report on Form 10-K for the year ended December 26, 2014 filed with the Securities and Exchange Commission on March 4, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Default on Senior Securities

None.

Item 4. Mine Safety Disclosure

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Frederick Sandford, Chief Executive Officer of Command Center, Inc. pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Jeff Wilson, Chief Financial Officer of Command Center, Inc. pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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Act of 2002.

32.1 Certification of Frederick Sandford, Chief Executive Officer of Command Center, Inc. pursuant to 18 U.S.C. Section 1350, as adopted in Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Jeff Wilson, Chief Financial Officer of Command Center, Inc. pursuant to 18 U.S.C. Section 1350, as adopted in Section 906 of the Sarbanes-Oxley Act of 2002.

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) The XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed “filed” for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Signatures

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

Command Center, Inc.

/s/ Frederick Sandford Signature	President and CEO Title	Frederick Sandford Printed Name	November 16, 2015 Date
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/s/ Jeff Wilson Signature	Principal Accounting Officer Title	Jeff Wilson Printed Name	November 16, 2015 Date
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